bae urban economics

# Fiscal Impact Analysis Report for Proposed Willow Village 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 Willow Village Master Plan project. At full buildout, the Proposed Project would include up to 1.6 million square feet of office and accessory uses, up to 200,000 square feet of retail uses, up to 1,730 multifamily residential units, and an up to 193-room hotel. In addition to the Proposed Project, the FIA examines the fiscal impacts of an Increased Residential Density Variant that would include an additional 200 residential units for a total of up to 1,930 units. The FIA addresses the net increase in revenues and expenditures and resulting net fiscal impact of the Proposed Project and the Increased Residential Density Variant on the following:

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

Selected FIA findings are summarized in the following table. As shown below, the FIA estimates that the Proposed Project and the Increased Residential Density Variant would both have a positive net fiscal impact on the City of Menlo Park's annual General Fund operating budget. The Proposed Project and the Increased Residential Density Variant would also both generate a net positive fiscal impact for the Menlo Park Fire Protection District, Sequoia Union High School District, and the Ravenswood City Elementary School District. In addition to the ongoing fiscal impacts shown in the table below, the project would be required to pay various impact fees to the City of Menlo Park and the two school districts. [1]

[1] In addition to the school impact fees required by law, the Peninsula Innovation Partners has negotiated a separate agreement with the Sequoia Union High School District to provide an additional one-time $15 million contribution to address school needs.

## Selected Net Fiscal Impact Findings for the Project at Buildout

| *All figures in 2022 dollars*<br>**Proposed Project** | **City of Menlo Park** | **Menlo Park Fire Protection District** | **Sequoia Union High School District** | **Ravenswood City Elementary District** |
|---|---|---|---|---|
| **Annual Impacts** | | | | |
| New Revenues | $5,886,035 | $4,140,146 | $4,625,485 | $11,434,783 |
| New Expenditures | ($4,344,263) | ($2,599,498) | ($4,280,419) | ($6,723,236) |
| **Net Fiscal Impact** | **$1,541,772** | **$1,540,649** | **$345,067** | **$4,711,548** |
| | | | | |
| **Increased Residential Density Variant** | | | | |
| **Annual Impacts** | | | | |
| New Revenues | $6,103,025 | $4,317,786 | $4,829,316 | $11,931,663 |
| New Expenditures | ($4,712,994) | ($2,820,137) | ($4,812,148) | ($7,553,819) |
| **Net Fiscal Impact** | **$1,390,031** | **$1,497,649** | **$17,169** | **$4,377,844** |

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

Source: BAE, 2022.

# INTRODUCTION

The City of Menlo Park (City) is evaluating the proposed Willow Village Master Plan (Proposed Project), and engaged BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) of the 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 2022 dollars, based on the future point in time when the project would be fully built out and would have achieved stabilized operations.

## Project Description

The Proposed Project is a mixed-use masterplan development of a 59-acre site (Main Project Site) plus two additional sites west of Willow Road (Hamilton Avenue Parcels North[2] and South) in Menlo Park. The Main Project Site is generally bounded by the Dumbarton Rail Corridor to the north, an existing life science complex to the east (Menlo Park Labs Campus), the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy right-of-way to the south, and Willow Road to the west.

The development program for the Proposed Project is shown in Table 1. The Main Project Site encompasses the Menlo Science and Technology Park, which contains 20 buildings totaling approximately 1 million square feet with a mix of R&D, office, and warehousing uses. The Proposed Project would include demolishing the existing buildings and landscaping on the Main Project Site and constructing new site improvements and new buildings with a mix of office, retail, hotel, and residential uses. At full buildout, the new buildings on the Main Project Site would include approximately up to 1.6 million square feet of office and accessory uses (for Meta Platforms, Inc. "Meta"), up to 200,000 square feet of retail uses, up to 1,730 multifamily residential units, and an up to 193-room hotel. The residential units are anticipated to include 312 below market-rate units.

In addition to the 59-acre Main Project Site, the Proposed Project would re-align Hamilton Avenue, altering two existing sites (three legal parcels) along the street to reorganize access to the Main Project Site. As part of the realignment, an existing 4,775-square-foot gas station on Hamilton Avenue Parcel South would be demolished and reconstructed, resulting in a net

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[2] Hamilton Avenue Parcel North consists of two legal parcels.

increase of about 985 square feet on that parcel. In addition, the Proposed Project could potentially add approximately 6,700 square feet of new retail uses at the existing shopping center on Hamilton Avenue Parcel North.

