

bae urban economics

Fiscal Impact Analysis Report for
Proposed 1125 O'Brien Drive Project

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 proposed development project at 1125 O’Brien Drive in Menlo Park (Proposed Project). The proposed project would include an approximately 131,825 square-foot research and development (R&D) building with a small ground floor café.

The FIA addresses the anticipated net increase in revenues and expenditures and the resulting net fiscal impact of the Proposed Project on the following:

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

Selected FIA findings are summarized in the following table. As shown below, the Proposed Project would have a small positive net annual fiscal impact on the City of Menlo Park’s General Fund. New General Fund revenues would exceed new General Fund expenditures by approximately \$12,500 annually. This annual fiscal surplus equates to less than 0.02 percent of the City’s 2022/23 Fiscal Year General Fund operating budget. The Proposed Project is also projected to have positive net fiscal impacts on the Menlo Park Fire Protection District, Ravenswood City Elementary School District, and the Sequoia Union High School District. The net fiscal impact to the Menlo Park Fire Protection District represents 0.05 percent of the District’s 2022/23 Fiscal Year General Fund budget. The net fiscal impact to the Ravenswood City School District (\$202,100) equates to approximately 1.2 percent of the District’s total 2022/23 unrestricted General Fund budget, while the net fiscal impact to Sequoia Union High School District (\$81,100) represents less than 0.1 percent of the District’s 2022/23 unrestricted General Fund budget.

Selected Net Fiscal Impact Findings for the Project at Buildout

All figures in 2023 dollars

Annual Impacts	City of Menlo Park	Menlo Park Fire Protection District	Sequoia Union High School District	Ravenswood City Elementary District
1125 O’Brien Drive				
New Revenues	\$74,807	\$73,774	\$81,143	\$202,077
New Expenditures	(\$62,334)	(\$38,221)	\$0	\$0
Net Fiscal Impact	\$12,474	\$35,553	\$81,143	\$202,077

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

Note: Because the Project does not include any residential units and would not generate any new elementary or high students, it would not result in additional Ravenswood City Elementary School District expenditures or additional Sequoia Union High School District expenditures.

Source: BAE, 2023.

INTRODUCTION

The City of Menlo Park (City) is evaluating the proposed 1125 O'Brien Drive Project (Proposed Project) and engaged BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) to inform the City's evaluation of the Proposed Project. Like most new development, the Proposed Project is expected to increase demands on local government services and infrastructure and generate new revenues for local government through additional taxes and fees. This report provides an analysis of the effects that the Proposed Project would have on local expenditures and revenues in order to estimate the net fiscal impact that the Proposed Project would generate. The FIA addresses the fiscal impacts to the City's General Fund as well as impacts to special districts that provide services to residents and businesses in Menlo Park. Except as otherwise noted in the text, the annual ongoing fiscal impact of the proposed project is described in constant 2023 dollars, based on the future point in time when the project would be fully built out and occupied.

Project Description

The Proposed Project would include construction of a five-story building with research and development uses and a surface parking lot on two parcels. As part of the Proposed Project, three separate existing legal lots (1105, 1135, and 1165 O'Brien Drive) would be merged into a single parcel to accommodate the new building, while an adjacent lot at 1 Casey Court would be used for surface parking. The Project site is currently developed with four single-story buildings with office, research and development, and warehouse uses. All four buildings would be demolished as part of the proposed project.

Table 1 summarizes the development program for the Proposed Project at buildout. The proposed development program consists of 129,166 square feet of research and development (R&D) uses and 2,659 square feet of ground floor retail (café) uses. The building would be designed to accommodate a single tenant or multiple tenants. Although there are no specific tenants identified at this time, the proposed project is expected to accommodate a total of 328 employees at full buildout and occupancy, replacing the existing 143 employees currently on the project site.

Table 1 also shows the growth in employment and the service population associated with the Proposed Project. The analysis defines the City's service population as all residents plus one third of the employees who work within the City. Calculating service population in this way reflects the fact that employees, who generally spend less time in the community than residents, tend to generate a smaller share of demand for services. As shown, the Proposed Project would result in a net increase of 185 employees, or 62 service population members, on the Project site at buildout.

Table 1: Development Program at Project Buildout

	1125 O'Brien Drive Project
Gross New Square Feet	131,825
R&D	129,166
Café	2,659
New Employees	328
Existing Square Feet	59,866
Office/Warehouse	32,955
Office/R&D	26,911
Existing Employees	143
Net New Square Feet	71,959
Net New Employees	185
Net Change in Service Population	62

Notes:

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

Sources: City of Menlo Park; BAE, 2023.

GENERAL FUND FISCAL IMPACTS

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

Fiscal Impact Analysis Methodology

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

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

Table 2: Current Service Population, City of Menlo Park

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

Notes:

(a) California Department of Finance January 2022 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, 2023.

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 projected 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.

Except where noted in this report, all cost and revenue projections are expressed in 2023 dollars at a future point in time when the Proposed Project would be fully built out and occupied.

Projected Annual Revenue Impacts

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

Sales Taxes

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

The applicant is proposing a café on the ground floor of the new building, which could potentially generate additional sales tax revenue to the City. The analysis does not include an estimate of the sales tax revenue generated in the on-site café because the café is expected to be supported at least in part by purchases made by employees on the Project site. Because the analysis calculates the estimated net change in total taxable sales from worker spending in Menlo Park that would be attributable to the Proposed Project, it does not separately calculate revenues from the new café space in order to avoid double-counting these revenues.

