bae urban economics

Fiscal Impact Analysis Report for Menlo Park Housing Element Update

Prepared for the City of Menlo Park

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EXECUTIVE SUMMARY

This report presents the findings from a Fiscal Impact Analysis (FIA) of the draft City of Menlo Park 2023-2031 Housing Element Update. The Housing Element is a State-required component of the City's General Plan which establishes housing objectives, policies, and programs in response to housing needs. The Housing Element uses a mix of strategies to ensure that there are sufficient sites in Menlo Park to meet the City's housing need. Sources of potential new housing units include housing opportunity sites identified in the Housing Element, accessory dwelling units (ADUs) on existing residential lots, and sites outside of the Site Inventory that would be affected by other land use strategies. This FIA analyzes a total of 3,379 units on housing opportunity sites, 85 accessory dwelling units, and 621 additional market-rate units from the other land use strategies that the City is pursuing.

The FIA addresses the net increase in revenues and expenditures and resulting annual net fiscal impact of construction of the units identified in the Housing Element 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 Project would have a negative net fiscal impact on the City of Menlo Park's annual General Fund operating budget. The Project would also generate a net negative fiscal impact for most school districts. Redwood City Elementary School District is the only school district that would experience a positive fiscal impact from the Project.

Selected Annual Net Fiscal Impact Findings for the Project at Buildout

All figures in 2022 dollars		Sequoia Union	Menlo Park City			
Proposed Project	**City of Menlo Park**	**High School District**	**Elementary District**	**Las Lomitas Elementary District**	**Ravenswood City Elementary District**	**Redwood City Elementary District**
Annual Impacts						
New Revenues	$5,040,449	$5,002,978	$3,605,291	$577,849	$285,345	$1,579,880
New Expenditures	($9,870,287)	($13,427,611)	($6,460,845)	($1,316,044)	($830,583)	($1,262,473)
Net Fiscal Impact	**($4,829,839)**	**($8,424,634)**	**($2,855,553)**	**($738,195)**	**($545,239)**	**$317,407**

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

Source: BAE, 2022.

INTRODUCTION

The City of Menlo Park (City) is in the process of preparing its 2023-2031 Housing Element Update (Project), and engaged BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) of the project. The Housing Element is a State-required component of the City's General Plan which establishes housing objectives, policies, and programs in response to housing needs, as described in detail in the Housing Element Update that has been released for public review. The Housing Element has been prepared to respond to current and near-term future housing needs in Menlo Park and provide a framework for the community's longer-term approach to addressing its housing needs. The Housing Element does not include any specific housing development proposals.

Like most new development, the 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 Project would have on local expenditures and revenues in order to estimate the net fiscal impact that the 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 Project is described in constant 2022 dollars, based on a hypothetical future scenario in which all units identified in the draft Housing Element would be built and occupied.

Challenges of a Housing Element FIA

There are some unique issues raised in the preparation of an FIA for a Housing Element, as compared to an FIA for a specific proposed development project, or even a Specific Plan or General Plan. One of the primary distinctions is that a Housing Element's calculation of housing need, based on State Housing Law, is done for a defined time period through the Regional Housing Needs Allocation (RHNA) process. Credits are applied for units that have been built or approved, as well as available sites for development, in order to determine the residual need for sites that will meet the housing needs of households in various income categories. This residual need is the basis for Housing Element Update actions that the City will undertake to make sufficient sites available, along with housing programs to facilitate development on those sites.

An FIA, by comparison, starts with a City's existing built inventory of residential and commercial properties, and the associated fiscal revenues they generate and service costs as reflected in the current year's City budget. It then evaluates the impacts associated with various types of new development as of the date when they would be built. In other words, an FIA is about the evaluation of potential development projects, rather than the analysis of available and net needed sites for a required number of units that is done for a Housing Element. This means that the FIA model needs to develop a number of additional detailed development

assumptions about housing product types (townhouses vs. condominiums vs. apartments), square footages, rents, sales prices, and so on that are not specifically identified in the Housing Element. These modeling assumptions must be made in advance of specific proposals for development, meaning that variances should be expected between what the FIA determines and what actually results when development occurs.

There are additional layers of complexity for the FIA that are not relevant to the Housing Element Update, primarily related to the five school districts that serve the City. As explained in more detail in a subsequent section of this FIA, all of the school districts that serve Menlo Park are "Basic Aid" districts whose revenues are directly tied to new development. This means that the FIA must formulate additional assumptions about specific residential product types at each identified housing site so that it can evaluate sites in terms of their fiscal and student generation impacts to the school districts in which they are located. Due to differences in approaches, the Draft Environmental Impact Report (EIR) for the Housing Element Update and this study may provide different estimates of potential future student generation from the Project.

In addition, assumptions that must be made for the FIA include assumptions about non-residential development on Housing Element sites. Some of the sites in the Housing Element could potentially be developed with a mix of residential and non-residential development. While the Housing Element is required to quantify the potential for residential development on these sites, it is not required to quantify potential non-residential development. The development program analyzed in this FIA does not include any potential non-residential square footage that could be developed on the sites in the Housing Element as part of new mixed-use developments. In general, non-residential development tends to generate lower municipal service costs than residential development while generating revenues from property tax, sales tax, business license tax, and other sources. Non-residential portions of new mixed-use developments, as well as other non-residential developments in Menlo Park, may help to offset the negative fiscal impacts identified in this analysis. However, the specific impacts from new non-residential development can vary between projects, and some new non-residential uses may have negative fiscal impacts on the City.

Thus, there are many different variables that shape the future development that the FIA aims to analyze: the types of housing products that are affordable to households at various income levels; differences between how new development impacts different school districts; and developer preferences on what to build on given sites, among other factors. For these reasons, it is nearly certain that actual development will vary from the development program set forth in this FIA. Therefore, the FIA is more appropriately used to provide a general understanding of how the Housing Element development may impact the City, school districts, and special districts from a fiscal perspective, rather than as a specific projection of the exact dollar amount of future fiscal impacts.

Project Description

The Housing Element Update uses a mix of strategies to ensure that there are sufficient sites in Menlo Park to meet the City's housing need. Sources of potential new housing units include housing opportunity sites identified in the Site Inventory, accessory dwelling units (ADUs) on existing residential lots, and sites outside of the Site Inventory that would be affected by other land use strategies. These other land use strategies include modifying the El Camino Real/Downtown Specific Plan, rezoning commercial-only sites, and modifying R-3 zoning around the Downtown.

Table 1 shows the number of units and the household income categories that the units would be likely to serve, based on buildout of the full housing potential planned for in the Project. As shown, this FIA analyzes a total of 3,379 units on housing opportunity sites, 85 accessory dwelling units, and 621 additional market-rate units from the other land use strategies that the City is pursuing—totaling 4,085 units at project buildout. The Project environmental impact report (EIR) also includes 414 units from pending projects currently under review, which the City is permitted to count toward its RHNA. However, to isolate the impacts of the new development potential from the Housing Element Update, pending projects have not been included in this analysis. Table 1 shows the distribution of the units by assumed product type and income level.

Table 1: Development Program at Project Buildout

Units by Source	Income Level (a) Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate Income	Total Units
6th Cycle Opportunity Sites	541	510	482	480	1,366	3,379
Accessory Dwelling Units	15	11	25	26	8	85
Other Land Use Strategies	0	0	0	0	621	621
Total Units Analyzed in FIA	**556**	**521**	**507**	**506**	**1,995**	**4,085**
Units by Product Type (b)						
100% Affordable Developments	541	435	419	210	25	1,630
Multifamily Rental	0	75	63	138	899	1,175
Multifamily Condominium	0	0	0	68	477	545
Townhomes	0	0	0	64	586	650
Accessory Dwelling Units	15	11	25	26	8	85
Total Units Analyzed in FIA	**556**	**521**	**507**	**506**	**1,995**	**4,085**

Notes:
(a) Income levels are defined based on household Area Median Income (AMI) as follows:
Extremely Low Income: less than 30% of AMI
Very Low Income: 30% of AMI to 50% of AMI
Low Income: 50% of AMI to 80% of AMI
Moderate Income: 80% of AMI to 120% of AMI
Above Moderate Income: greater than 120% AMI
(b) The FIA requires detailed assumptions regarding housing product types in order to estimate the property tax revenue impacts from the Project. BAE estimated the distribution of units by product type using detailed site-level information provided by M-Group. BAE identified sites in the Sites Inventory without any above moderate income units to estimate the total number of units in 100% affordable developments. The product type assumptions for the remaining units in the Sites Inventory were then determined based on each site's total residential density and the income levels of the units. Sites with residential densities up to 30 dwelling units per acre were assumed to be townhomes. Sites with higher residential densities were assumed to be multifamily developments. BAE relied on the City's BMR program guidelines to determine whether the units in multifamily developments would be rental versus for-sale units.

Sources: M-Group; BAE, 2022.

Table 2Table 1 shows the number of units at buildout as well as the number of new residents and the service population 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 services. Based on the estimated average household size identified in the Housing Element Draft Environmental impact Report (DEIR) (2.57 persons per household), the estimated population increase resulting from the 4,085 housing units included in the Housing Element is 10,498 persons at buildout.

Many of the sites subject to rezoning have existing commercial and/or industrial development that would need to be demolished in order to construct new residential projects that are identified in the Housing Element, resulting in a net decrease in employment and City service population on these sites. The net decreases in employment on some sites would directly offset the increase in service population associated with buildout of the residential units in the

Housing Element. The FIA accounts for the reduction in service population associated with demolishing the existing commercial space in order to estimate the overall net change in City service population resulting from buildout of the full residential potential in the Housing Element. Based on data from CoStar, Listsource, and other public online sources, BAE estimated the total commercial square footage to be demolished at approximately 770,000 square feet.[1] Assuming an average of 350 square feet per employee, this would result in a decrease of 2,200 workers, or 733 service population members, on Housing Element sites. After accounting for this reduction in commercial service population, the Project is projected to result in a net increase in service population equal to 9,765 at buildout.

Table 2: Projected Change to City Service Population

Net New Residential Units	4,085
Net New Residents (a)	10,498
Commercial Space Demolished from Project Sites (b)	-770,000
Employees Removed from Project Sites (c)	-2,200
Service Population Removed from Project Sites (d)	-733
Net Change in Service Population (d)	**9,765**

Notes:
(a) Based on the average number of persons per household in the Draft EIR for the Project: 2.57 persons per household. BAE estimate of existing commercial square footage on Project sites that would need to be demolished in order to construct the new residential units in the Housing Element. Total excludes existing commercial space on carveout sites because these existing uses are expected to remain.
(b) Based on average square feet per employee: 350 square feet per employee.
(c) 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 employee is multiplied by 1/3.

Sources: ESA; BAE, 2022.

[1] The estimated total commercial square footage to be demolished (770,000 square feet) excludes the existing commercial space on carveout sites identified in the Sites Inventory because these existing commercial uses are expected to remain.

GENERAL FUND FISCAL IMPACTS

This section of the report summarizes the estimated ongoing annual fiscal impacts from the 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 Project.

Fiscal Impact Analysis Methodology

This fiscal impact analysis (FIA) uses a variety of methods to estimate change in General Fund revenues and service costs that would be associated with the 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 assumes that future development would generate costs and revenues at the same average rate as the existing service population.

As shown in Table 3, the City of Menlo Park's current (2022) population consists of 33,034 residents and 35,471 employees, resulting in a service population of 44,858 (100 percent of residents plus one-third of employees).[2] The fiscal impact analysis uses this service population figure to derive current expenditures and revenues per service population member.