The Proposed Project would be constructed in two primary phases. Phase 1 is expected to be completed in 2025, while Phase 2 is expected to be completed in 2026. Phase 1 would include parts of the Residential/Shopping District, the entire Town Square District, and the entire Campus District. Phase 2 construction would encompass the balance of the Residential/Shopping District, the Willow Road Tunnel, and the portion of the elevated park across Willow Road. Potential expansion on Hamilton Avenue Parcel North and the reconstruction of the existing service station on Hamilton Avenue Parcel South would be conducted in future phases; however the realignment of Hamilton Avenue and associated demolition of the service station would occur in Phase 1.

In addition to the Proposed Project shown in Table 1, this analysis also examines the fiscal impacts of an Increased Residential Density Variant. The Increased Residential Density Variant would include an additional 200 residential units on the Main Project Site for a total of up to 1,930 units. Of these 1,930 units, 312 units would be below market rate, consistent with the Proposed Project.[3]

Table 1Table 1 shows the growth in new residents, employees, and the service population associated with the Proposed Project and the Increased Residential Density Variant. This analysis defines the City's service population as all residents plus one third of the employees who work within the City.[4] 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. At buildout, the Proposed Project would include 3,520 new residents and 8,128 employees, resulting in a total service population of 6,229. The Increased Residential Density Variant would include 200 additional housing units, 407 additional residents, and four additional employees[5] at buildout, resulting in a total service population of 6,651. Overall, the Proposed Project would result in a net increase of 4,964 service population members after accounting for the existing employment on the Project site. Under the Increased Residential Density Variant, the net increase in the City's service population would be 5,385 service population members at buildout.

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[3] The additional units in the Increased Residential Density Variant would be market rate units enabled through the City's density bonus program, which allows for one additional market rate unit for each BMR unit provided within the Proposed Project. As such, no additional BMR units would be provided under the Variant.
[4] This may be a conservative assumption because many employees that work in offices in Menlo Park have not yet returned to working in person on a full-time basis.
[5] See Appendix B for a detailed breakdown of existing and proposed employment under the Proposed Project and the Increased Residential Density Variant.

## Table 1: Development Program at Project Buildout

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **Gross New Square Footage** | **3,679,460** | **3,875,460** |
| Office and Accessory Space | 1,600,000 | 1,600,000 |
| Retail (Main Project Site) (a) | 200,000 | 200,000 |
| Retail (Hamilton Parcels) (a) | 12,460 | 12,460 |
| Hotel | 172,000 | 172,000 |
| Residential | 1,695,000 | 1,891,000 |
| | | |
| **New Hotel Rooms** | **193** | **193** |
| | | |
| **New Residential Units** | **1,730** | **1,930** |
| Market Rate Units | 1,418 | 1,618 |
| Affordable Units | 312 | 312 |
| Senior Affordable Units | 119 | 119 |
| Non-Senior Affordable Units | 193 | 193 |
| | | |
| **Existing Square Footage to be Demolished** (b) | **1,008,685** | **1,008,685** |
| Main Project Site | 1,003,910 | 1,003,910 |
| Hamilton Avenue Parcel South | 4,775 | 4,775 |
| | | |
| **New Service Population** (c) | **6,229** | **6,651** |
| New Residents | 3,520 | 3,940 |
| New Employees (d) | 8,128 | 8,132 |
| | | |
| **Existing Service Population** (c) | **1,265** | **1,265** |
| Existing Residents | 0 | 0 |
| Existing Employees (d) | 3,796 | 3,796 |
| | | |
| **Net Change in Service Population** (c) | **4,964** | **5,385** |
| Net Change in Residents | 3,520 | 3,940 |
| Net Change in Employees (d) | 4,332 | 4,336 |

Notes:
(a) Gross new square footage reflects the maximum allowable development in the Conditional Development Permit (CDP) for the Main Project Site plus the proposed new commercial space on the Hamilton parcels. New commercial uses on the Hamilton parcels would include 6,700 square feet of new retail uses on Hamilton Avenue Parcel North and a reconstructed 5,760-square-foot service station on Hamilton Avenue Parcel South. The existing retail buildings on Hamilton Avenue Parcel North would remain on the site and are therefore not included in this total.
(b) Consists of the existing gross square footage that would be demolished as part of the Proposed Project. The existing retail buildings on Hamilton Avenue Parcel North would remain on the site and are therefore not included.
(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.
(d) Based on the Willow Village Master Plan Project DEIR. Figure includes employees on the Main Project Site and the Hamilton Avenue Parcels. See Appendix B for a detailed breakdown of existing and proposed employment by location and use.

Sources: City of Menlo Park; ICF; BAE, 2021.