Taxable Sales from Worker Spending. To estimate taxable expenditures made by workers on the Project site, 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 estimates used in this analysis reflect adjustments 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 non-taxable purchases and the specific types of retail available in Menlo Park, the estimated annual taxable sales in Menlo Park totals approximately \$1,895 per worker. This figure was multiplied by the net change in workers on the Project site to estimate the net change in total taxable sales from worker spending in Menlo Park attributable to the Proposed Project.

Net Change in General Fund Sales Tax Revenue from Resident and Worker Spending. Table 3 shows the estimated net change in total taxable sales from worker spending in Menlo Park and the resulting net change in annual City sales tax revenues. As shown, annual taxable expenditures among workers on the Project site would increase by approximately \$350,600 in Menlo Park once the Project is fully built out and occupied. Based on the City’s share of sales tax revenue, annual General Fund sales tax revenues are projected to increase by approximately \$3,300 at buildout and full occupancy of the Proposed Project.

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

	<u>1125 O'Brien Drive Project</u>
Worker Spending	
Net Change in Workers	185
Taxable Sales in Menlo Park per Worker (a)	\$1,895
New Annual Taxable Worker Spending in City	\$350,575
Annual Sales Tax Revenue	
Menlo Park Share of Sales Tax Receipts	0.95%
Net Change in General Fund Sales Tax Revenue	\$3,330

Notes:

(a) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates were adjusted to 2022 dollars. Worker spending estimates were adjusted to account for 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; BAE, 2023.

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 the 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. Table 4 shows the effective distribution of the base 1.0 percent property tax to the taxing jurisdictions in the TRA where the Project site is located. After accounting for estimated ERAF reductions, Menlo Park receives approximately 8.4 percent of the base 1.0 percent tax, with the remainder going to various other taxing jurisdictions.

Table 4: Distribution of Base 1% Property Tax Revenue, TRA 08-039

<u>Jurisdiction</u>	<u>Pre-ERAF Distribution</u>	<u>ERAF Shift (a)</u>	<u>Effective Distribution</u>
County of San Mateo	19.9%	39.8%	12.0%
City of Menlo Park	10.1%	16.4%	8.4%
Ravenswood Elementary School District	32.7%	0.0%	32.7%
Sequoia Union High School District	13.1%	0.0%	13.1%
San Mateo Community College District	5.7%	0.0%	5.7%
Menlo Park Fire District	13.2%	11.0%	11.8%
Ravenswood Slough Flood Zone	0.0%	21.7%	0.0%
Midpeninsula Regional Open Space District	1.5%	0.0%	1.5%
Bay Area Air Quality Management	0.2%	0.0%	0.2%
County Harbor District	0.3%	22.2%	0.2%
San Mateo Co. Mosquito & Vector Control Dist.	0.2%	15.9%	0.1%
County Office of Education	3.0%	0.0%	3.0%
ERAF	<u>0.0%</u>		<u>11.1%</u>
Total	100.0%		100.0%

Note:

(a) Represents the percentage reduction in property taxes to each jurisdiction to fund ERAF, based on FY 2021-22 figures provided by the San Mateo County Controller's Office.

Sources: San Mateo County Controller; BAE, 2023.

Current (2022-2023) Assessed Value of Project Site. As shown in Table 5, the current assessed value of the Project site totals approximately \$7.7 million. 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 the property and then applies the applicable tax rate. In California, Proposition 13 provides that the assessed value of land and improvements cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case the County re-assesses the property at the current market value; or for construction of new improvements, in which case the County re-assesses the property by the value of the construction. The County Assessor bases the assessed value of new improvements on: 1) the construction cost of new improvements, 2) the income value of the property and/or 3) the sale price of recently-sold, comparable

properties. The Assessor may use one, two, or all three of these methods to assign an assessed improvement value to a project following construction.

Table 5: Current Assessed Value of Project Site

Assessor's Parcel Number	FY 2022-23 Assessed Value		
	Land	Improvements	Total Value
055-433-180	\$194,738	\$614,246	\$808,984
055-433-320	\$1,086,463	\$797,143	\$1,883,606
055-433-330	\$2,373,067	\$1,727,620	\$4,100,687
055-433-350	\$919,020	\$0	\$919,020
Total, Project Site	\$4,573,288	\$3,139,009	\$7,712,297

Sources: San Mateo County Treasurer-Tax Collector; BAE, 2023.

Estimated Change in Land Value. This analysis uses the 2022-2023 assessed values shown in Table 5 as the baseline for estimating the increase in assessed value due to the Proposed Project. The Project sponsor owned three of the four parcels prior to 2022 and purchased the fourth parcel (APN 055-433-180) in March of 2022. The Project sponsor's 2022 purchase of APN 055-433-180 triggered a reassessment of the value of the parcel to market value, which is not reflected in the 2022/2023 assessed values shown in Table 5. The purchase price of the fourth parcel was \$8,712,500. Based on this estimate, the land value of the Project site would increase by approximately \$8.5 million after accounting for the 2022-2023 land value of APN 055-433-180 (\$194,738), as shown in Table 6.