[2] This analysis uses 2022 estimates for current residents and employees in Menlo Park, which may differ from sources used for other studies related to the Project. The FIA relies on estimates from 2022 because this year corresponds with the fiscal year (2022-2023) for the budget that this analysis uses to estimate current City expenditures and some current City revenues on a service population basis. Use of data from other sources or years may be appropriate for other studies related to the Project due to the nature of the analyses necessary for those other studies.

Table 3: Current Service Population, City of Menlo Park

City of Menlo Park	2022
Residents (a)	33,034
Employees (b)	35,471
Service Population (c)	**44,858**

Note:
(a) California Department of Finance population estimate.
(b) Esri estimate.
(c) 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: California Department of Finance; Esri Business Analyst; BAE, 2022.

While an average revenue approach is appropriate for some revenue sources, other major sources of revenue such as property taxes, property tax in-lieu of vehicle license fee revenues, and sales taxes are estimated based on statutory requirements and other factors normally 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 2022 dollars based on a hypothetical future scenario in which all units identified in the draft Housing Element would be built and occupied. This report also presents the net annual fiscal impact to Menlo Park's General Fund over a ten-year period beginning in 2022 (2022 through 2031).

Estimated Annual Revenue Impacts

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

Sales Taxes

The Project would generate sales tax revenue from new taxable retail spending by residents and employees at City retailers. 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 New Resident Spending. To estimate taxable sales from new resident spending in Menlo Park, this analysis relies on taxable sales data from the California Department of Tax and Fee Administration for retailers in Menlo Park and a larger "benchmark

area" consisting of the two counties of San Mateo and Santa Clara. The larger two-county benchmark area includes a broad array of shopping opportunities such that most demand is likely met within the two-county area itself. As such, per capita sales in the two-county area serve as a good proxy for estimating total annual taxable spending by new residents generated by the Project. According to the data shown in Table 4, annual taxable retail sales in the two-county area average $14,877 per person, compared to only $8,017 per person in Menlo Park. The lower-than-predicted per capita sales volume in Menlo Park is a strong indicator that consumers are traveling outside the City to shop; thus, sales are "leaking" out of the City. Retail leakage indicates that, of the total $14,877 per year in expected taxable purchases among Menlo Park residents, a portion is spent in locations outside of Menlo Park, likely due to a shortage of retailers in Menlo Park to meet the demand for retail goods in specific categories. Table 4 shows that Menlo Park experiences leakages in several retail categories, including home furnishings and appliances, clothing and clothing accessories, food services and drinking places, and "other retail". Meanwhile, the data also indicate that the City experiences an "injection" of retail sales in some categories (i.e., food and beverage stores and gasoline stations), with per-capita taxable sales in Menlo Park exceeding the average for the two-county area. This indicates that there are likely enough retailers in these categories in Menlo Park to meet the demand from Menlo Park residents, and that people that live outside of Menlo Park likely make a portion of their purchases in these categories at locations in Menlo Park.

The analysis compares the per-capita taxable sales in Menlo Park with the per-capita taxable sales in the larger two-county benchmark area to estimate the share of retail spending by new residents that would be captured by retailers within Menlo Park. For the retail categories that indicate retail leakage (i.e., home furnishings and appliances, clothing and clothing accessories, food services and drinking places, and "other retail"), the analysis uses the lower per-capita spending figure for Menlo Park to estimate retail sales by new residents at retailers and restaurants in Menlo Park. The remainder of new resident spending in those categories is assumed to occur outside of Menlo Park. To be conservative, the analysis assumes a maximum capture rate of 85 percent of total new resident taxable sales in all retail categories, including the two categories that show an injection of retail sales in Menlo Park, even though the data indicate that retailers in these two categories are likely able to meet all the demand from new Menlo Park residents. This is meant to provide a more conservative analysis and account for the fact that some taxable sales in Menlo Park are likely due to spending by people that are not Menlo Park residents. Applying these capture rates results in an estimate that the new Menlo Park residents generated by the Project will spend $6,419 per year in taxable purchases at locations in Menlo Park, with the remainder of their $14,877 in total estimated annual per-capita spending occurring in locations outside of Menlo Park. This figure ($6,419 per year) was multiplied by the estimated number of new residents that the units in the Housing Element would generate to estimate the total annual taxable sales in Menlo Park generated by new resident spending.

Table 4: Estimated Annual Taxable Expenditures per New Resident

Business Category	2021 Taxable Sales per Capita (a) Menlo Park	2021 Taxable Sales per Capita (a) 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 & Appliance Stores	$685	$923	26%	74%	$685
Food and Beverage Stores	$1,675	$815	-105%	85%	$693
Gasoline Stations	$1,485	$1,152	-29%	85%	$979
Clothing & Clothing Accessories Stores	$346	$1,074	68%	32%	$346
Food Services and Drinking Places	$2,261	$2,531	11%	85%	$2,152
Other Retail	$1,564	$8,382	81%	19%	$1,564
Total (e)	**$8,017**	**$14,877**			**$6,419**

Notes:
(a) 2021 data inflated to 2022 dollars. Population estimates per the California Department of Finance:
Menlo Park: 33,509
San Mateo County: 751,596
Santa Clara County: 1,907,693
(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 rate 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, 2022.

Taxable Sales from Worker Spending. To estimate the annual taxable expenditures made by the existing workers in the commercial space that would need to be demolished in order to construct all of the residential units in the Housing Element, 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 adjustments also account for the available retail offerings in Menlo Park, which affects the extent to which businesses in Menlo Park capture worker spending. After accounting for these adjustments, total annual taxable sales in Menlo Park would average $1,884 per existing employee. This figure was multiplied by the estimated number of existing workers in the commercial space that would be demolished as part of the Project to estimate the annual taxable sales in Menlo Park generated by existing employee spending.

Net Change in General Fund Sales Tax Revenue from Resident and Worker Spending. Table 5 shows the estimated net change in total taxable sales from resident and worker spending in Menlo Park associated with the Project. As shown, annual taxable purchases in Menlo Park would increase by approximately $63.8 million at buildout after accounting for the existing annual taxable spending by workers in commercial buildings that would be demolished as part of the Project. Applying the City's share of sales tax revenue to this amount results in estimated new annual General Fund sales tax revenue totaling approximately $606,000.

Table 5: Estimated Net Change in Annual General Fund Sales Tax Revenue from Resident and Worker Spending at Buildout

Resident Spending	
Net Change in Residents	10,498
Per Capita Taxable Sales in Menlo Park (a)	$6,472
Net Change in Annual Taxable Resident Spending	**$67,948,075**
Worker Spending	
Net Change in Workers	-2,200
Taxable Sales in Menlo Park per Worker (b)	$1,884
Net Change in Annual Taxable Worker Spending	**($4,144,800)**
Annual Sales Tax Revenue	
Net Change in Annual Citywide Taxable Sales	$63,803,275
Menlo Park Share of Sales Tax Receipts	0.95%
Net Change in General Fund Sales Tax Revenue	**$606,131**

Notes:
(a) See Table 4.
(b) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates are shown in 2022 dollars. Estimates were adjusted based on the available retail offerings in Menlo Park and to remove non-taxable spending on services and entertainment as well as a portion of spending at drug and grocery stores.

Sources: ICSC, 2012; CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2022.

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 is based on the Tax Rate Area (TRA) where the property is located. Appendix B shows the effective distribution of the base 1.0 percent property tax to the taxing jurisdictions in the TRAs where the sites in the Housing Element are located. In these specific TRAs, the City of Menlo Park receives between 6.9 to 10.7 percent of the base 1.0 percent property tax, with the remainder going to various other taxing jurisdictions.

To estimate future property tax revenues resulting from the project, this analysis estimates the net change in assessed value that the County assessor would assign to each property and then applies the applicable tax rates. 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.

BAE used current market data and standard development assumptions to estimate the assessed value of development that could result from the Project. The valuation of rental units is based on estimated net operating income, using standard assumptions regarding rental rates, occupancy, operating expenses, and cap rates. The rental rate assumptions for affordable units are based on the established maximum affordable rent payments for one- and two-bedroom units at each income level. Rental rate assumptions for market-rate units are based on current asking rents for units in recently-constructed (built in 2021 or later) projects in Menlo Park. The FIA assumes that project sites developed with 100 percent affordable developments would be owned and managed by nonprofit affordable housing entities, resulting in these units being exempt from property taxes.

The estimated assessed values for market-rate for sale condominiums and townhomes are based on recent sale prices for homes sold in Menlo Park between June 2021 and May 2022, according to data from Redfin. Sale prices for BMR units are based on the maximum affordable sale prices for three-person households (condominiums) and four-person households (townhomes) earning 110 percent of the median income, assuming that mortgage payments, property taxes, insurance, and homeowner association fees do not exceed 30 percent of household income, pursuant to the provisions of the City's existing affordable housing program.

Table 6 provides an estimate of the total assessed value of the residential units that could be constructed on the sites in the Housing Element. As shown, these units would have an estimated combined total assessed value of approximately $3.46 billion. After accounting for

the current assessed value that would likely be removed from the existing tax roll as a result of the demolition of existing improvements on these sites ($451 million), the estimated net increase in assessed value associated with construction of these units totals approximately $3.0 billion. Based on the net increase in assessed value and the City's share of property tax revenues in the TRAs where project sites are located, annual property tax revenues are estimated to increase by approximately $3.0 million.

Table 6: Net Change in Assessed Value and Property Tax Revenue at Buildout

Net New Units	Net New Units	Estimated Assessed Value per Unit	Estimated Total Assessed Value
100% Affordable Developments	1,630	$0	$0
Multifamily Rental - Very Low Income	75	$247,913	$18,593,438
Multifamily Rental - Low Income	63	$576,518	$36,320,603
Multifamily Rental - Moderate Income	138	$870,923	$120,187,305
Multifamily Rental - Market Rate	899	$1,338,750	$1,203,536,250
Multifamily Condominium - BMR	68	$510,000	$34,680,000
Multifamily Condominium - Market Rate	477	$1,650,000	$787,050,000
Townhome - BMR	64	$585,000	$37,440,000
Townhome - Market Rate	586	$2,000,000	$1,172,000,000
ADU Rental - Extremely Low Income	15	$28,890	$433,350
ADU Rental - Very Low Income	11	$247,913	$2,727,038
ADU Rental - Low Income	25	$576,518	$14,412,938
ADU Rental - Moderate Income	26	$870,923	$22,643,985
ADU Rental - Market Rate	8	$1,338,750	$10,710,000
Total Projected Assessed Value			**$3,460,734,905**
Less: Current Total Net Assessed Value Removed from Project Sites (b)			($451,539,080)
Projected Net Change in Assessed Value			**$3,009,195,825**
Weighted Avg. City Share of Base 1% Property Tax Revenue (c)			9.9%
Total Net Change in City Property Tax Revenue			**$2,978,512**

Assumptions	
Multifamily Rental - Very Low Income (a)	$1,923
Multifamily Rental - Low Income (a)	$3,076
Multifamily Rental - Moderate Income (a)	$4,109
Multifamily Rental - Market Rate	$5,750
Multifamily Condominium - BMR	$510,000
Multifamily Condominium - Market Rate	$1,650,000
Townhome - BMR	$585,000
Townhome - Market Rate	$2,000,000
ADU Rental - Extremely Low Income (a)	$1,154
ADU Rental - Very Low Income (a)	$1,923
ADU Rental - Low Income (a)	$3,076
ADU Rental - Moderate Income (a)	$4,109
ADU Rental - Market Rate	$5,750
Rental Unit Operating Expenses (per unit/year)	$12,000
Rental Cap Rate	4.00%
Rental Vacancy Rate	5%

Notes:
(a) Based on the City's 2022 income and BMR rent limits schedule. Rent assumptions reflect the average maximum BMR rent for 1-bedroom and 2-bedroom units in each income category.
(b) Equal to the current total assessed value (net of exemptions) of project sites that would be redeveloped entirely, plus the estimated land value of project sites that would be carved out of larger existing parcels. All existing uses on carveout sites would remain, so the FIA assumes there would be no change in the total value of improvements on these sites.