# GENERAL FUND FISCAL IMPACTS

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

## Fiscal Impact Analysis Methodology

This fiscal impact analysis (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 of Menlo Park's population consists of approximately 33,509 residents and 33,444 employees, resulting in a service population of 44,657 (100 percent of residents plus one-third of employees).[6] The fiscal impact analysis uses this service population figure to derive current expenditures and revenues per service population member.

[6] This analysis uses Esri 2021 estimates for current employment in Menlo Park, which may differ from sources used for other studies related to the proposed project. Esri 2021 estimates are used for this study to provide the most current employment estimate available when the FIA was prepared, which corresponds to the fiscal year (2021-2022) for the budget that this analysis uses to estimate current City expenditures and some current City revenues on a service population basis. Employment in the region generally decreased in 2020 and continues to remain lower than 2019 levels. Apart from Esri data, most sources of employment data that were available when the FIA was prepared reflect pre-pandemic conditions. Therefore, use of these older data sources in the FIA would likely result in estimates of service costs and some revenues that are lower than the City's actual costs or revenues per member of the service population in 2021. Use of data from other sources may be appropriate for other studies related to the proposed project due to the nature of the analysis necessary for other studies.

**Table 2: Current Service Population, City of Menlo Park**

| City of Menlo Park | 2021 |
|---|---|
| Residents (a) | 33,509 |
| Employees (b) | 33,444 |
| **Service Population** (c) | **44,657** |

Note:
(a) California Department of Finance January 2021 population estimate.
(b) Esri estimate for 2021.
(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 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 2022 dollars to contextualize the impacts in terms of current dollars. The report focuses on the impacts of the Proposed Project once fully built out and occupied and also presents the cumulative ten-year fiscal impact to Menlo Park's General Fund starting in 2022.

## 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.

This analysis estimates sales tax from the Proposed Project based on the estimated taxable expenditures that would be made by new residents and workers associated with the Proposed

Project.  The Proposed Project would include up to approximately 200,000 square feet of new commercial space, which would include a mix of retail, services, and entertainment uses, some of which would generate sales tax revenue.  The analysis does not include an estimate of the sales tax revenue that would be generated in the new retail space because any retailers in this space are expected to be supported at least in part by purchases made by new residents and employees in the Proposed Project.  Because the analysis calculates sales tax revenue from new resident and employee spending, the analysis does not separately calculate revenues from the new commercial space in order to avoid double-counting these revenues.

Moreover, a portion of the retail space that would be included in the Proposed Project would likely generate limited or no sales tax revenue.  The proposed retail square footage includes a grocery store and pharmacy, both of which generate limited sales tax revenue because most grocery store and pharmacy purchases are not taxable under California State law.  The proposed retail square footage also includes a bank or credit union, which would not generate sales tax revenue.  To the extent that new retail space includes other services, such as dry cleaners and hair or nail salons, the services offered in these retail spaces would generally not be subject to sales tax.  Entertainment uses in retail spaces, such as movie theaters, live theater, or bowling, are also generally not subject to sales tax, though sales of food, beverages, and other items would likely generate some taxable sales from entertainment uses.  Due to this uncertainty regarding the tenant mix, as well as the potential for double-counting revenues due to resident and worker spending in the new retail spaces, this analysis uses the net increase in resident and worker taxable spending from the project as a more reliable estimate of the taxable sales that the proposed project would generate.

It should be noted that some of the taxable sales that would occur in new retail space in the Proposed Project would be due to purchases made by people that do not live or work in the Proposed Project, and therefore are not directly captured in the analysis provided in this FIA. However, a portion of these sales may consist of purchases that otherwise would have been made at existing Menlo Park retailers or restaurants, and therefore do not represent a net increase in citywide taxable sales.  Meanwhile, taxable purchases made by residents and workers in the Proposed Project would include purchases at existing retailers, which could offset any impact due to shifts in spending patterns among their existing customers.

Due to these factors, the analysis does not directly estimate taxable sales that would be generated by the new space in the Proposed Project.  This approach may understate the total taxable sales that the Proposed Project would generate in order to provide a conservative analysis that does not overstate the potential sales tax revenue that the Proposed Project would generate.  However, this approach provides a reasonable estimate given the potential for double-counting of new resident and worker expenditures, the information that is currently known about the future commercial mix in the project, and the potential for expenditures at existing Menlo Park restaurants and retailers to shift to the project site.