Estimated Change in Improvement Value. Construction of the Proposed Project would trigger an assessment of the value of the new improvements on the Project site. To estimate the assessed value of the new improvements, this analysis uses estimated construction costs provided by the applicant for the Proposed Project. The construction cost approach typically leads to a conservative estimate of assessed value. According to information provided by the applicant, hard and soft construction costs are expected to total approximately \$56.4 million. The net increase in the assessed value of improvements on the Project site is equal to the total construction costs minus the existing assessed value of improvements on the Project site (approximately \$3.1 million), as shown in Table 6.

Total Estimated Change in Assessed Value. Combined, the sale of the fourth parcel and the construction of the new improvements would increase the total assessed value of the Project site by approximately \$61.8 million, as summarized in Table 6.

Table 6: Projected Change in Assessed Value of Project Site at Buildout

	1125 O'Brien Drive Project
Net Change in Assessed Value of Land (a)	
Land Sale Price of APN 055-433-180 (a)	\$8,712,500
Less: Current Land Value of APN 055-433-180	<u>(\$194,738)</u>
Net Change in Assessed Value of Land	\$8,517,762
Net Change in Assessed Value of Improvements	
Projected Assessed Value of Improvements (b)	\$56,414,990
Less: Current Project Site Assessed Value of Improvements	<u>(\$3,139,009)</u>
Net Change in Assessed Value of Improvements	\$53,275,981
Total Net Change in Assessed Value of Project Site at Buildout	\$61,793,743

Notes:

(a) The project sponsor owns all four parcels and would retain ownership of the parcels following construction of the Project. The project sponsor recently purchased the parcel at 1 Casey Court (APN 055-433-180), which triggered a reassessment of the land value of that parcel to market value based on the sale price. However, the new reassessed land value is not reflected on the current (2022) tax roll. The purchase price of the parcel, \$8,712,500, serves as an estimate for the current (2022) reassessed land value of the parcel following its sale.

(b) Based on construction cost estimate provided by the applicant in 2021.

Sources: San Mateo County Treasurer-Tax Collector; BAE, 2023.

Estimated Change in Property Tax Revenues. Based on the City's share of the base 1.0 percent property tax in the TRA where the project site is located (8.4 percent), the Proposed Project would result in a net increase of approximately \$52,200 in annual General Fund property tax revenue, as shown in Table 7.

Table 7: Projected Change in Annual Property Tax Revenue at Buildout

	1125 O'Brien Drive Project
Net Change in Assessed Value of Project Site (a)	\$61,793,743
Projected Increase in Base 1% Property Tax Revenue	\$617,937
Menlo Park Share of 1% Property Tax Base (b)	8.4%
Net Change in Annual Property Tax Revenue	\$52,211

Notes:

(a) Based on the projected net change in assessed value of the Project site at buildout (see Table 6).

(b) City's share of the base 1.0 percent property tax in the TRA where the project site is located (TRA 08-039), after accounting for ERAF.

Sources: San Mateo County Controller; BAE, 2023.

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 8, in fiscal year 2022-23 annual property tax ILVLF revenue totaled approximately \$4.7 million. This amounts to approximately \$0.18 per \$1,000 in assessed value. Based on the estimated total net change in assessed value shown below, the Proposed Project would increase annual General Fund ILVLF revenues by approximately \$11,000.

Table 8: Projected Change in Annual Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout

	1125 O'Brien Drive Project
Projected Net Increase in Assessed Value	\$61,793,743
Net Change in ILVLF Revenue	\$11,028
Assumptions	
Total Taxable Assessed Value, FY 22-23	\$26,211,741,251
FY 22-23 ILVLF Payment	\$4,677,710
ILVLF Per \$1,000 in Assessed Value	\$0.18

Sources: City of Menlo Park; San Mateo County Controller's Office; BAE, 2023.

Business License Tax

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

For the purposes of estimating business license tax revenues associated with the Proposed Project, this analysis assumes that the proposed project would include five new R&D tenants and one new café tenant. The analysis assumes that the City would assess business license taxes for each R&D tenant based on the number of employees in each business. The new business license tax revenue from the proposed new café is calculated based on estimated

¹ Menlo Park Municipal Code section 5.12.020.

annual gross receipts. The analysis also estimates existing business license tax revenue generated on the project site based on the estimated number of employees in each existing business. Based on these assumptions shown in Table 9, the Proposed Project would result in a net increase of approximately \$2,400 in annual business license tax revenue after accounting for the estimated existing revenue generated on the site.

Table 9: Projected Change in Annual Business License Tax Revenue at Buildout

	1125 O'Brien Drive Project
New Business License Tax Revenue	\$3,710
R&D	\$3,250
Café	\$460
Existing Business License Tax Revenue	(\$1,300)
Net Change in Annual Business License Tax Revenue	\$2,410
Assumptions	
New Business License Tax Revenue - R&D	
Number of New R&D Tenants (a)	5
Average Number of R&D Employees per Business (b)	64
Avg. Business License Tax Revenue per Business	\$650
New Business License Tax Revenue - Café	
Café Square Feet	2,659
Annual Sales per Square Foot	\$350
Estimated Annual Sales	\$930,650
Annual Business License Tax Revenue	\$460
Existing Business License Tax Revenue	
Number of Existing Businesses	2
Total Number of Existing Employees	143
Avg. Number of Employees per Business	72
Avg. Business License Tax Revenue per Business	\$650

Notes:

(a) BAE assumption.