(c) City of Menlo Park's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are located.

Sources: San Mateo County Tax Collector; City of Menlo Park; BAE, 2022.

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 7, in fiscal year 2022-23, the City was projected to receive approximately $4.7 million in property tax ILVLF revenue. This amounts to approximately $0.18 per $1,000 in assessed value. Based on the estimated total net change in assessed value associated with the Project (approximately $3.0 billion), annual General Fund ILVLF revenues are estimated to increase by approximately $537,000 from the Project.

Table 7: Estimated Change in Annual Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout

Net Change in Assessed Value at Buildout	$3,009,195,825
Net Change in ILVLF Revenue	**$537,017**
Assumptions	
Total Taxable Assessed Value, FY 2022-23	$26,211,741,251
FY 2022-23 ILVLF Revenue	$4,677,710
ILVLF Revenue per $1,000 in Assessed Value	$0.18

Sources: City of Menlo Park; San Mateo County Controller's Office; BAE, 2022.

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.[3]

[3] Menlo Park Municipal Code section 5.12.020.

The Project will have an impact on the City's annual business license tax revenue to the extent that development of new housing results in the demolition of existing commercial space that may currently generate business license tax revenue. This decrease in revenue would likely be offset by business license fee revenue generated by new rental apartment buildings that are constructed. In addition, to the extent that development on these sites includes any new commercial space, businesses in these spaces would also generate new business license tax revenue.

Due to the conceptual nature of the development program that is analyzed in this report and the lack of information on the business license tax revenue generated by existing businesses that could be demolished, it was not possible to estimate the total annual business license tax revenue associated with the residential development identified in the Housing Element. Overall, business license tax revenue accounts for a relatively small share of revenues generated by new or existing development. Therefore, changes in business license tax revenue resulting from construction of the units in the Housing Element is likely to have a minimal impact on the fiscal impacts associated with implementation of the Housing Element Update.

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. As shown in Table 8, based on the FY 2022-23 Adopted Budget, the City receives approximately $1.6 million in total annual UUT revenue, averaging $35.79 per member of the existing service population. Once complete and fully occupied, the Project would generate a net increase in the City's service population based on the calculations shown above in Table 2. Assuming a commensurate increase in the amount of UUT revenue collected each year, the net change in service population associated with the Project would generate additional annual UUT revenue of approximately $349,000.

Table 8: Estimated Change in Annual Utility User Tax Revenue at Buildout

Net Change in Service Population (a)	9,765
UUT Revenue per Service Population	$35.79
Projected Net Change in UUT Revenue	**$349,443**
Assumptions	
Total UUT Revenue, FY 2022-23 Adopted Budget	1,605,299
Current (2022) Citywide Service Population (b)	44,858
UUT Revenue per Service Population	$35.79

Note:
(a) See Table 2.
(b) See Table 3. Service population is defined as all residents plus one-third of employment.

Sources: City of Menlo Park, BAE, 2022.

It is important to note that the 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 affected project sites, 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 Project would depend on several factors, including the extent to which reach code ordinance requirements impact energy usage patterns on each individual project site.

Other Revenues

According to the FY 2022-23 Adopted Budget, the City generates approximately $2.6 million in General Fund revenues from franchise fees and 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 9, General Fund revenues from franchise fees and fines in FY 2022-23 totaled approximately $58.31 per member of the service population. Assuming a commensurate increase in the amount of revenue collected each year, the net new service population associated with the Project would generate additional annual franchise fee and fines revenues of approximately $569,000.

Table 9: Estimated Change in Annual Franchise Fee and Fines Revenues at Buildout

Net Change in Service Population (a)	9,765
Franchise Fee and Fines Revenue per Service Population	$58.31
Net Change in Franchise Fee and Fines Revenue	**$569,345**
Assumptions	**FY 2022-23** (b)
Franchise Fee Revenue	$2,430,500
Fines Revenue	$185,000
Total Franchise Fee and Fines Revenue	**$2,615,500**
Current (2022) Citywide Service Population (c)	44,858
Revenue Per Service Population	$58.31

Notes:
(a) See Table 2.
(b) Revenues based on the FY 2022-23 Adopted Budget.
(c) See Table 3. Service population is defined as all residents plus one-third of employment.

Sources: City of Menlo Park; BAE, 2022.

Summary of Annually Recurring General Fund Revenues

As shown in Table 10, the Project would increase annual General Fund revenues by approximately $5.0 million at buildout. Most (approximately 70 percent) of the annual General Fund revenue would be generated through property tax and property tax in lieu of vehicle license fees.

Table 10: Summary of Net Change in Annual General Fund Revenues at Buildout

General Fund Revenues	Annual Revenue	Percent of Total
Property Tax	$2,978,512	59.1%
ILVLF	$537,017	10.7%
Sales Tax	$606,131	12.0%
Utility Users Tax	$349,443	6.9%
Other Revenues	$569,345	11.3%
Total Revenues	**$5,040,449**	**100.0%**

Source: BAE, 2022.

Estimated 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 would not change based on changes in the service population. BAE analyzed the City's budgeted General Fund expenditures from the FY 2022-23 Adopted Budget to estimate the costs that would likely increase as the service population increases as a result of construction of the units identified in the Housing Element. 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 funded by

the General Fund. For each department, BAE made adjustments to exclude the portion of departmental costs that would not change based on changes in the service population. These "fixed costs" include personnel costs for certain executive positions (i.e., department heads, Chief of Police, etc.) as well as costs to maintain fixed assets, capital outlays, utilities, rental of land and buildings, and most special projects expenditures. The analysis also accounts for charges for service and other department revenues that offset variable costs in each department. As shown in Table 11, the City's net variable costs for the impacted departments total approximately $45.3 million.

Table 11: City of Menlo Park Annual General Fund Operating Expenditures, FY 2022-23

Department/Division	FY 2022-23 Adopted Budget General Fund Expenditures	Less: Executive Salary and Benefits (a)	Less: Fixed Assets and Capital Outlay, Utilities, Transfers, and Special Projects (b)	Less: Charges for Service and Other Ofsetting Revenues (c)	Net Variable General Fund Expenditures
Human Resources	$1,267,463	($268,125)	($7,500)	$0	$991,838
Library & Community Svcs	$11,803,981	($292,256)	($601,460)	($2,767,000)	$8,143,265
Police	$22,951,641	($304,405)	($901,073)	($264,000)	$21,482,163
Public Works	$17,403,309	($302,700)	($1,239,500)	($1,135,500)	$14,725,609
Total Expenditures (Impacted Departments)	**$53,426,394**	**($1,167,486)**	**($2,749,533)**	**($4,166,500)**	**$45,342,875**

Notes:
(a) Salary and benefits costs for department/division heads are considered fixed costs that are not expected to increase with new development in the City. Data reflect salaries and benefits for the following positions: Human Resources Manager, Library and Community Services Director, Police Chief, and Public Works Director. Salary and benefit costs are based on 2021 data provided by the State Controller's Office. Data for the Police Chief position were not available for 2021, so the table shows 2020 data for this position.
(b) Reflects General Fund expenditures for Fixed Assets and Capital Outlay, Utilities, Transfers, Rental of Land and Buildings, and Special Projects expenditures. These costs 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 directly offset variable expenditures in each department.

Sources: City of Menlo Park; California State Controller; BAE, 2022.

As shown in Table 12, the City's net variable costs for the impacted departments equate to $1,011 per member of the service population. This means that the City would need to add $1,011 to its annual budget for each new member of the service population (i.e., $1,011 per resident and $337 per worker) to maintain current levels of service provided by these departments. Table 12 applies the net variable costs per member of the service population to the net increase in service population associated with the Project to estimate General Fund expenditure impacts. As shown, the Project is estimated to increase the City's total annual General Fund expenditures by approximately $9.9 million. These estimated expenditures solely account for estimated increases in ongoing operating costs (e.g., salaries) and do not account for any one-time capital improvements that might be necessary to serve the new development.

Table 12: City of Menlo Park General Fund Annual Expenditure Impacts at Buildout

Department	General Fund Expenditures Per Service Population (a)	General Fund Impacts Total (b)	General Fund Impacts % of Total
Human Resources	$22.11	$215,904	2.2%
Library and Community Services	$181.54	$1,772,635	18.0%
Police	$478.90	$4,676,261	47.4%
Public Works	$328.27	$3,205,487	32.5%
Total Dept. Expenditures	**$1,010.82**	**$9,870,287**	**100.0%**
Assumptions			
Net Change in Service Population from Project (c)		9,765	

Notes:
(a) Based on the citywide service population shown in Table 3.
(b) Equal to net variable General Fund operating expenditures per service population multiplied by the net new service population associated with the Project shown in Table 2.
(c) Based on the net change in service population from the Project shown in Table 2.

Sources: City of Menlo Park; BAE, 2022.

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

Table 13 summarizes the estimated annual recurring net General Fund fiscal impact that would result from construction of the units identified in the Housing Element. As shown, construction of these units would have a negative net fiscal impact on the City's General Fund totaling an estimated $4.8 million per year. This is equal to approximately 6 percent of the City's total 2022/23 Fiscal Year Adopted General Fund budget ($80.3 million). These negative fiscal results are driven by the large net increase in City service population and the City's high level of General Fund expenditures per member of the service population. To the extent that the City experiences additional increases in property tax and other revenues from new non-residential development not accounted for in this FIA, this new revenue could help to offset some of the negative fiscal impact associated with the residential units in the Project.

Table 13: Annual Net Fiscal Impact to the City of Menlo Park General Fund

Total Net Change in Revenues	**$5,040,449**
Property Tax	$2,978,512
ILVLF	$537,017
Sales Tax	$606,131
Utility Users Tax	$349,443
Other Revenues	$569,345
Total Net Change in Expenditures	**($9,870,287)**
Human Resources	($215,904)
Library and Community Services	($1,772,635)
Police	($4,676,261)
Public Works	($3,205,487)
Net Fiscal Impact	**($4,829,839)**

Note: Figures presented in 2022 dollars.

Source: BAE, 2022.

Total 10-Year Impact

The estimates in Table 13 do not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 14 provides a longer-term view of the potential net fiscal impact to the City's General Fund over the next ten years. The table shows the annual revenues and expenditures that would be attributable to the Project on a year-by-year basis, adjusted for estimated increases in revenues and costs in each year from 2022 to 2031. The fiscal impacts shown in the table below reflect the impacts that are attributable to the 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. 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 are inflated 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.

It should be noted that the fiscal impacts shown in the initial years prior to full buildout are based on an estimated phasing schedule for the development of the residential units. For fiscal modeling purposes, the demolition of all existing commercial space is assumed to take place in 2023. As shown, the Project would have a negative fiscal impact on the City's General Fund in most years during the projection period, with the fiscal deficit growing progressively larger through 2031, at which point the fiscal impact analysis assumes full buildout of all units in the Housing Element.

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. The property tax and property tax ILVLF revenues shown assume that the same entities would retain ownership of each project site following construction and through 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 residential developments or individual units are sold during this period, those transfers would trigger a reassessment of those units or projects 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.