**Taxable Sales from Resident Spending.** According to data from the California Department of Tax and Fee Administration shown in Table 3, residents in San Mateo and Santa Clara County, including Menlo Park residents, spend an average of $12,489 per person per year on taxable purchases at retail locations and restaurants in these two counties. This is compared to only $6,547 per person in annual taxable sales in Menlo Park, with the lower amount of spending in Menlo Park indicating retail "leakage". Retail leakage indicates that, of the total $12,489 per year in predicted total taxable purchases among Menlo Park residents, a portion is spent in locations outside of Menlo Park due to either a shortage of retailers in Menlo Park to meet the demand for retail goods in specific categories or the presence of retailers outside but near the City limits that are capturing "leaked" sales.

For those 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 per-capita spending figure for Menlo Park to estimate retail sales by Menlo Park residents at retailers and restaurants in Menlo Park. The remainder of resident spending in those categories is assumed to occur outside of Menlo Park.

Table 3 also indicates that Menlo Park 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 all of 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.

However, while the data indicate that there are enough retailers in Menlo Park to capture all resident sales in this category, it is likely that residents will nevertheless make a portion of their purchases in these categories outside of Menlo Park. Therefore, this analysis assumes that locations in Menlo Park will capture 85 percent of resident purchases in these categories, with the remainder spent at locations outside of Menlo Park.

This results in an estimate that residents in the Proposed Project will spend $5,147 per year in taxable purchases at locations in Menlo Park, with the remainder of their $12,489 in predicted average annual per-capita spending occurring outside of Menlo Park. This total is smaller than the $6,547 per year in per-capita taxable sales that occur in Menlo Park to account for the fact that some of the sales that occur in Menlo Park are due to spending by people that are not Menlo Park residents, particularly in categories where Menlo Park experiences an injection of taxable sales, and are therefore not affected by residential growth.

## Table 3: Estimated Annual Taxable Expenditures per Resident

| Business Category | 2020 Taxable Sales per Capita (a) Menlo Park | 2020 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 and Appliance Stores | $532 | $801 | 34% | 66% | $532 |
| Food and Beverage Stores | $1,751 | $839 | -109% | 85% | $713 |
| Gasoline Stations | $1,064 | $825 | -29% | 85% | $701 |
| Clothing and Clothing Accessories Stores | $232 | $676 | 66% | 34% | $232 |
| Food Services and Drinking Places | $1,545 | $1,901 | 19% | 81% | $1,545 |
| Other Retail | $1,424 | $7,447 | 81% | 19% | $1,424 |
| **Total** (e) | **$6,547** | **$12,489** | | | **$5,147** |

Notes:
(a) 2020 data inflated to 2022 dollars. Population estimates per the California Department of Finance:
Menlo Park: 35,120
San Mateo County: 771,061
Santa Clara County: 1,945,166
(b) Retail spending for Menlo Park residents is assumed to be equal to per capita spending patterns for the two counties. If Menlo Park residents spend fewer dollars per capita than in San Mateo and Santa Clara Counties, the analysis assumes the difference leaks out to other shopping centers in the two counties. A zero percent leakage indicates that residents can get all shopping needs met in Menlo Park. Negative figures indicate that Menlo Park receives a net injection, i.e. more sales than are likely attributable to just Menlo Park residents.
(c) Based on data in column (b); estimates the percentage of resident spending within a category that will occur in Menlo Park. While zero percent or negative leakage indicates residents could meet their shopping needs within the City, shoppers are still likely to seek goods and services outside Menlo Park. To be conservative, the maximum capture has been estimated at 85 percent of sales.
(d) Equals (Taxable Sales per Capita in San Mateo & Santa Clara Counties) x (Estimated % of Resident Sales in City). Assumes that Menlo Park will capture most of new residents' retail spending in categories with low/no leakage and will capture little spending in high leakage categories, based on current spending patterns, and assumes that the mix of retail offerings in Menlo Park remains relatively consistent.
(e) Total does not include taxable sales in the category classified as "All Other Outlets", as these taxable sales consist primarily of business-to-business sales taxes that would not be impacted by resident population growth.

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

**Taxable Sales from Worker Spending.** To estimate taxable expenditures made by workers, this analysis uses data from the International Council of Shopping Centers (ICSC) survey of office worker spending. The ICSC survey provides estimates of worker spending near work by store category, including both taxable and non-taxable purchases. The taxable expenditure estimates used in this analysis reflect adjustments to the ICSC survey findings to estimate the taxable expenditures in Menlo Park made by seated Meta workers and non-seated workers employed on the Project site. These adjustments include removing 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 non-taxable spending on services and entertainment. The adjustments also account for the available retail offerings in Menlo Park, which affects the extent to which businesses in Menlo Park will capture future worker spending. Finally, spending estimates for Meta seated workers exclude expenditures in the full-service restaurant and fast food/deli/lunch eateries categories based on the fact that Meta provides free meals to its employees. After accounting for non-taxable purchases, the specific types of retail available in Menlo Park, and the fact that most Meta employees would likely consume free lunches on site, total annual taxable sales in Menlo Park per employee would average approximately $902 per year for seated Meta employees and approximately $1,890 per year for all other non-seated employees on the Project site. These figures were multiplied by the number of new seated and non-seated employees to estimate the total taxable sales that would be generated by new employee spending at buildout.