(b) Equals total estimated R&D employment divided by the number of R&D tenants.

Sources: City of Menlo Park; ICF; BAE, 2023.

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 10, based on the FY 2022-23 Adopted Budget, the City receives approximately \$1.6 million in total annual UUT revenue, averaging \$36.20 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 1. Assuming a commensurate increase in the amount of UUT revenue collected each year, the Project would generate additional annual UUT revenue of approximately \$2,200.

Table 10: Projected Change in Annual Utility User Tax Revenue at Buildout

	1125 O'Brien Drive Project
Net Change in Service Population (a)	62
Projected Net Change in UUT Revenue	\$2,232

Assumptions

Total UUT Revenue, FY 2022-23 Adopted Budget	1,623,858
Current (2022) Citywide Service Population (b)	\$44,858
UUT Revenue per Service Population Member	\$36.20

Notes:

(a) See Table 1.

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

Sources: City of Menlo Park, BAE, 2023.

It is important to note that the Proposed Project would be required to use electricity as the only source of energy for all appliances used for water heating, cooking, and other activities, consistent with the City’s reach code ordinance approved in September 2019, though the Project applicant will likely apply for an exemption to allow for natural gas space heating in the laboratories as permitted under the City’s reach code. In addition, the café may apply for an exemption to permit the use of natural gas stoves. Since it is unclear how reach code requirements will ultimately impact how much UUT revenue is generated from new developments, this analysis assumes that increases in electricity expenditures due to these requirements would be comparable to the resulting decrease in gas expenditures. Actual UUT revenue generated by the Proposed Project would depend on a number of factors, including the extent to which the reach code ordinance requirements impact energy usage patterns.

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.² As shown in Table 11, General Fund revenues from franchise fees and fines in FY 2022-23 totaled approximately \$58.31 per member of the service population.

² Fine revenues from parking and traffic citations have decreased since the 2018-19 fiscal year due to changes in Police Department staffing.

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 \$3,600 at buildout.

Table 11: Projected Change in Annual Franchise Fee and Fines Revenues at Buildout

	1125 O'Brien Drive Project
Net Change in Service Population from Project (a)	62
Net Change in Franchise Fee and Fines Revenue	\$3,596
Assumptions	
	FY 2022-23
Franchise Fee Revenue	\$2,430,500
Fines Revenue	\$185,000
Total Franchise Fee and Fines Revenue	\$2,615,500
Current (2022) Citywide Service Population (b)	44,858
Revenue Per Service Population	\$58.31

Notes:

(a) See Table 1.

(b) Revenues based on the FY 2022-23 Adopted Budget.

(c) Service population is defined as all residents plus one-third of employment.

Sources: City of Menlo Park; BAE, 2023.

Summary of Annually Recurring General Fund Revenues

As shown in Table 12, the Proposed Project would increase annual General Fund revenues by approximately \$74,800 at buildout. Most of these annual General Fund revenues would be generated through property tax and property tax in lieu of vehicle license fees.

Table 12: Summary of Net Change in Annual General Fund Revenues at Buildout

General Fund Revenues	1125 O'Brien Drive Project	
	Annual Revenue	Percent of Total
Property Tax	\$52,211	69.8%
ILVLF	\$11,028	14.7%
Sales Tax	\$3,330	4.5%
Business License Tax	\$2,410	3.2%
Utility Users Tax	\$2,232	3.0%
Other Revenues	\$3,596	4.8%
Total Revenues	\$74,807	100.0%

Source: BAE, 2023.

One-Time/Non-Recurring Revenue Impacts

The City and some special districts collect impact fees and capital facilities charges for public services such as water, sewer, transportation, below market rate housing, and schools. These impact fees are established pursuant to State law, and represent a one-time revenue source

from a project, intended to offset impacts to infrastructure systems that are generated by new development. Based on FY 2022-23 impact fee rates, the Proposed Project would generate approximately \$2.9 million in impact fees to the City of Menlo Park after accounting for offsetting fee credits (see Table 13). Impact fees to Sequoia Union High School District would total approximately \$25,000, while fees to Ravenswood City Elementary School District would total approximately \$22,500.

Table 13: Impact Fees from the Proposed Project

FY 2022-23 Impact Fees	Rate	Unit	1125 O'Brien Drive Project			Total Fees
			Existing	Gross New	Net New	
<u>Transportation</u>						
Research and Development	\$9.32	per net sf	26,911	129,166	102,255	\$953,017
Warehouse	\$3.62	per net sf	32,955	0	(32,955)	(\$119,297)
Restaurant/Retail	\$12.76	per net sf	0	2,659	2,659	\$33,929
Total Transportation Impact Fee						\$867,648
<u>BMR Housing Commercial In-Lieu Fees</u>						
Office/R&D	\$21.12	per net sf	26,911	129,166	102,255	\$2,159,626
All Other Commercial and Industrial	\$11.46	per net sf	32,955	2,659	(30,296)	(\$347,192)
Total BMR Housing In-Lieu Fee						\$1,812,433
<u>Storm Drainage Fees</u>						
Commercial	\$0.24	per sf imperv.		152,089		\$36,501
<u>Construction Street Impact Fee (a)</u>	0.58%	of construction value		\$33,418,956		\$193,830
Total City of Menlo Park Impact Fees						\$2,910,413
<u>Sequoia Union High School Dist.</u>						
Residential	\$2.126	per net sf	0	0	0	\$0
Commercial	\$0.348	per net sf	59,866	131,825	71,959	\$25,042
Total						\$25,042
<u>Ravenswood Elementary School Dist.</u>						
Residential	\$1.954	per net sf	0	0	0	\$0
Commercial	\$0.312	per net sf	59,866	131,825	71,959	\$22,451
Total						\$22,451

Note:

(a) The City of Menlo Park uses ICC building valuation data to calculate the Construction Street Impact Fee. The ICC building valuation differs from the projected assessed value of the improvements shown in Table 6 above.