In addition, the development program analyzed in this FIA assumes that every project site would be developed with solely residential uses, which is a conservative assumption. Given the strong commercial real estate market in Menlo Park, it is reasonable to assume that some project sites would be developed as mixed-use developments with commercial space. To the extent that the City experiences additional increases in property tax and other revenues from non-residential development on sites in the Sites Inventory, this new revenue could help to offset some of the negative fiscal impact associated with the construction of units on these sites.

Furthermore, this analysis assumes full buildout of all residential units in the Housing Element, including a substantial number of affordable units to address the City's Regional Housing Needs Allocation (RHNA) requirements. This may overestimate the number of market-rate and affordable units that will be built as a result of the Housing Element Update. The Housing Element includes a buffer with additional residential development capacity, beyond the capacity that is required in the City's RHNA, to enable the City to meet its RHNA requirements even if some sites are not developed with housing during the Housing Element planning period. Therefore, even if the City is successful in meeting its RHNA requirements over the Housing Element planning period, the total number of units that will be constructed in the City may be somewhat lower than the number evaluated in this analysis.

Table 14: Estimated Net Fiscal Impact to the City of Menlo Park General Fund, 2022-2031

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Net Change in Residential Units	**0**	**0**	**393**	**842**	**1,301**	**1,818**	**2,349**	**2,891**	**3,479**	**4,085**
Net Change in Service Population	**0**	**-733**	**277**	**1,431**	**2,611**	**3,939**	**5,304**	**6,697**	**8,208**	**9,765**
Total Net Change in Revenues	**$0**	**($642,000)**	**($43,200)**	**$706,300**	**$1,402,700**	**$2,138,400**	**$2,985,500**	**$4,028,300**	**$4,996,000**	**$6,023,800**
Property Tax	$0	($449,200)	($78,000)	$394,000	$810,000	$1,233,500	$1,735,800	$2,391,800	$2,958,600	$3,559,600
ILVLF	$0	($82,200)	($15,900)	$70,100	$146,900	$222,000	$314,000	$433,100	$534,600	$641,800
Sales Tax	$0	($40,200)	$23,600	$99,400	$179,900	$273,700	$373,700	$479,600	$598,000	$724,400
Utility Users Tax	$0	($26,800)	$10,300	$54,300	$101,100	$155,600	$213,700	$275,300	$344,100	$417,600
Other Revenues	$0	($43,600)	$16,800	$88,500	$164,800	$253,600	$348,300	$448,500	$560,700	$680,400
Total Net Change in Expenditures	**$0**	**$763,500**	**($296,800)**	**($1,580,300)**	**($2,970,200)**	**($4,615,400)**	**($6,401,300)**	**($8,325,100)**	**($10,509,700)**	**($12,878,500)**
Human Resources	$0	$16,700	($6,500)	($34,600)	($65,000)	($101,000)	($140,000)	($182,100)	($229,900)	($281,700)
Library and Community Services	$0	$137,100	($53,300)	($283,800)	($533,400)	($828,900)	($1,149,600)	($1,495,100)	($1,887,500)	($2,312,900)
Police	$0	$361,700	($140,600)	($748,700)	($1,407,200)	($2,186,600)	($3,032,800)	($3,944,200)	($4,979,200)	($6,101,500)
Public Works	$0	$248,000	($96,400)	($513,200)	($964,600)	($1,498,900)	($2,078,900)	($2,703,700)	($3,413,100)	($4,182,400)
Net Fiscal Impact	**$0**	**$121,500**	**($340,000)**	**($874,000)**	**($1,567,500)**	**($2,477,000)**	**($3,415,800)**	**($4,296,800)**	**($5,513,700)**	**($6,854,700)**

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 2022 dollars).

Source: BAE, 2022.

SCHOOL DISTRICT FISCAL IMPACT ANALYSIS

This section of the report provides analysis and findings related to the fiscal impact that construction of the units in the Housing Element would have on the school districts that serve Menlo Park. Appendix A provides findings from the fiscal impact analysis for the Menlo Park Fire Protection District, water and sanitary districts, Midpeninsula Regional Open Space District, San Mateo County Community College District, the San Mateo County Office of Education, and the Sequoia Healthcare District.

School Districts Serving Menlo Park

This study evaluates the fiscal impacts that the Project would have on the five school districts that serve Menlo Park. In general, potential impacts from the growth in households associated with the project could include the 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 the ongoing operating costs associated with providing instruction for new students. Appendix C addresses potential school facility costs associated with the construction of the units in the Housing Element.

As discussed previously, the FIA requires detailed assumptions regarding housing product types and values in order to estimate the property tax revenue impacts from the Project. Table 15 details the number of housing units by residential product type in each school district analyzed in this section of the FIA. For the purposes of estimating the potential student generation and fiscal impacts to each school district from the Project, this study applied each District's adopted student generation rates, including different rates for single-family and multifamily residences, to the number of units shown in the table below. These assumptions may differ from those used in the Environmental Impact Report being prepared for the Project. As such, the EIR and this study may provide different estimates of potential future student generation from the Project.

Table 15: Housing Programs Used to Estimate Potential Future Student Generation from the Project in FIA (a)

	Las Lomitas ESD	Menlo Park City ESD	Ravenswood City ESD	Redwood City ESD	Sequoia Union HSD
Multifamily Rental	494	2,157	154	0	2,805
Multifamily Condominium	13	380	0	152	545
Townhomes	0	323	40	287	650
Accessory Dwelling Units	1	79	5	0	85
Total New Units	**508**	**2,939**	**199**	**439**	**4,085**

Note:
(a) The FIA requires detailed assumptions regarding housing product types in order to estimate the property tax revenue impacts from the Project. To estimate the potential student generation from the Project, this study applies each District's adopted student generation rates, including different rates for single-family and multifamily residences, to the unit mixes summarized above in Table 1 and shown for each school district in this table. Due to differences in approaches, the Environmental Impact Report and this study may provide different estimates of potential future student generation from the Project.

Source: BAE, 2022.

In addition to the Project, there are a range of other demographic and socioeconomic factors that can affect near- and long-term school district enrollment. Thus, the findings in this section are meant to provide general order-of-magnitude estimates of the potential ongoing fiscal impacts to the school districts from the Project. The estimates are not intended to be a projection of the future fiscal or facility impacts that will be experienced by the school districts that serve Menlo Park residents. It is also important to remember that it will be the decisions of future developers on what to build and where, shaped by programs and policies implemented by the City, and future demographic trends and rates of turnover in the existing housing stock, among other factors, that will ultimately determine the actual increases in future student populations in each district.

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. As of the 2022-23 school year, all five school districts in Menlo Park are Basic Aid districts.

Menlo Park City School District

Menlo Park City School District is a Basic Aid district and therefore gets the bulk of its revenue from local property taxes. Menlo Park City School District's student generation rates are 0.33 students per single-family home, 0.11 students per plex/townhome unit, and 0.17 students per apartment/condominium unit.[4] Using these student generation rates and the distribution of units by type as assumed for this analysis results in an estimated increase of 476 new students from the Project. The estimated average daily attendance (ADA) associated with this new enrollment is 472.4 based on the District's budgeted attendance rate of 99 percent as of the 2022-23 school year.

This subsection provides estimates of annual operating revenues and expenditures associated with the estimated increase in students in the Menlo Park City School District that would be realized with construction of the units in the Housing Element. Separate from any impact on annual operating costs, representatives from the Menlo Park City School District have stated that the District anticipates a need for capital expenditures to address school facility needs associated with the estimated increase in enrollment. While District enrollment does not currently exceed capacity, District representatives have stated that they anticipate that the estimated enrollment growth from the Housing Element Update could lead to a need for new school facilities. These potential capital cost impacts are evaluated in Appendix C.

Revenue Impacts from the Project. Because Menlo Park City 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 TRAs where the sites in the Sites Inventory are located, the District's weighted average share of the base one percent property tax is 17.2 percent. Based on this percentage and the estimated net increase in assessed values shown in Table 16, the Project would increase annual property tax revenue to the District by approximately $3.4 million. In addition to funding from property tax revenues, Menlo Park City 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

[4] Enrollment Projection Consultants, 2020. Projected Enrollments in the Menlo Park City School District, 2019 to 2024. March 2020.

Lottery Funds, and the State Mandated Costs Block Grant, all of which are allocated based on ADA. Revenues from these sources would total approximately $187,500.

Expenditure Impacts from the Project. The District's adopted budget for the 2022-23 school year includes $36.8 million in total unrestricted General Fund expenditures, at a rate of $13,573 per enrolled student. Applying this figure to the increase in enrollment attributable to the Project (476 students) yields an estimated $6.5 million in additional Menlo Park City School District expenditures.

Net Fiscal Impact from the Project. After accounting for the estimated increases in annual revenues and expenditures, the Project is estimated to have a negative net fiscal impact on the Menlo Park City School District totaling approximately $2.9 million per year. This is equivalent to approximately 8 percent of the District's 2022-23 unrestricted General Fund budget. These negative fiscal results are driven by the large number of new units in the Housing Element that would be located in the District as well as the District's high per-student spending rates. To the extent that the District experiences an increase in property tax revenues from growth that does not lead to additional student enrollment, such as from new non-residential development or from new residential units that do not generate any new students, this new property tax revenue could help to offset some of the negative fiscal impact associated with the Project.

Table 16: Estimated Fiscal Impacts to the Menlo Park City School District

Number of New Units	2,939
Single-Family Homes	0
Plexes/Townhomes/ADUs	402
Apartments/Condos	2,537
Project Net Change in Enrolled Students	476
Project Net Change in ADA	472.4
Net Change in Assessed Value from Project	$1,978,170,147
Net Change in Menlo Park City SD Property Tax Revenue	$3,417,836
Net Change in Annual State Revenues from ADA	$187,455
Less: Net Change in Projected Annual Expenditures from Enrollment	($6,460,845)
Projected Net Fiscal Impact to MPCSD (Annual)	**($2,855,553)**
Assumptions	
MPCSD Student Generation Rates per Unit (a)	
Single-Family Home	0.33
Plexes/Townhomes	0.11
Apartments/Condos	0.17
Estimated Average Daily Attendance (ADA) per Enrolled Student (b)	0.99
Menlo Park City ESD Share of Base 1% Property Tax (c)	17.3%
Unrestricted Revenues per ADA, FY 2022-23	$396.82
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d)	$0
Unrestricted State Educational Protection Account Funds per ADA	$211.45
Unrestricted State Lottery Funds per ADA	$150.70
Unrestricted State Mandated Costs Block Grant per ADA	$34.67
Unrestricted General Fund Expenditures, FY 2022-23 Adopted Budget	$36,756,234
Estimated Enrolled Regular Students, FY 2022-23 Adopted Budget	2,708
Estimated Regular P-2 ADA, FY 2022-23 Adopted Budget	2,687.5
Unrestricted Expenditures per Enrolled Student	$13,573

Notes:
(a) Based on the 2020 MPCSD Enrollment Forecast Update prepared by Enrollment Projection Consultants.
(b) This figure was calculated by dividing the District's FY 2022-23 projected ADA by its projected enrollment.
(c) This is Menlo Park City SD's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are located.
(d) Menlo Park City ESD 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: Enrollment Projection Consultants, 2020; Menlo Park City School District; BAE, 2022.