Net Change in General Fund Sales Tax Revenue from Resident and Worker Spending. Table 4 shows the estimated net change in total taxable sales from resident and worker spending in Menlo Park for the Proposed Project and the Increased Residential Density Variant. As shown, annual taxable purchases in Menlo Park would increase by approximately $22.9 million under the Proposed Project and approximately $25.1 million under the Increased Residential Density Variant. Applying the City's share of sales tax revenue to these amounts results in projected new annual General Fund sales tax revenue totaling approximately $217,500 for the Proposed Project and approximately $238,100 for the Increased Residential Density Variant.

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

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **Resident Spending** | | |
| Net Change in Residents | 3,520 | 3,940 |
| Per Capita Taxable Sales in Menlo Park (a) | $5,147 | $5,147 |
| **Net Change in Annual Taxable Resident Spending** | **$18,116,604** | **$20,278,244** |
| **Worker Spending** | | |
| Net Change in Meta Seated Workers (b) | 3,450 | 3,450 |
| Taxable Sales in Menlo Park per Seated Worker (c) | $902 | $902 |
| Net Change in Annual Taxable Sales from Meta Seated Worker Spending | $3,110,271 | $3,110,271 |
| Net Change in Non-Seated Workers (d) | 882 | 886 |
| Taxable Sales in Menlo Park per Non-Seated Worker (c) | $1,890 | $1,890 |
| Net Change in Annual Taxable Sales from Non-Seated Worker Spending | $1,666,567 | $1,674,125 |
| **Total Net Change in Annual Taxable Sales from Worker Spending** | **$4,776,838** | **$4,784,396** |
| **Annual Sales Tax Revenue** | | |
| Net Change in Annual Citywide Taxable Sales | $22,893,441 | $25,062,640 |
| Menlo Park Share of Sales Tax Receipts | 0.95% | 0.95% |
| **Net Change in General Fund Sales Tax Revenue** | **$217,488** | **$238,095** |

Notes:
(a) See Table 3.
(b) Seated workers are employees with assigned physical seats (desks) in Meta office buildings on the Main Project Site. Seated workers include both Meta employees (i.e., workers employed by a Meta entity) and contract workers (i.e., workers employed by a third party who provides workers to perform services pursuant to a contract with a Meta entity).
(c) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates are shown in 2021 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. Spending estimates for Meta seated workers exclude expenditures in the full-service restaurant and fast food/deli/lunch eateries categories based on the fact that Meta provides free meals to its employees.
(d) Non-seated workers include employees without assigned seats in Meta office buildings, employees in non-office commercial space on the Main Project Site, and employees on the Hamilton Parcels. See Appendix B for more detail on the existing and proposed non-seated employment by location and use.

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. Table 5 shows the effective distribution of the base 1.0 percent property tax to the taxing jurisdictions in TRA 08-038, which covers most of the Main Project Site.[7] As shown, Menlo Park receives 8.4 percent of the base 1.0 percent tax, with the remainder going to various other taxing jurisdictions.

**Table 5: Distribution of Base 1% Property Tax Revenue**

| Jurisdiction | Pre-ERAF Distribution | ERAF Shift | Effective Distribution |
|---|---|---|---|
| General County Tax | 19.9% | -39.8% | 12.0% |
| City of Menlo Park | 10.1% | -16.4% | 8.4% |
| Ravenswood Elem General Purpose | 32.7% | 0.0% | 32.7% |
| Sequoia High General Purpose | 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 Reg. Open Space | 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 County Mosquito & Vector Control District | 0.2% | -15.9% | 0.1% |
| County Education Tax | 3.0% | 0.0% | 3.0% |
| ERAF | 0.0% | | 11.1% |
| | 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, 2021.

[7] The project site also spans TRAs 008-039 (Main Project Site) and 008-092 (Hamilton Avenue parcels), however the base 1.0 percent tax distributions in these two TRAs are nearly identical to the distribution in TRA 008-038.