Sources: City of Menlo Park; Sequoia Union High School District; BAE, 2023.

Projected Annual Service Cost Impacts

The City's General Fund expenditures generally increase as the service population increases, with some exceptions for General Fund expenditures that tend to be relatively fixed and 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 the Proposed Project. 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 14, the City’s net variable costs for the impacted departments total approximately \$45.3 million.

Table 14: Current City of Menlo Park Annual General Fund Operating Expenditures, FY 2022-23 Adopted Budget

<u>Department/Division</u>	<u>Annual General Fund Expenditures</u>	<u>Less: Executive Salary and Benefits (a)</u>	<u>Less: Fixed Assets and Capital Outlay, Utilities, Transfers, and Special Projects (b)</u>	<u>Less: Charges for Service and Other Offsetting Revenues (c)</u>	<u>Net Variable General Fund Expenditures</u>
Human Resources	\$1,267,463	(\$268,125)	(\$7,500)	\$0	\$991,838
Library and Community Svcs	\$11,803,980	(\$292,256)	(\$601,460)	(\$2,767,000)	\$8,143,264
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)	\$53,426,393	(\$1,167,486)	(\$2,749,533)	(\$4,166,500)	\$45,342,874

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, 2023.

As shown in Table 15, 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 15 applies the net variable costs per member of the service population to the net increase in service population associated with the Proposed Project to estimate General Fund expenditure impacts. As shown, the Proposed Project would increase the City’s total annual General Fund expenditures by approximately \$62,300. The projected expenditures solely account for projected 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 Proposed Project.

Table 15: City of Menlo Park General Fund Expenditure Impacts at Buildout

Department	General Fund Expenditures Per Service Population (a)	1125 O'Brien Drive General Fund Impacts	
		Total (b)	% of Total
Human Resources	\$22.11	\$1,363	2.2%
Library and Community Services	\$181.54	\$11,195	18.0%
Police	\$478.90	\$29,532	47.4%
Public Works	\$328.27	\$20,244	32.5%
Total Dept. Expenditures	\$1,010.82	\$62,334	100.0%

Assumptions

Net Change in Service Population from Project (c)	62
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Notes:

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

(b) Equal to net variable General Fund operating expenditures per service population multiplied by the net new service population associated with the Proposed Project shown in Table 1.

Sources: City of Menlo Park; BAE, 2023.

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

Table 16 summarizes the annual recurring net General Fund fiscal impact from the Proposed Project at buildout and full occupancy in 2023 dollars. The Proposed Project would increase the City’s annual General Fund revenues by approximately \$74,800 and increase the City’s annual General Fund expenditures by approximately \$62,300, resulting in a net positive fiscal impact totaling approximately \$12,500 per year once the project is complete and fully occupied. This is equal to less than 0.02 percent of the City’s total 2022/23 Fiscal Year Adopted General Fund budget (\$80.4 million). The fiscal impacts shown in the table below reflect the impacts of the Proposed Project itself, irrespective of other changes in the City’s population, workforce, property tax base, and other factors that could impact the City’s budget.

Table 16: Annual Net Fiscal Impact to the City of Menlo Park General Fund at Full Buildout and Occupancy

	1125 O'Brien Drive Project
Total Net Change in Revenues	\$74,807
Property Tax	\$52,211
ILVLF	\$11,028
Sales Tax	\$3,330
Business License Tax	\$2,410
Utility Users Tax	\$2,232
Other Revenues	\$3,596
Total Net Change in Expenditures	(\$62,334)
Human Resources	(\$1,363)
Library and Community Services	(\$11,195)
Police	(\$29,532)
Public Works	(\$20,244)
Net Fiscal Impact	\$12,474

Note: Revenues and expenditures are expressed in 2023 dollars at the future point in time when the Proposed Project would be fully built out and occupied.

Source: BAE, 2023.

Total 10-Year Impact

The estimates in Table 16 do not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 17 provides a longer term view of the potential net fiscal impact to the City’s General Fund. The table shows the annual revenues and expenditures that would be attributable to the Proposed Project on a year-by-year basis, adjusted for projected increases in revenues and costs in each year from 2023 to 2032. The fiscal impacts shown in the table below reflect the impacts that are attributable to the Proposed Project itself, irrespective of other changes in the City’s population, workforce, property tax base, and other factors that could impact the City’s budget. 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.³ The one exception is property tax revenues, which is 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.