Las Lomitas Elementary School District

Like Menlo Park City School District, Las Lomitas Elementary School District is a Basic Aid district meaning that property taxes are the main source of revenue for the District's ongoing operational expenditures. Based on the District's most recent enrollment forecast update, Las Lomitas Elementary School District's student generation rates are 0.33 students per single-

family home and 0.11 students per multi-family attached unit.[5] The multi-family attached category includes apartments, condominiums, townhomes, and plexes. Applying these student generation rates to the Project results in an estimated increase of 56 new students from the Project. The estimated ADA associated with this new enrollment is 54 based on the District's budgeted attendance rate of 97 percent as of the 2022-23 school year.

Revenue Impacts from the Project. Based on the District's weighted average share of the base one percent property tax in the TRAs where the sites in the Sites Inventory are located (20.8 percent), the District would receive new annual property tax revenue totaling an estimated $556,000 due to construction of the units identified in the Housing Element. In addition to these property tax revenues, the District would receive a small amount of State funding per student on an annual basis. Revenues from these sources are allocated based on ADA and would total approximately $22,000 due to the Project.

Expenditure Impacts from the Project. The District's adopted budget for the 2022-23 school year includes $25.4 million in total unrestricted General Fund expenditures, at a rate of $23,500 per enrolled student. Applying this figure to the increase in enrollment attributable to the Project (56 students) yields an estimated $1.3 million in estimated annual expenditures from new enrollment.

Net Fiscal Impact from the Project. As shown in Table 17, the Project would have a negative fiscal impact on the District, totaling an estimated $738,000. This is equivalent to approximately 2.9 percent of the District's 2022-23 unrestricted General Fund budget excluding transfers. These negative fiscal results are driven by the District's extremely high per-student spending rates. To the extent that the District experiences an increase in property tax revenues from growth that does not lead to additional student enrollment, such as from new non-residential development or from new residential units that do not generate any new students, this new property tax revenue could help to offset some of the negative fiscal impact associated with the Project.

[5] Enrollment Projection Consultants, 2014. *Projected Enrollments from 2013 to 2023*. Prepared for the Las Lomitas Elementary School District. March 2014.

Table 17: Estimated Fiscal Impacts to the Las Lomitas Elementary School District

Number of New Units	508
Single-Family Detached	0
Multi-Family Attached	508
Project Net Change in Enrolled Students	56
Project Net Change in ADA	54.04
Net Change in Assessed Value from Project	$308,155,358
Net Change in Las Lomitas Elementary SD Property Tax Revenue	$640,353
Net Change in Annual State Revenues from ADA	$21,916
Less: Net Change in Projected Annual Expenditures from Enrollment	($1,316,044)
Projected Net Fiscal Impact to Las Lomitas Elementary SD (Annual)	**($653,775)**
Assumptions	
Las Lomitas ESD Student Generation Rates per Unit (a)	
Single-Family Detached	0.33
Multi-Family Attached	0.11
Estimated Average Daily Attendance (ADA) per Enrolled Student (b)	0.97
Las Lomitas ESD Share of Base 1% Property Tax (c)	20.8%
Unrestricted Revenues per ADA, FY 2022-23	$405.55
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d)	$0.00
Unrestricted State Educational Protection Account Funds per ADA	$210.42
Unrestricted State Lottery Funds per ADA	$158.17
Unrestricted State Mandated Costs Block Grant per ADA	$36.96
Unrestricted General Fund Expenditures, FY 2022-23 Adopted Budget	$25,404,354
Estimated Enrolled Regular Students, FY 2022-23 Adopted Budget	1,081.00
Estimated Regular P-2 ADA, FY 2022-23 Adopted Budget	1,043.17
Unrestricted Expenditures per Enrolled Student	$23,500.79

Notes:

Sources: Las Lomitas Elementary School District; San Mateo County Controller; BAE, 2022.

Ravenswood City School District

Due to declining enrollment and increases in property taxes, the Ravenswood City School District transitioned from a non-Basic Aid to a Basic Aid school district beginning in the 2021-22 school year. Therefore, the Project would generate property tax revenue which would contribute to the District's unrestricted General Fund. 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. Applying this student generation rate to the total number of residential units on Housing Element sites located within the Ravenswood City School District results in an estimated increase of 74 new students from the Project. The estimated ADA associated with this new enrollment is 66 based on the District's budgeted attendance rate of 89 percent as of the 2022-23 school year.

Revenue Impacts from the Project. In the TRAs where the sites in the Sites Inventory are located, the District's share of the base one-percent property tax is 32.7 percent. Based on this percentage and the estimated net increase in assessed values shown in Table 18, the Project would increase the District's property tax revenue by approximately $259,000. In addition to new property tax revenue, the Project would generate a small amount of State funding per student on an annual basis (approximately $26,000 each year).

Expenditure Impacts from the Project. Based on the District's approved budget for the 2022-23 school year, unrestricted expenditures per enrolled student average $11,224. Applying this figure to the increase in enrollment attributable to the Project (74 students) yields an estimated $831,000 in estimated expenditures from new enrollment generated by the Project.

Net Fiscal Impact from the Project. As shown in Table 18, the Project would have a negative fiscal impact on the Ravenswood City School District, totaling an estimated $545,000 per year. The estimated negative impact is equivalent to roughly 3.2 percent of the District's 2022-23 unrestricted General Fund budget net of transfers.

Table 18: Estimated Fiscal Impacts to the Ravenswood City School District

Number of New Units	199
Project Net Change in Enrolled Students	74
Project Net Change in ADA	66.0
Net Change in Assessed Value from Project	$79,216,402
Net Change in Ravenswood City ESD Property Tax Revenue	$259,061
Net Change in State Revenues from ADA	$26,283
Less: Net Change in Projected Expenditures from Enrollment	($830,583)
Projected Net Fiscal Impact to Ravenswood City ESD	**($545,239)**
Assumptions	
Ravenswood City ESD Student Generation per Unit (a)	0.372
Estimated Average Daily Attendance (ADA) per Enrolled Student (b)	0.89
Ravenswood City ESD Share of Base 1% Property Tax (c)	32.7%
Unrestricted Revenues per ADA, FY 2022-23	$397.94
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d)	$0.00
Unrestricted State Educational Protection Account Funds per ADA	$200.00
Unrestricted State Lottery Funds per ADA	$163.00
Unrestricted State Mandated Costs Block Grant per ADA	$34.94
Unrestricted General Fund Expenditures, FY 2022-23 Adopted Budget	$17,060,631
Estimated Enrolled Regular Students, FY 2022-23 Adopted Budget	1,520
Estimated Regular P-2 ADA, FY 2022-23 Adopted Budget	1,356.68
Unrestricted Expenditures per Enrolled Student	$11,224

Notes:
(a) Based on the Ravenswood City School District School Facility Fee Justification Report prepared in June 2020.
(b) This figure was calculated by dividing the District's FY 2022-23 projected ADA by its projected enrollment.
(c) This is Ravenswood City SD's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are located.
(d) Ravenswood City ESD is now 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: Ravenswood City School District; San Mateo County Controller; BAE, 2022.

Redwood City School District

The Redwood City School District transitioned from a non-Basic Aid to a Basic school district beginning in the 2019-20 fiscal year. The Redwood City School District's student generation rates for elementary schools are 0.36 students for single family detached units, 0.18 students for single-family attached units, and 0.10 students for multi-family units. The District's student generation rates for middle schools are 0.10 students for single-family detached units, 0.06 students for single-family attached units, and 0.04 students for multi-family units. Applying these student generation rates to the Project results in an estimate that the Project will

generate 105 new students. The estimated ADA associated with this new enrollment is 99.6 based on the District's budgeted attendance rate of 95 percent as of the 2022-23 school year.

Revenue Impacts from the Project. In the TRA where the sites in the Sites Inventory are located, the District's share of the base one-percent property tax is 22.5 percent. Based on this percentage and the estimated net increase in assessed values shown in Table 19, the construction of the units shown in the Housing Element would increase the amount of annual property tax revenue the District receives by approximately $1.5 million. The District would also receive a small amount of State funding for every new enrolled student (approximately $40,000 annually).

Expenditure Impacts from the Project. Based on the approved budget for the 2022-23 school year, unrestricted expenditures per enrolled student average $12,024. Applying this figure to the increase in enrollment attributable to the Project (105 students) yields an estimated $1.3 million in additional District expenditures from new enrollment.

Net Fiscal Impact from the Project. As summarized in Table 19, the Project would generate a small positive fiscal impact for the Redwood City School District. The positive impact would total an estimated $317,000, which is equivalent to roughly 0.4 percent of the District's 2022-23 unrestricted General Fund budget.

Table 19: Estimated Fiscal Impacts to the Redwood City School District

Number of New Units	439
Single-Family Detached	0
Single-Family Attached	439
Multi-Family Apartments	0
Project Net Change in Enrolled Students	105
Project Net Change in ADA	99.6
Net Change in Assessed Value from Project	$684,880,379
Net Change in Ravenswood City ESD Property Tax Revenue	$1,540,240
Net Change in State Revenues from ADA	$39,641
Less: Net Change in Projected Expenditures from Enrollment	($1,262,473)
Projected Net Fiscal Impact to Redwood City SD	**$317,407**

Assumptions	
Student Generation Rates per Unit (a)	
Single-Family Detached	0.46
Single-Family Attached	0.24
Multi-Family Apartments	0.14
Estimated Average Daily Attendance (ADA) per Enrolled Student (b)	0.95
RCSD Share of Base 1% Property Tax (c)	22.5%
Unrestricted Revenues per ADA, FY 2022-23	$397.94
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d)	$0.00
Unrestricted State Educational Protection Account Funds per ADA	$200.00
Unrestricted State Lottery Funds per ADA	$163.00
Unrestricted State Mandated Costs Block Grant per ADA	$34.94
Unrestricted General Fund Expenditures, FY 2022-23 Adopted Budget	$74,594,126
Estimated Enrolled Regular Students, FY 2022-23 Adopted Budget	6,204
Estimated Regular P-2 ADA, FY 2022-23 Adopted Budget	5,885.82
Unrestricted Expenditures per Enrolled Student	$12,023.55

Notes:
(a) Based on a 2015 report prepared by Decision Insite. According to the report, the single family attached category includes townhomes, condominiums, and duplexes.
(b) This figure was calculated by dividing the District's FY 2022-23 estimated regular P-2 ADA by its projected enrollment.
(c) This is Redwood City Elementary SD's share of the base 1.0 percent property tax in TRA 08-010.
(d) Redwood City Elementary SD 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: Decision Insite, 2015; Redwood City School District; San Mateo County Controller; BAE, 2022.

Sequoia Union High School District

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. Using the 0.2 student per unit ratio to the Project results in an estimated increase of 817 new students. The estimated ADA associated

with this new enrollment is 742.9 based on the District's budgeted attendance rate of 91 percent in the 2022-23 school year.

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. The following subsections focus on annual operating costs and expenditures and do not address the capital costs associated with constructing new school facilities to address future enrollment growth. Capital costs for new school facilities are evaluated in Appendix C.

Revenue Impacts from the Project. The District's weighted average share of the base one percent property tax is 15.5 percent in the TRAs where the Housing Element Sites Inventory sites are located. Based on this percentage and the estimated net increase in assessed values shown in Table 20, the construction of all units in the Housing Element would increase the District's annual property tax revenue by an estimated $4.7 million. In addition to these property tax revenues, Sequoia Union High School District would receive State funding from the minimum State Educational Protection Account entitlement, State Lottery Funds, and the State Mandated Costs Block Grant on an annual basis (approximately $330,000).