## Table 6: Current (2022) Assessed Value of Project Site

| Assessor's Parcel Number | FY 2021-22 Assessed Value Land | Improvements | Total Value |
|---|---|---|---|
| **Main Project Site** | | | |
| 055-440-350 | $17,665,255 | $8,779,330 | $26,444,585 |
| 055-440-340 | $18,320,348 | $8,799,318 | $27,119,666 |
| 055-440-210 | $10,070,638 | $2,065,201 | $12,135,839 |
| 055-440-110 | $13,512,644 | $2,653,672 | $16,166,316 |
| 055-440-300 | $10,947,795 | $2,398,297 | $13,346,092 |
| 055-440-130 | $9,593,199 | $910,464 | $10,503,663 |
| 055-440-190 | $10,759,039 | $6,753,867 | $17,512,906 |
| 055-440-090 | $13,390,508 | $2,042,994 | $15,433,502 |
| 055-440-230 | $22,994,812 | $3,386,486 | $26,381,298 |
| 055-440-260 | $8,888,143 | $8,296,874 | $17,185,017 |
| 055-440-330 | $12,768,727 | $1,876,444 | $14,645,171 |
| 055-440-050 | $38,983,482 | $3,875,028 | $42,858,510 |
| 055-440-030 | $38,411,665 | $6,151,193 | $44,562,858 |
| 055-440-010 | $43,574,709 | $7,416,964 | $50,991,673 |
| 055-440-020 | $32,299,329 | $5,588,259 | $37,887,588 |
| 055-440-040 | $33,254,209 | $5,640,444 | $38,894,653 |
| 055-440-310 | $12,924,172 | $2,387,193 | $15,311,365 |
| 055-440-320 | $19,985,834 | $3,242,144 | $23,227,978 |
| **Total, Main Project Site** | **$368,344,508** | **$82,264,172** | **$450,608,680** |
| **Hamilton Parcels** | | | |
| 055-398-270 (a) | $13,660,067 | $2,505,692 | $16,165,759 |
| 055-398-280 (a) | $3,339,037 | $2,343,685 | $5,682,722 |
| 055-395-090 | $1,338,034 | $1,585,575 | $2,923,609 |
| **Total, Hamilton Parcels** | **$18,337,138** | **$6,434,952** | **$24,772,090** |

Note:
(a) Hamilton Parcel North spans two legal lots.

Sources: San Mateo County Tax Collector; BAE, 2021.

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. The following sections summarize the assumptions and methods BAE used to estimate the net change in assessed value of the Main Project Site and the Hamilton Avenue parcels.

*Projected Net Change in Assessed Value of Main Project Site*

The Project sponsor currently owns the Main Project Site and is expected to retain ownership of the property through the construction of the project. The applicant is proposing to develop one 0.74-acre parcel with a 100% affordable senior development in partnership with a non-profit housing developer, Mercy Housing. The applicant is proposing to transfer ownership of this parcel (Parcel 7) to Mercy Housing. Since the proposed affordable development on Parcel 7 would be owned and operated by a nonprofit entity and would qualify for a property tax exemption, Parcel 7 would have no assessed land or improvement value following construction of the project. Construction of the other components proposed on the Main Project Site would trigger an assessment of the value of the new improvements. It is currently not known whether the Project sponsor would retain ownership of the remaining components of the Project on the Main Project Site following completion of the project. Therefore, this analysis makes a conservative assumption that the development of the other components of the Project on the Main Project Site would not trigger a reassessment of the land value of the property to market value.

To estimate the assessed value of the new improvements on the Main Project Site, this analysis uses estimated construction costs, which is the most conservative of the three methods used by the County Assessor. As shown in Table 7, hard and soft constructions costs are expected to total approximately $3.5 billion for the Proposed Project and approximately $3.6 billion for the Increased Residential Density Variant. The net increase in the assessed value of improvements on the Main Project Site is equal to total construction costs minus the existing assessed value of improvements on the Main Project Site (approximately $82.3 million) and the estimated assessed land value that would be removed from the current tax roll following construction of the affordable development on Parcel 7 (approximately $4.8 million). According to the project applicant, the estimated lot area of Parcel 7 is approximately 0.74 acres. BAE estimated the land value of this area based on the current average land value per square foot on two of the existing parcels that overlap with the new proposed Parcel 7.[8] After accounting for the existing assessed value of improvements and the estimated assessed land value of Parcel 7, the net change in assessed value of the Main Project Site is approximately $3.4 billion for the Proposed Project and $3.6 billion for the Increased Residential Density Variant.