As shown in Table 17, the annual fiscal impact associated with the Proposed Project would remain positive throughout the projection period. The annual fiscal impact is positive during

³ As of the writing of this report, the current inflation rate is higher than three percent. However, a three-percent inflation rate is used for this analysis to reflect typical long-term annual inflation, which has typically averaged approximately three percent.

construction in year 2023 due to the demolition of existing improvements and decrease in service population on the Project site. Following full buildout of the Proposed Project in year 2024, the annual fiscal surplus would total approximately \$12,200.

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 entity would retain ownership of the Project 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 ownership of any portion of the Proposed Project is transferred to a different entity during this period, that transfer would trigger a reassessment of the project based on market value, which would likely increase the property tax and property tax ILVLF to a greater extent than shown in the table below.

Table 17: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2023-2032, Proposed Project

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Net Change in Service Population	-48	62	62	62	62	62	62	62	62	62
Total Net Change in Revenues	(\$2,900)	\$76,400	\$78,100	\$79,600	\$81,300	\$83,300	\$85,100	\$86,900	\$88,800	\$90,600
Property Tax	\$4,500	\$53,300	\$54,300	\$55,400	\$56,500	\$57,600	\$58,800	\$60,000	\$61,200	\$62,400
ILVLF	\$1,000	\$11,200	\$11,500	\$11,700	\$11,900	\$12,200	\$12,400	\$12,700	\$12,900	\$13,200
Sales Tax	(\$2,600)	\$3,400	\$3,500	\$3,600	\$3,700	\$3,900	\$4,000	\$4,100	\$4,200	\$4,300
Business License Tax	(\$1,300)	\$2,500	\$2,600	\$2,600	\$2,700	\$2,800	\$2,900	\$3,000	\$3,100	\$3,100
Utility Users Tax	(\$1,700)	\$2,300	\$2,400	\$2,400	\$2,500	\$2,600	\$2,700	\$2,700	\$2,800	\$2,900
Other Revenues	(\$2,800)	\$3,700	\$3,800	\$3,900	\$4,000	\$4,200	\$4,300	\$4,400	\$4,600	\$4,700
Total Net Change in Expenditures	\$48,200	(\$64,200)	(\$66,100)	(\$68,100)	(\$70,100)	(\$72,300)	(\$74,500)	(\$76,700)	(\$78,900)	(\$81,300)
Human Resources	\$1,100	(\$1,400)	(\$1,400)	(\$1,500)	(\$1,500)	(\$1,600)	(\$1,600)	(\$1,700)	(\$1,700)	(\$1,800)
Library and Community Services	\$8,700	(\$11,500)	(\$11,900)	(\$12,200)	(\$12,600)	(\$13,000)	(\$13,400)	(\$13,800)	(\$14,200)	(\$14,600)
Police	\$22,800	(\$30,400)	(\$31,300)	(\$32,300)	(\$33,200)	(\$34,200)	(\$35,300)	(\$36,300)	(\$37,400)	(\$38,500)
Public Works	\$15,600	(\$20,900)	(\$21,500)	(\$22,100)	(\$22,800)	(\$23,500)	(\$24,200)	(\$24,900)	(\$25,600)	(\$26,400)
Net Fiscal Impact	\$45,300	\$12,200	\$12,000	\$11,500	\$11,200	\$11,000	\$10,600	\$10,200	\$9,900	\$9,300

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

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

All values shown in nominal dollars (i.e., not adjusted to 2023 dollars).

Source: BAE, 2023.

SPECIAL DISTRICT FISCAL IMPACT ANALYSIS

This section of the report provides analysis and findings related to the fiscal impact that the Proposed Project would have on the Menlo Park Fire Protection District and the school districts that serve the project site. Appendix A provides findings from the fiscal impact analysis of the Midpeninsula Regional Open Space District, San Mateo County Community College District, and the San Mateo County Office of Education.

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) provides fire protection services to Menlo Park, Atherton, East Palo Alto, portions of unincorporated San Mateo County, and federal facilities such as the veteran’s hospital, United States Geological Survey facility, and the Stanford Linear Accelerator, covering approximately 30 square miles. The MPFPD also has agreements with 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 105,884.⁴

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

Property taxes are the primary source of revenue for the MPFPD. Other sources of General Fund revenues for the MPFPD include licenses and permits, monies from intergovernmental

⁴ Service population is defined as all residents plus one third of all employees.

transfers, current service charges, and use of money and property. For this FIA, revenues from licenses, permits, and service charges are assumed to be the only revenue source other than property tax that would be affected by new development.

The MPFPD receives approximately 11.8 percent of the 1.0 percent base property tax collected in the TRA where the Proposed Project is located. Based on the projected net increase in assessed value from the Proposed Project shown in Table 18, the MPFPD would receive additional annual property tax revenue of approximately \$72,900 following buildout of the Proposed Project. Other revenues from licenses, permits, and service charges were projected at approximately \$1.6 million in the MPFPD's FY 2022-23 Adopted Budget, averaging \$14.72 per member of the service population. Based on the estimated net increase in service population associated with the Proposed Project, additional MPFPD revenues from licenses, permits, and service charges from the Proposed Project would total approximately \$900 per year.

Expenditure Impacts from the Project

This study estimates the costs that the Proposed Project would 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 Proposed Project would generate additional annual District expenditures of approximately \$38,200.

Net Fiscal Impact from the Project

Based on the revenue and expenditure estimates shown in Table 18, the Proposed Project would have a positive net fiscal impact on the MPFPD. The surplus associated with the Project is estimated to total \$35,600 annually, which amounts to approximately 0.05 percent of MPFPD's FY 2022-23 General Fund operating budget (excluding transfers and expenses on fixed assets).