Expenditure Impacts from the Project. The District's 2022-23 school year budget includes $143.7 million in total unrestricted General Fund expenditures, at a rate of $16,435 per enrolled student. Applying this figure to the increase in enrollment generated by the Project (817 students) yields an estimated $13.4 million in additional District expenditures from new student enrollment associated with the Project.

Net Fiscal Impact from the Project. As summarized in Table 20, the Project is expected to generate a negative net fiscal impact for the Sequoia Union High School District equal to an estimated $8.4 million annually. This is equivalent to approximately 5.9 percent of the District's 2022-23 unrestricted General Fund budget net of transfers. These negative fiscal results are driven by the significant number of new units in the Housing Element as well as the District's high per-student spending rates. To the extent that the District experiences an increase in property tax revenues from growth that does not lead to additional student enrollment, such as from new non-residential development or from new residential units that do not generate any new students, this new property tax revenue could help to offset some of the negative fiscal impact associated with the Project.

Table 20: Estimated Fiscal Impacts to the Sequoia Union High School District

Number of New Units	4,085
Project Net Change in Enrolled Students	817
Project Net Change in ADA	742.9
Net Change in Assessed Value from Project	$3,009,195,825
Net Change in Sequoia HSD Property Tax Revenue	$4,672,933
Net Change in Annual State Revenues from ADA	$330,044
Less: Net Change in Projected Annual Expenditures from Enrollment	($13,427,611)
Projected Net Fiscal Impact to Sequoia Union HSD (Annual)	**($8,424,634)**

Assumptions	
Sequoia Union HSD Student Generation per Unit (a)	0.2
Estimated Average Daily Attendance (ADA) per Enrolled Student (b)	0.91
Sequoia Union HSD Share of Base 1% Property Tax Revenue (c)	15.5%
Unrestricted Revenues per ADA, FY 2022-23	$444.29
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d)	$0
Unrestricted State Educational Protection Account Funds per ADA	$213.98
Unrestricted State Lottery Funds per ADA	$163.00
Unrestricted State Mandated Costs Block Grant per ADA	$67.31
Unrestricted General Fund Expenditures, FY 2022-23 Adopted Budget	$143,693,521
Estimated Enrolled Regular Students, FY 2022-23 Adopted Budget	8,743
Estimated Regular P-2 ADA, FY 2022-23 Adopted Budget	7,949.60
Unrestricted Expenditures per Enrolled Student	$16,435

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 2022-23 projected ADA by its projected enrollment.
(c) This is Sequoia Union HSD's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are 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, 2022.

APPENDIX A: FISCAL IMPACTS TO OTHER SPECIAL DISTRICTS

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

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 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 90,328 residents and 46,668 employees, for a service population of 105,884.[6]

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, and two of the seven are equipped with aerial apparatus. 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 and is slated to add more sleeping rooms. 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 City limits in the unincorporated community of West Menlo Park.

MPFPD currently employs 12 chief officers, 30 captains, and 66 engineers/firefighters, for a total of 108 fire safety personnel. The MPFPD also employs an administrative support staff of 22. To support its fire safety personnel, the MPFPD also employs a fire-prevention staff of 10. In addition, the MPFPD is part of the greater San Mateo County boundary-drop plan, which means the closest unit responds to each call, regardless of the department.

Revenue Impacts from the Project

After accounting for the ERAF shift, the MPFPD receives approximately 13.9 percent of the 1.0 percent base property tax collected in the TRAs where sites in the Housing Element Sites Inventory are located. Based on the estimated increase in property values that would be

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

generated by construction of the units in the Housing Element, the MPFPD would receive approximately $4.1 million in additional property taxes annually from these units.

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 2022-23 Adopted Budget projected approximately $1.6 million in license, permit, and service charge revenues, averaging $14.72 per member of the service population. Based on the estimated net increase in service population associated with the Housing Element, additional MPFPD revenues from licenses, permits, and service charges would total $153,500 per year.

Expenditure Impacts from the Project

This study estimates the costs that the 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 includes most 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 2022-23 fiscal year includes $65.6 million in expenditures (net of expenditures on fixed assets and transfers) from its General Fund, at an average rate of $620 per member of the service population. Assuming that costs increase in accordance with service population, the Housing Element would generate $6.5 million in additional annual District expenditures.

It should be noted that these cost estimates do not include any one-time costs that might be necessary for the MPFPD to provide services to the new development associated with the Housing Element. Such costs could include the cost of new or expanded facilities or additional ladder trucks or other equipment to serve residential units in taller buildings. However, these costs would include the cost of additional staffing, vehicles, and equipment to the extent that these costs are included in the District's existing budget and would scale approximately in proportion to increases in the City's service population.

Net Fiscal Impact from the Project

Based on the revenue and expenditure estimates shown in Table A-1, the Project would have a negative net fiscal impact on the MPFPD. The deficit associated with the Project is estimated to total $2.1 million annually, which amounts to approximately 3.3 percent of MPFPD's FY 2022-23 General Fund operating budget (excluding transfers and expenses on fixed assets). As with the analysis of the fiscal impacts to the City, the fiscal impacts shown in the table below do not reflect the impacts of other changes in the District that could potentially counterbalance the impacts of the Project.

Table A-1: Estimated Net Fiscal Impact to Menlo Park Fire Protection District

Net Change in Service Population (a)	10,426
Net Change in Assessed Value (b)	$2,976,356,685
Net Change in Fire District Property Tax Revenue	$4,146,995
Net Change in License, Permit, and Service Charge Revenues	$153,519
Less: Net Change in Projected Expenditures	($6,462,034)
Projected Net Fiscal Impact to MPFPD	**($2,161,521)**
Assumptions	**FY 2022-23**
MPFPD Service Population, 2022	105,884
Revenues	
License and Permit Revenues, FY 22-23 Adopted Budget	$1,100,000
Current Service Charge Revenues, FY 22-23 Adopted Budget	$459,100
Licenses, Permits, and Service Charges per Service Population	$14.72
MPFPD Share of Base 1% Property Tax Revenue (c)	13.9%
Expenditures	
General Fund Operating Expenditures, FY 2022-23 Adopted Budget (d)	$65,626,900
Expenditures per Service Population	$619.80

Note:
(a) Includes the service population associated with the development that would occur within the District.
(b) Includes the assessed value growth associated with development that would occur in the Fire District.
(c) This is the MPFPD's weighted average share of the base 1.0 percent property tax in the TRAs where project sites are 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.
(d) Does not include transfers or expenses on fixed assets not expected to increase with service population

Sources: Menlo Park Fire Protection District; San Mateo County Controller; Esri Business Analyst; BAE, 2022.

Water and Sanitary Districts

The Menlo Park Municipal Water District (MPMW), which is part of the City's Department of Public Works, owns and operates its distribution system and purchases water from the San Francisco Public Utilities Commission. The MPMW serves approximately one-half of the City's population, covering the Sharon Heights area and portions of the City north of El Camino Real. Cal Water provides water services to the remaining areas in Menlo Park served by the Bear Gulch District.

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

The MPMW, Cal Water Bear Gulch District, and the West Bay Sanitary District operate on a cost recovery basis, covering operational costs through user fees and surcharges. As such, the Project is not anticipated to have an ongoing fiscal impact to the three districts.

The Project would generate connection fees for the MPMW and West Bay Sanitary District, providing one-time fee revenue to cover the cost of service connections. The MPMW assesses connection fees based on the water meter size, while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge.

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 more than 65,000 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 General Fund operating revenues. The District's other sources of revenue, such as grants, interest income, and rental income, are comparatively small and not likely to be impacted by the project. As summarized in Table A-, the District's weighted average share of the base 1.0 percent property tax is approximately 1.8 percent in the TRAs where the sites in the Housing Element Sites Inventory are located. At buildout, the Project is estimated to increase the District's annual property tax revenues by approximately $549,000.

Expenditure Impacts from the Project

This analysis assumes that the District does not maintain a per-capita service standard for the acreage of land preserved and is therefore unlikely to increase its land acquisition efforts as a direct result of the project. In addition, the District's capital, project, and debt service expenditures would not increase due to the Project. As a result, salaries, benefits, services, and supplies, which total approximately $39.0 million in the FY 2022-23 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to $42 per member of the service population. Annual expenditures would thus be expected to increase by $412,000 following buildout of the Project.

Net Fiscal Impact from the Project

As detailed in Table A-, the Project would have a positive net fiscal impact on the Midpeninsula Regional Open Space District, with new annual property tax revenues exceeding annual expenditures by approximately $138,000.

Table A-2: Estimated Net Fiscal Impact to Midpeninsula Regional Open Space District

Project Net Change in Service Population	9,765
Project Net Change in Assessed Value	$3,009,195,825
Net Change in Open Space District Property Tax Revenue	$549,463
Less: Net Change in Projected Expenditures	($411,769)
Projected Net Fiscal Impact to Open Space District	**$137,694**
Assumptions	
Open Space District Service Population, 2022	925,581
Open Space District Share of Base 1% Property Tax Revenue (a)	1.8%
General Fund Operating Expenditures, FY 2022-23 Adopted Budget (b)	$39,031,112
Expenditures per Service Population	$42.17

Notes:
(a) This is the Open Space District's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are located. Open Space District property tax revenues are not reduced to fund ERAF.
(b) Includes salaries, benefits, services, and supplies only. Does not include capital and project expenses because these expenses are not expected to increase with service population.

Sources: Midpeninsula Regional Open Space District; San Mateo County Controller; Esri Business Analyst; BAE, 2022.

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. As of the 2022-23 school year, the District had 12,327 Resident Full Time Equivalent Students (FTES)[7], which amounts to approximately 0.014 Resident FTES per member of the District's total service population. Assuming the same student generation rate for the net new service population associated with the Project, the Project would result in 134.2 additional FTES.

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, as well as 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.

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

As detailed in Table A-, the District's weighted average share of the base 1.0 percent property tax is approximately 6.7 percent in the TRAs where the sites in the Housing Element Sites Inventory are located. Annual property tax revenue to the District would increase by an estimated $2.0 million due to construction of the units identified in the Housing Element.

In the District's 2022-23 Tentative Budget, resident student enrollment fees were projected to total approximately $8.6 million, or approximately $701 per Resident FTES.[8] Based on this figure and the estimated student generation described above, resident student fees from new enrollment are estimated to increase by $94,000 from the Project. The new enrollment generated by the Project would also increase funding from three state entitlements, which are unrestricted and allocated on a per-FTES basis. These include the Educational Protection Account funds ($100 per FTES), unrestricted State Lottery funds ($163 per FTES), and State Mandated Cost Block Grant funds ($32.31 per FTES). As shown below, revenues from these sources would increase by $40,000.

Expenditure Impacts from the Project

In the 2022-23 Tentative Budget, the District budgeted approximately $220.1 million in unrestricted General Fund expenditures, or $16,459 per Total District FTES. Assuming the District maintains this per-FTES spending, the new FTES associated with the Project (134.2 FTES) would increase the District's operating expenditures by approximately $2.2 million.

Net Fiscal Impact from the Project

As reported in Table A-, the Project would result in a marginal negative net fiscal impact to SMCCCD. The negative annual impact annual ($45,000) is equal to just 0.02 percent of the District's unrestricted General Fund expenditures reported in the 2022-23 Tentative Budget.