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[8] The proposed boundaries for Parcel 7 span across multiple existing parcels. However, most of the parcel's area appears to overlap with two existing parcels (APNs 055-440-320 and 055-440-330).

## Table 7: Net Change in Assessed Value of Main Project Site at Buildout

| Net Change in Assessed Value of Main Project Site | | | Willow Village Master Plan Quantity | Willow Village Master Plan Total Costs | Increased Residential Density Variant Quantity | Increased Residential Density Variant Total Costs |
|---|---|---|---|---|---|---|
| Site Costs | $40 | per site sf (a) | 2,340,080 | $93,603,200 | 2,340,080 | $93,603,200 |
| Multifamily Apartments (b) | $520 | per sf | 1,602,500 | $833,300,000 | 1,798,500 | $935,220,000 |
| Retail Shell | $550 | per sf | 200,000 | $110,000,000 | 200,000 | $110,000,000 |
| Retail TI | $150 | per sf | 200,000 | $30,000,000 | 200,000 | $30,000,000 |
| Office Shell | $550 | per sf | 1,600,000 | $880,000,000 | 1,600,000 | $880,000,000 |
| Office TI | $250 | per sf | 1,600,000 | $400,000,000 | 1,600,000 | $400,000,000 |
| Hotel (incl. FF&E) | $150,000 | per room | 193 | $28,950,000 | 193 | $28,950,000 |
| Structured Garage Parking (c) | $50,000 | per space | 3,357 | $167,850,000 | 3,357 | $167,850,000 |
| Basement Parking (c) | $90,000 | per space | 1,767 | $159,030,000 | 1,967 | $177,030,000 |
| Podium Parking (c) | $72,000 | per space | 864 | $62,208,000 | 864 | $62,208,000 |
| Elevated Park (d) | | | | $137,803,000 | | $137,803,000 |
| Town Square Improvements (d) | | | | $15,517,000 | | $15,517,000 |
| Dog Park Improvements (d) | | | | $1,059,000 | | $1,059,000 |
| **Total Hard Costs** | | | | **$2,919,320,200** | | **$3,039,240,200** |
| Estimated Soft Costs (e) | | | | $583,864,040 | | $607,848,040 |
| **Total Assessed Value of Improvements** | | | | **$3,503,184,240** | | **$3,647,088,240** |
| Less: Current Assessed Value of Improvements on Main Project Site | | | | ($82,264,172) | | ($82,264,172) |
| Less: Estimated Current Assessed Land Value of Parcel 7 (f) | | | | ($4,839,942) | | ($4,839,942) |
| **Net Change in Assessed Value of Main Project Site at Buildout** | | | | **$3,416,080,126** | | **$3,559,984,126** |

Notes:
(a) Site area reflects the aggregate site area net of proposed right-of-way dedications.
(b) Multifamily square footages and assessed values shown on this table are exclusive of the 120 senior affordable units. The project sponsor intends to partner with a nonprofit entity to provide these units in a 100% affordable development, which would be exempt from property tax. The square footage of the senior housing development (92,500 square feet) was subtracted from the total gross residential square footages for the Proposed Project and the Increased Residential Density Variant shown in Table 1.
(c) Parking assumptions for the Proposed Project are based on the July 2021 Willow Village Parking Assessment and the September 2021 Master Plan Conditional Development Permit submittal. Since site plans for parcels 4 and 5 were not available, BAE assumed a mix of basement and podium spaces on these two parcels. The Increased Residential Density Variant assumes an additional 1.0 basement parking spaces per additional dwelling unit.
(d) Based on concept estimates prepared by Leland Saylor Associates (LSA) in November 2021 (dog park) and March 2022 (elevated park and town square).
(e) Soft costs estimated by BAE as a percent of total hard costs: 20%.
(f) The affordable development on Parcel 7 would be owned and operated by a nonprofit entity and would therefore qualify for a property tax exemption. As a result, Parcel 7 would have no assessed land or improvement value after the Project is developed. According to the applicant, the estimated lot area of Parcel 7 is approximately 0.74 acres (or approximately 32,234 square feet). Most of the lot area overlaps with two existing parcels (APNs 055-440-320 and 055-440-330). BAE estimated the land value that would be removed from the current tax roll following the development of the affordable project based on the average current land value per square foot on these two parcels.

Sources: Leland Saylor Associates, 2021 & 2022; BAE, 2022.