The Menlo Park Fire Protection District has adopted an Emergency Services and Fire Protection Impact Fee to fund the District's fire protection capital facilities. Although the City has not adopted this fee, for illustrative purposes this analysis includes a calculation of the impact fee revenue that the Proposed Project would generate for the MPFPD if the City of Menlo Park adopts the impact fee proposed by the MPFPD before the application for the Proposed Project is considered for approval by the City. Assuming the City were to adopt this fee before the application for the project is considered for approval by the City, the Proposed Project would generate approximately \$52,500 in one-time impact fee revenue to the District.

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

	1125 O'Brien Drive Project
Project Net Change in Service Population	62
Net Change in Assessed Value from Project	\$61,793,743
Net Change in Property Tax Revenues	\$72,865
Net Change in License, Permit, and Service Charge Revenues	\$908
Less: Net Change in Projected Expenditures	(\$38,221)
Projected Net Fiscal Impact to MPFPD	\$35,553
Assumptions	
Menlo Park Fire Protection District Service Population, 2022	105,884
Revenues	
Fire District Share of Base 1% Property Tax (a)	11.8%
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
Expenditures	
General Fund Operating Expenditures, FY 2022-23 Adopted Budget	\$65,626,900
Expenditures per Service Population	\$619.80

Notes:

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

(b) 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, 2023.

School Districts Serving the Project Site

This study evaluates the fiscal impacts for the Ravenswood City Elementary and Sequoia Union High school districts, which are the two school districts that serve the Project site. Since the project does not include a residential component, it would not generate any new students or associated additional expenditures for either district. The project would generate additional property tax revenues for both districts.

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 or not 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 actually 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 generally retains any additional property tax revenues. While this can support higher levels of student spending in districts with a strong property tax base, it also means that property taxes from new development are the primary source of funds for additional annual operating costs to educate any new students. Therefore, a district's Basic Aid or non-Basic Aid status determines whether it can retain new operating revenues as a result of new development that increases the local property tax rolls.

Ravenswood City School District

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. In the TRA where the Project site is located, the District's share of the base one-percent property tax is approximately 32.7 percent. Based on this percentage and the estimated increase in assessed values shown in Table 19, the Project would generate additional annual property tax revenues totaling approximately \$202,100.

In addition to these ongoing revenues, the Proposed Project would generate one-time impact fees to the District totaling approximately \$22,500 (see Table 13).

Table 19: Projected Fiscal Impacts to the Ravenswood City School District

	1125 O'Brien Drive Project
Project Net Change in Enrolled Students	0
Net Change in Assessed Value from Project	\$61,793,743
Net Change in Property Tax Revenues	\$202,077
Net Change in State Revenues from ADA	\$0
Less: Net Change in Projected Expenditures from Enrollment	<u>\$0</u>
Projected Net Fiscal Impact to Ravenswood City ESD	\$202,077
One-Time Impact Fee Revenue	\$22,451
Assumptions	
Ravenswood City ESD Share of Base 1% Property Tax (a)	32.7%

Note:

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

Sources: Ravenswood City School District; San Mateo County Controller; BAE, 2023.

Sequoia Union High School District

The Sequoia Union High School District is a Basic Aid district and therefore gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources. In the TRA where the Project site is located, the district's share of the base one percent property tax is 13.1 percent. Based on this percentage and the estimated net increase in assessed values shown in Table 20, the Proposed Project would generate additional annual property tax revenue of approximately \$81,100.

In addition to these ongoing revenues, the Proposed Project would also generate one-time impact fees to the District totaling approximately \$25,000 (see Table 13).

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

	1125 O'Brien Drive Project
Project Net Change in Enrolled Students	<u>0</u>
Net Change in Assessed Value from Project	\$61,793,743
Net Change in Property Tax Revenues	\$81,143
Net Change in State Revenues from ADA	\$0
Less: Net Change in Projected Expenditures from Enrollment	<u>\$0</u>
Projected Net Fiscal Impact to Sequoia Union HSD	\$81,143
One-Time Impact Fee Revenue	\$25,042
Assumptions	
Sequoia Union HSD Share of Base 1% Property Tax (a)	13.1%

Note:

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

Sources: Sequoia Union High School District; San Mateo County Controller; BAE, 2023.

APPENDIX A: FISCAL IMPACTS TO OTHER SPECIAL DISTRICTS

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

Water and Sanitary Districts

Menlo Park Municipal Water (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, including the Project site.

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

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

The Project would generate connection fees for both districts, providing one-time fee revenue to cover the cost of service connections. The 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 spanning 17 cities, including the City of Menlo Park. To date, the district has preserved nearly 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 district's primary source of revenue and account for over 90 percent of total district operating revenues. The District's other sources of revenue, such as grants, interest income, and rental income, are comparatively small and not projected to be impacted by the Proposed Project. The District's share of the base one percent property tax is 1.5

percent in the TRA where the Project site is located. At buildout, the Proposed Project would generate additional annual property tax revenue of approximately \$9,500.

Expenditure Impacts from the Project

This analysis assumes that the District would not increase its land acquisition efforts as a direct result of the Project. In addition, the District’s 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. Based on the net increase in service population associated with the Proposed Project, annual expenditures are projected to increase by \$2,600 following buildout of the Proposed Project.