[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-3: Estimated Net Fiscal Impact to San Mateo County Community College District

Project Net Change in Full-Time Equivalent Students (FTES)	134.2
Project Net Change in Assessed Value	$3,009,195,825
Net Change in Property Tax Revenues	$2,029,219
Net Change in Student Fee Revenues	$93,982
Net Change in State Revenues from FTES	$39,619
Less: Net Change in Projected Expenditures	($2,208,134)
Projected Net Fiscal Impact to SMCCCD	**($45,313)**
Assumptions	
SMCCCD Service Population, 2022	897,194
Projected Resident Full-Time Equivalent Students (FTES), 2022-23 Tentative Budget	12,327
Resident FTES per Service Population Member	0.014
Revenues (a)	
Resident Student Fee Revenues, 2022-23 Tentative Budget	$8,635,236
Student Fee Revenues per Resident FTES	$700.51
Unrestricted State Revenues per Resident FTES, 2022-23 Tentative Budget	$295.31
Unrestricted State Educational Protection Account Funds per FTES	$100.00
Unrestricted State Lottery Funds per FTES	$163.00
Unrestricted State Mandated Costs Block Grant per FTES	$32.31
SMCCCD Share of Base 1% Property Tax Revenue (b)	6.7%
Expenditures (a)	
Unrestricted General Fund Expenditures, 2022-23 Tentative Budget (c)	$220,135,916
Projected Total District Full-Time Equivalent Students (FTES), 2022-23 Tentative Budget (d)	13,375
Unrestricted Expenditures per District FTES	$16,459

Notes:
(a) General Fund revenue and expenditure assumptions are based on the 2022-23 Tentative District Budget adopted on June 22, 2022. The Tentative Budget will be revised to reflect revisions that occur up to the time that the 2022-23 Final Adopted Budget is presented to the Board of Trustees for approval on or before September 15, 2022.
(b) This is the District's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are located.
(c) General Fund operating expenditures less capital outlay and transfers, which are not impacted by growth in FTES.
(d) Total District FTES includes Resident, Out of State, and International Full-Time Equivalent Students (FTES).

Sources: San Mateo County Community College District; San Mateo County Controller; Esri Business Analyst; BAE, 2022.

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 construction of the units identified in the Housing Element.

This analysis assumes that property tax is the only unrestricted SMCOE revenue source that would be impacted by the 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 Project is unlikely to generate significant new enrollment at SMCOE-operated schools, given the very low enrollment these schools constitute as a percentage of countywide enrollment.[9] As summarized in Table A-, SMCOE's weighted average share of the base 1.0 percent property tax is approximately 3.5 percent in the TRAs where the sites in the Housing Element Sites Inventory are located. Annual property tax revenue to SMCOE would increase by an estimated $1.0 million due to construction of the units identified in the Housing Element.

Expenditure Impacts from the Project

The Project would generate 1,528 new students at Las Lomitas Elementary, Menlo Park City Elementary, Ravenswood City Elementary, Redwood City Elementary and Sequoia Union High School Districts combined. In FY 2022-23, SMCOE budgeted $37.9 million in unrestricted expenditures, omitting capital outlay and transfers. These expenditures amount to approximately $438 per enrolled student in San Mateo County as of the 2021-22 school year. As shown in Table A-, estimated growth-related expenditures would be approximately $669,000 from the Project.

Net Fiscal Impact from the Project

As detailed in Table A-, construction of the units identified in the Housing Element would generate a positive fiscal impact on the SMCOE totaling an estimated $387,000 annually.

[9] SMCOE-operated schools enroll about 250, or 0.27 percent, of San Mateo County's approximately 90,315 students, according to 2020-21 enrollment data from the California Department of Education.

Table A-4: Estimated Net Fiscal Impact to San Mateo County Office of Education

Project Net Change in Enrolled Students	1,528
Las Lomitas ESD	56
Menlo Park City SD	476
Ravenswood City ESD	74
Redwood City ESD	105
Sequoia Union HSD	817
Project Net Change in Assessed Value	$3,009,195,825
Net Change in Property Tax Revenues	$1,056,021
Less: Net Change in Projected Expenditures from Enrollment	($669,259)
Projected Net Fiscal Impact to San Mateo COE	**$386,762**
Assumptions	
San Mateo COE Share of Base 1% Property Tax Revenue (a)	3.51%
Unrestricted Expenditures, FY 22-23 Adopted Budget (b)	$37,852,567
Service Population (i.e., Enrolled Students Countywide) (c)	86,422
Unrestricted Expenditures per Service Population	$438.00

Notes:
(a) This is San Mateo COE's weighted average share of the base 1.0 percent property tax in the TRAs where the project sites are located.
(b) Expenditures for all unrestricted funds, excluding capital outlay and transfers.
(c) 2021-22 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, 2022.

Sequoia Healthcare District

The Redwood City Council formed the Sequoia Healthcare District to operate the Sequoia Hospital, which opened in 1950. Today, the Healthcare District jointly governs the Hospital with Catholic Healthcare West, but is not actively involved in operating the Hospital.[10] The Healthcare District provides community grants, nursing education, and ongoing support for various long-term healthcare initiatives.

The Sequoia Healthcare District serves Atherton, Belmont, Redwood City, Portola Valley, San Carlos, Woodside, and portions of Menlo Park, Foster City, and San Mateo. According to the Sequoia Healthcare District, the District primarily serves its residents. Thus, the FIA estimates costs to the District on a per resident basis rather than a per service population basis. The Project would include a total of 3,651 new residential units in the Healthcare District, which would increase the resident population served by the Healthcare District by 9,383 persons. Excluding expenses not expected to increase with new development (e.g., investment fees, etc.), the District spends approximately $27 per resident based on the District's 2022-23

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

Adopted Budget. Construction of the units identified in the Housing Element would increase the District's annual expenditures by an estimated $424,000. After accounting for the property tax revenues generated from the net increase in assessed values shown in Table A-4, it is estimated that the Project would result in a small net annual positive fiscal impact of approximately $168,000.

Table A-5: Estimated Net Fiscal Impact to Sequoia Healthcare District

Project Net Change in Resident Population (a)	9,383
Project Net Change in Assessed Value (b)	$2,898,087,200
Net Change in Healthcare District Property Tax Revenue	$424,271
Less: Net Change in Projected Expenditures	($256,260)
Projected Net Fiscal Impact to Healthcare District	**$168,010**
Assumptions	
Healthcare District Resident Population, 2022	245,301
Healthcare District Share of Base 1% Property Tax Revenue (c)	1.5%
Expenditures, FY 22-23 Adopted Budget (d)	$6,699,450
Expenditures per Resident Population	$27.31

Notes:
(a) Includes the resident population associated with development in the Healthcare District.
(b) Includes the assessed value growth associated with development in the Healthcare District.
(c) This is the Healthcare District's weighted average share of the base 1.0 percent property tax in the TRAs where project sites are located, after accounting for the reduction in property tax revenues to fund ERAF. Healthcare District property tax revenues are not reduced to fund ERAF.
(d) Does not include expenditures that are not expected to increase with service population (i.e., pension, building, capital improvements, and grants).

Sources: Sequoia Healthcare District; San Mateo County Controller; Esri; BAE, 2022.

APPENDIX B: DISTRIBUTION OF BASE 1% PROPERTY TAX BY TRA

Table B-1: Distribution of Base 1% Property Tax by TRA

	TRA 008-001	TRA 008-004	TRA 008-027	TRA 008-083	TRA 008-084	TRA 008-107	TRA 008-108	TRA 008-005	TRA 008-043	TRA 008-023	TRA 008-029	TRA 008-049	TRA 008-003	TRA 008-092	TRA 008-010
General County Tax	14.5%	14.5%	12.0%	12.9%	12.9%	12.0%	12.0%	13.9%	13.9%	13.9%	13.9%	15.3%	12.0%	12.0%	13.6%
County Fire Protection Structur	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.4%	0.0%	0.0%	0.0%
City of Menlo Park	10.2%	10.2%	8.4%	6.9%	6.9%	8.4%	8.4%	9.8%	9.8%	9.8%	9.8%	10.7%	8.4%	8.4%	9.6%
Menlo Park City Elementary	17.0%	17.0%	32.6%	18.2%	18.2%	32.7%	32.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ravenswood Elementary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	32.7%	32.7%	0.0%
Redwood City Elementary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.5%
Las Lomitas Elementary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.6%	20.6%	20.6%	20.6%	22.6%	0.0%	0.0%	0.0%
Sequoia High General Purpose	15.9%	15.9%	13.1%	17.1%	17.1%	13.1%	13.1%	15.2%	15.2%	15.2%	15.2%	16.7%	13.1%	13.1%	14.9%
San Mateo Community College	6.9%	6.9%	5.7%	7.4%	7.4%	5.7%	5.7%	6.6%	6.6%	6.6%	6.6%	7.3%	5.7%	5.7%	6.5%
Menlo Park Fire District	14.3%	14.3%	11.8%	15.3%	15.3%	11.8%	11.8%	13.6%	13.6%	13.6%	13.6%	0.0%	11.8%	11.8%	13.3%
Atherton Channel Drainage	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
Menlo Park Lighting	0.0%	0.0%	0.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
San Francisquito Crk Flood Zon	0.2%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
Ravenswood Slough Flood Zor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Midpeninsula Reg. Open Space	1.9%	1.9%	1.5%	2.0%	2.0%	1.5%	1.5%	1.8%	1.8%	1.8%	1.8%	2.0%	1.5%	1.5%	1.7%
Bay Area Air Quality Mgmt	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
County Harbor District	0.3%	0.3%	0.2%	0.3%	0.3%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%
San Mateo Co Mosquito & Vect	0.2%	0.2%	0.1%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%
Sequoia Hospital District	1.5%	1.5%	0.0%	1.6%	1.6%	0.0%	0.0%	1.4%	1.4%	1.4%	1.4%	1.6%	0.0%	0.0%	1.4%
County Education Tax	3.6%	3.6%	3.0%	3.9%	3.9%	3.0%	3.0%	3.4%	3.4%	3.4%	3.4%	3.8%	3.0%	3.0%	3.4%
ERAF Shift	13.5%	13.5%	11.2%	12.8%	12.8%	11.1%	11.1%	12.9%	12.9%	12.9%	12.9%	11.8%	11.1%	11.1%	12.6%
Total Effective Distribution	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Sources: San Mateo County Controller; BAE, 2022.

APPENDIX C: NEW SCHOOL FACILITY COST IMPACTS

As discussed in the School District Fiscal Impact Analysis section of this report, construction of the residential units that are identified in the City of Menlo Park's 2023-2031 Housing Element would generate students that would attend the five school districts that serve Menlo Park. Most of the school districts that serve Menlo Park are likely to have enough existing capacity to accommodate the estimated increase in students that would result from the construction of the units in the Housing Element. However, both the Menlo Park City School District and the Sequoia Union High School District have identified potential capacity constraints that could lead to a need to construct new school facilities in these districts if all units in the Housing Element are constructed. This appendix provides high-level estimates of the cost to construct any new public school facilities that would be necessary to accommodate the increase in students that would be generated by the construction of the units identified in the Housing Element.

School District Capacity to Accommodate Enrollment Growth

The City of Menlo Park is served by five school districts. The City is divided into four districts for elementary and middle school students: the Las Lomitas, Menlo Park City, Ravenswood City, and Redwood City School Districts. All high school students in Menlo Park are served by the Sequoia Union High School District. This subsection discusses each district's capacity to accommodate the estimated enrollment growth that would be generated by the construction of the units in the Housing Element.

Table C-1 provides an estimate of the number of students that would be generated in each school district based on a hypothetical future buildout scenario for the units identified in the Housing Element. These student generation estimates are drawn from the calculations shown in the School District Fiscal Impact Analysis section of this report. As discussed in the introduction to this report, preparation of the FIA requires development of a series of assumptions to model fiscal impacts that are not necessary for the production of the Housing Element Update or the Draft Environmental Impact Report (DEIR) for the Housing Element Update. These include specific assumptions about the type of housing (e.g., multifamily rental, condominiums, townhouses, and single-family homes) that would be built if full buildout of the units in the Housing Element is realized. Therefore, the figures in Table C-1 may differ slightly from the student generation estimates provided in the DEIR. These figures provide a high-level estimate based on a hypothetical future buildout program that is consistent with the Housing Element (see Table 1), rather than a projection of future growth. Actual buildout of units in the Housing Element will almost certainly differ somewhat from this hypothetical future buildout, which could have implications for the number of students generated in each district.

Table C-1: Estimated Increase in Public School Students from Hypothetical Future Buildout of the Housing Element

School District	Net New Units	Estimated Increase in Enrolled Students
Elementary School Districts		
Menlo Park City SD	2,939	476
Las Lomitas ESD	508	56
Ravenswood City SD	199	74
Redwood City SD	439	105
High School District		
Sequoia Union High	4,085	817

Source: BAE, 2022.

Menlo Park City School District

The Menlo Park City School District is likely to experience school capacity constraints if all units in the Housing Element that would be located in the District's boundaries were built out. According to information provided by the District, the District currently has capacity for 3,295 students across its five schools. As of the 2021-2022 school year, district enrollment totaled 2,821. The District projects that enrollment will total 2,789 in the 2022-2023 school year. This indicates that capacity in District schools exceeds projected enrollment by approximately 506 students.

While these figures indicate potential capacity to accommodate the 476 additional students that would be generated by construction of the units in the Housing Element (see Table C-1), the District notes several factors that are likely to prevent the District from fully utilizing this existing capacity to accommodate the students that would be generated by construction of these units. District representatives have noted that the maximum capacity figures for each school are larger than the number of students that the school can or should hold. Increases in student enrollment will not necessarily correspond to availability within the necessary grade levels and classes, and some rooms are needed for special programs. In addition, over the next five years the District will be phasing in the addition of Transitional Kindergarten as a new grade level as mandated by State Law. The District anticipates that absorbing the new grade level could generate up to 300 new students each year within a few years, in addition to any other future enrollment growth within the District. Furthermore, the District's 2022-2023 enrollment projections reflect decreases in enrollment that were precipitated by the Covid-19 pandemic. If these effects from the pandemic diminish over time, this will decrease the available capacity in the District, irrespective of any new units constructed in the future.[11]

[11] Personal communication between Menlo Park City School District staff and BAE, May 27, 2022.

Las Lomitas School District

The Las Lomitas School District would not be likely to experience capacity constraints due to the construction of the residential units identified in the Housing Element. The District experienced a significant increase in enrollment in 2016 and 2017. At its height, District enrollment was close to 2,000 students. During this period, the District initiated a building program and has since constructed new buildings at both District schools to accommodate new students. The District is currently in Phase 2 of the building program, which consists of modernization of existing facilities. District enrollment has decreased since the building program began and currently totals approximately 1,100 students. As shown in Table C-1 above, construction of the units in the Housing Element would add an estimated 56 students to the District, which is well within the existing capacity that has been created by declines in enrollment over the past several years and the new space that was created through the District's building program. [12]

Ravenswood City School District

The Ravenswood City School District would not be likely to experience capacity constraints due to the construction of the residential units identified in the Housing Element. According to the DEIR for the Housing Element Update, existing capacity in District schools exceeds current enrollment by 748 students. As shown in Table C-1 above, construction of the units in the Housing Element would add an estimated 74 students to the District, which is well within this existing capacity. The District does not anticipate needing to construct new school facilities to accommodate enrollment growth due to units that would be constructed in accordance with the Housing Element. However, the District does cite a significant need to improve existing facilities that are in a state of disrepair.[13]

Redwood City School District

The Redwood City School District would not be likely to experience capacity constraints due to the construction of the residential units identified in the Housing Element. According to the DEIR for the Housing Element Update, existing capacity in District schools exceeds current enrollment by 808 students. As shown in Table C-1 above, construction of the units in the Housing Element would add an estimated 105 students to the District, which is well within this existing capacity. However, in addition to a portion of Menlo Park, the Redwood City School District serves students in Redwood City and portions of San Carlos, Atherton, Woodside, and unincorporated San Mateo County. It is possible that cumulative housing unit growth in these areas could generate enough students to exceed the available capacity.

Sequoia Union High School District

The Sequoia Union High School District is likely to experience capacity constraints if all units in the Housing Element are built out. The District's schools that serve students in Menlo Park are

[12] Personal communication between Las Lomitas School District staff and BAE, April 20, 2022.
[13] Personal communication between Ravenswood School District staff and BAE, April 20, 2022.

Menlo-Atherton High School and the newly-completed TIDE Academy, which have a total capacity of approximately 2,250 and 400 students, respectively. As of the 2020–2021 school year, an estimated 2,305 students were enrolled at Menlo-Atherton High School, indicating that the school is over capacity. An estimated 136 students were enrolled at TIDE Academy, indicating some remaining capacity at this school.[14] However, this enrollment figure may reflect enrollment during the process that the District used to phase in enrollment during the first years of the school's operation, rather than actual available capacity.

On a District-wide basis, the District's 2020-21 Budget Plan (the most recent available with enrollment projections) 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 some capacity to accommodate growth from construction of units in the Housing Element. However, this capacity will be spread across all District schools rather than just Menlo-Atherton High School and TIDE Academy. In addition to Menlo Park, the District also serves Atherton, East Palo Alto, San Carlos, Woodside, Belmont, Portola Valley, and portions of unincorporated San Mateo County. Like Menlo Park, all of these jurisdictions are also in the process of updating their Housing Elements and are required to plan for residential growth during the 2023-2031 period. The enrollment projections from the District's 2020-2021 Budget Plan likely did not account for the cumulative impact of future growth in Menlo Park and the other jurisdictions that the District serves due to each jurisdiction's 2023-2031 Housing Element Update.

As shown in Table C-1, construction of all units identified in the Housing Element would generate an estimated 817 students in the Sequoia Union High School District. It is possible that some of this enrollment growth could be accommodated in existing schools due to existing capacity at TIDE Academy and projected decreases in District enrollment from existing residential units. Nonetheless, it is likely that new facilities would be necessary to fully accommodate this growth in enrollment.

Construction Costs for New School Facilities

Based on the information provided above, construction of the units in the Housing Element would likely generate a need for new school facilities in the Menlo Park City School District and the Sequoia Union High School District in order to accommodate the resulting increase in enrollment. However, it is not possible to accurately quantify the extent to which future increase in enrollment will exceed District capacity due to several unknowns related to future changes in enrollment growth in Menlo Park. These include uncertainty regarding the extent to which enrollment levels recover from decreases precipitated by Covid-19, whether long-term demographic changes result in lower student generation rates from existing and new

[14] City Of Menlo Park. 2022. Willow Village Master Plan Project Draft EIR.

residential units, and the number and type of units that will actually be developed in accordance with the Housing Element. For the Menlo Park City School District, there is also uncertainty regarding the impact that the addition of Transitional Kindergarten will have on school capacity.

To the extent that construction of units in the Housing Element leads to a need for new school facilities in the Menlo Park City and Sequoia Union High School Districts, these districts will have the option to either expand existing facilities or open a new school site. As noted above, construction of all of the units in the Housing Element would generate an estimate 476 students in the Menlo Park City School District and 817 students in the Sequoia Union High School District. In both cases, these totals are within the range of sizes for a typical school site.

Whether this enrollment growth would be accommodated by expanding existing facilities or through construction of a new school site will depend on several factors. These factors include but are not limited to: whether some of the increased enrollment can be accommodated within existing facilities, thereby reducing the remaining need; the suitability of existing school sites for accommodating expanded facilities; and the availability and cost of land for new school sites. Menlo Park City School District staff have noted that the District already has the largest elementary schools in San Mateo County by enrollment, indicating that expanding existing school sites to accommodate additional students would not be an ideal solution to address future enrollment growth. However, staff also stated the District does not have any unused land, creating significant challenges for constructing a new school site.

Impact Fees for School Facility Construction

Each of the school districts in Menlo Park assess impact fees on new development, which can be used to support the construction of new or expanded school facilities. The Menlo Park City School District receives $2.274 per square foot in impact fees from new residential development. The fees collected by the Sequoia Union High School District vary depending on the elementary/middle school district where new development occurs and range from $1.806 to $2.300 per square foot of new residential development.

Because fees are charged on a per-square-foot basis, the amount of fee revenue that each district will collect as units in the Housing Element are built will depend on the average unit size among the new units. Assuming an average of 900 square feet per multifamily rental unit, 1,400 square feet per condominium unit, 2,000 square feel per townhome, and 700 square feet per ADU, construction of the units in the Housing Element would generate an estimated $7.2 million in impact fees for the Menlo Park City School District and $8.6 million in impact fees for the Sequoia Union High School District. These should be considered high-level, order-of-magnitude estimates rather than revenue projections.

Estimated School Construction Costs

To estimate the approximate cost to construct new school facilities to address enrollment growth attributable to the construction of units in the Housing Element, this analysis assumed construction of one new elementary school in the Menlo Park City School District and one new high school in the Sequoia Union High School District. This may overstate the school facility cost attributable to the construction of these units because it does not account for the potential to expand existing facilities to accommodate enrollment growth. If a significant portion of future enrollment growth can be accommodated using existing or future capacity at existing school facilities, one or both of these districts may have relatively little additional enrollment that would require construction of new facilities. In that case, expanding existing school sites may be more appropriate and less costly than constructing a new school on a new site.

Menlo Park City School District. Staff from the Menlo Park City School District provided sample elementary school construction costs, scaled to 2022 dollars, ranging from $36 million to $45 million. The upper end of this estimate is based on the District's costs to construct the Upper Laurel School Campus. This campus has capacity for 374 students, suggesting a construction cost of approximately $120,000 per student. These cost estimates do not include the cost of site acquisition. If the District needs to acquire land for a new school site, the cost of site acquisition could add $50 to $100 million or more to total project costs, assuming a five- to ten-acre site at a cost of $10 million per acre. This proposed project would be a relatively large school meant to accommodate 800 students, and therefore might have costs that are somewhat higher than the cost that the Menlo Park City School District would incur to accommodate growth from the Housing Element Update.

Overall, these examples suggest that the District's costs to construct a new school facility to accommodate this growth could range from $45 million to $150 million, though costs could fall above or below this range. This should be considered a rough order-of-magnitude estimate rather than a construction cost projection.

Sequoia Union High School District. TIDE Academy is the newest school in the Sequoia Union High School District and was completed in 2019. Construction costs for the school totaled approximately $39.3 million, not including land. Based on inflation in construction costs since 2019, this suggests an estimated cost of $51.2 million if the District were to construct the same facility today. However, TIDE Academy is a relatively small school, with a capacity for approximately 400 students. This suggests that costs could exceed $100 million to build a new school that could accommodate the approximately 800 students that would be generated by the units in the Housing Element. If necessary, land acquisition costs could total an additional $50 million to $100 million, assuming a five- to ten-acre site at $10 million per

acre, or more for a larger site.[15] Based on these figures and total project costs among other recent high school construction costs in Bay Area school districts, the District's costs to construct a new school facility to accommodate growth from units in the Housing Element could range from $100 million to $200 million, though costs could fall above or below this range. This should be considered a rough order-of-magnitude estimate rather than a construction cost projection.

[15] While the TIDE Academy site is 2.1 acres, this site size is significantly smaller than is typical for a high school site.