Net Fiscal Impact from the Project

As detailed in Table A- 1, the Proposed Project would result in a small positive net fiscal impact on Midpeninsula Regional Open Space District totaling approximately \$6,900 annually.

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

	1125 O'Brien Drive Project
Project Net Change in Service Population	62
Net Change in Assessed Value from Project	\$61,793,743
Net Change in Property Tax Revenues	\$9,541
Less: Net Change in Projected Expenditures	<u>(\$2,600)</u>
Projected Net Fiscal Impact to Open Space District	\$6,941
Assumptions	
Open Space District Service Population, 2022	925,581
Open Space District Share of Base 1% Property Tax (a)	1.5%
Operating Expenditures, FY 2022-23 Adopted Budget (b)	\$39,031,112
Operating Expenditures per Service Population	\$42.17

Notes:

- (a) This is the Open Space District's share of the base 1.0 percent property tax in the TRA where the project site is located. Open Space District property tax revenues are not reduced to fund ERAF.
- (b) Includes salaries, benefits, services, and supplies only. 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, 2023.

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), 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 0.86 new 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.

As detailed in Table A-2, SMCCCD receives approximately 5.7 percent of the base one percent property tax in the TRA where the Project site is located and the Proposed Project would generate additional property tax revenue of approximately \$35,200 annually at buildout. In the District's 2022-23 Adopted Budget, resident student enrollment fees were projected to total approximately \$7.9 million, or approximately \$636 per Resident FTES. Based on this figure and the estimated student generation associated with the Proposed Project (0.86 FTES), resident student fees from new enrollment are estimated to increase by approximately \$500 from the Proposed 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 (\$32.68 per FTES). As shown below, revenues from these sources would increase by approximately \$250.

Expenditure Impacts from the Project

In the 2022-23 Adopted Budget, the District budgeted approximately \$242.7 million in unrestricted General Fund expenditures, or \$18,106 per Total District FTES. Assuming the District maintains this per-FTES spending level, the new FTES generated by the Proposed Project (0.86 FTES) would increase the District's annual operating expenditures by approximately \$15,500.

Net Fiscal Impact from the Project

As reported in Table A-2, the Proposed Project would have a small positive net fiscal impact on SMCCCD, totaling approximately \$20,600 per year at buildout. This is equal to less than 0.01

percent of the District’s unrestricted General Fund expenditures reported in the 2022-23 Adopted Budget.

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

	1125 O'Brien Drive Project
Project Net Change in Service Population	62
Project Net Change in Full-Time Equivalent Students (FTES)	0.86
Project Net Change in Assessed Value	\$61,793,743
Net Change in Property Tax Revenue	\$35,236
Net Change in Student Fee Revenue	\$544
Net Change in State Revenue from FTES	\$253
Less: Net Change in Projected Expenditures	(\$15,481)
Projected Net Fiscal Impact to SMCCCD	\$20,552
Assumptions	
SMCCCD Service Population, 2022	897,194
Projected Resident Full-Time Equivalent Students (FTES), 2022-23 Adopted Budget	12,440
Resident FTES per Service Population Member	0.014
Revenues	
SMCCCD Share of Base 1% Property Tax Revenue (a)	5.7%
Resident Student Fee Revenues, 2022-23 Adopted Budget	\$7,916,079
Student Fee Revenues per Resident FTES	\$636.34
Unrestricted State Revenues per Resident FTES, 2022-23 Adopted Budget	\$295.68
Unrestricted State Educational Protection Account Funds per Resident FTES	\$100.00
Unrestricted State Lottery Funds per Resident FTES	\$163.00
Unrestricted State Mandated Costs Block Grant per Resident FTES	\$32.68
Expenditures	
Unrestricted General Fund Expenditures, 2022-23 Adopted Budget (b)	\$242,674,080
Projected Total Full-Time Equivalent Students (FTES), 2022-23 Adopted Budget (c)	13,403
Unrestricted Expenditures per Total District FTES	\$18,106

Notes:

- (a) This is the San Mateo County CCD's share of the base 1.0 percent property tax in the TRA where the project site is located.
- (b) This figure omits capital outlay expenditures as they are not impacted by growth in FTES.
- (c) 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, 2023.

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.

This analysis assumes that property tax is the only unrestricted SMCOE revenue source that would be impacted by the Proposed Project. Because the Project does not include any residential units, it would not generate any new students or additional SMCOE expenditures. As summarized in Table A-3, SMCOE’s share of the base 1.0 percent property tax in the TRA where the Project site is located is approximately 3.0 percent. Annual property tax revenue to SMCOE would increase by an estimated \$18,300 from the Proposed Project.

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

	1125 O'Brien Drive Project
Project Net Change in Enrolled Students	0
Project Net Change in Assessed Value	\$61,793,743
Net Change in Property Tax Revenues	\$18,337
Less: Net Change in Projected Expenditures from Enrollment	\$0
Projected Net Fiscal Impact to San Mateo COE	\$18,337

Assumptions

San Mateo COE Share of Base 1% Property Tax Revenue (a)	3.0%
Unrestricted Expenditures, FY 2022-23 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 share of the base 1.0 percent property tax in the TRA where the project site is 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, 2023.