### *Projected Net Change in Assessed Value of Hamilton Avenue Parcels*

As part of the Proposed Project, an existing 4,775-square-foot gas station on Hamilton Avenue Parcel South would be demolished and reconstructed, resulting in a net increase of 985 square feet on that parcel. In addition, the Proposed Project would potentially add approximately 6,700 square feet of new retail uses at the existing shopping center on Hamilton Avenue Parcel North. The existing retail buildings on Hamilton Avenue Parcel North would remain. According to information provided by the project applicant, the current owner(s) of the Hamilton Avenue parcels would retain ownership through the construction and following completion of the project. Therefore, the project would likely not trigger a reassessment of the land values to current market rates.

Reconstruction of the gas station on Hamilton Avenue Parcel South and the additional new retail space on Hamilton Avenue Parcel North would trigger an assessment of the value of the new improvements. To estimate the assessed value of the new improvements, this analysis uses estimated construction costs, which typically leads to a conservative estimate of assessed value. As shown in Table 8, hard and soft construction costs are estimated at approximately $17.1 million for both the Proposed Project and the Increased Residential Density Variant. The net increase in the assessed value of improvements is equal to total construction costs minus the existing assessed value of the demolished improvements on Hamilton Avenue Parcel South (approximately $1.6 million). As shown, the total net change in assessed value of the Hamilton Avenue parcels would equal approximately $15.5 million under both scenarios.

**Table 8: Net Change in Assessed Value of Hamilton Avenue Parcels at Buildout**

| **Projected Change in Assessed Value of Hamilton Parcels** | **Hamilton Ave. Parcels** |
|---|---|
| Site Costs | $5,530,000 |
| New Retail Shell (a) | $6,853,000 |
| New Retail Tenant Improvements | $1,869,000 |
| Soft Costs (b) | $2,850,400 |
| **Estimated Total Construction Costs** | **$17,102,400** |
| | |
| Less: Current Value of Hamilton Parcel South Improvements (c) | ($1,585,575) |
| **Net Change in Assessed Value at Buildout** | **$15,516,825** |
| | |
| **Assumptions** | |
| Site Costs | |
| Site Square Footage (d) | 138,250 |
| Cost per Site Square Foot | $40 |
| Retail Shell Costs | |
| Gross New Retail Square Footage (a) | 12,460 |
| Cost per Square Foot | $550 |
| Tenant Improvements Costs | |
| Gross New Retail Square Footage (a) | 12,460 |
| Cost per Square Foot | $150 |

Notes:
(a) New retail space includes 6,700 square feet of new retail uses on Hamilton Avenue Parcel North and a new 5,760-square-foot service station to replace the existing station on Hamilton Avenue Parcel South.
(b) Soft costs are estimated at 20 percent of total hard costs.
(c) The existing service station at Hamilton Avenue Parcel South would be demolished as part of the Project.
(d) Per the September 2021 Conditional Development Permit submittal, the proposed site area of the Hamilton Avenue parcels totals 138,520 square feet after accounting for proposed right-of-way changes.

Source: BAE, 2022.

*Projected Net Change in Annual General Fund Property Tax Revenue*

The total estimated net change in assessed value at buildout is shown in Table 9 and includes the estimated net change in assessed value of improvements on the Main Project Site and the

Hamilton Avenue parcels. As shown, at buildout the Proposed Project would increase the total assessed value of the entire Project site by $3.4 billion. The Increased Residential Density Variant would increase the total assessed value of the Project site by $3.6 billion. Based on the City's share of the base 1.0 percent property tax where the Project site is located (8.4 percent), the Proposed Project would increase annual General Fund property tax revenue by approximately $2.9 million. Under the Increased Residential Density Variant, annual General Fund property tax revenue would increase by approximately $3.0 million.

**Table 9: Projected Change in Annual Property Tax Revenue at Buildout**

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **Assessed Value** | | |
| Projected Net Change in Assessed Value of Main Project Site (a) | $3,416,080,126 | $3,559,984,126 |
| Projected Net Change in Assessed Value of Hamilton Parcels (b) | $15,516,825 | $15,516,825 |
| **Total Net Change in Assessed Value at Project Buildout** | **$3,431,596,951** | **$3,575,500,951** |
| **Annual Property Tax Revenue** | | |
| Net Change in Base 1% Property Tax Revenue | $34,315,970 | $35,755,010 |
| Menlo Park Share of Base 1% Property Tax (c) | 8.4% | 8.4% |
| **Net Change in City Property Tax Revenue** | **$2,899,459** | **$3,021,048** |

Notes:
(a) Based on the net change in assessed value shown in Table 7. The FIA accounts for the existing assessed value of improvements and the current land value of the new 0.74-acre parcel (Parcel 7) that would be developed with a 100% affordable senior project. The affordable project would be owned and operated by a nonprofit entity and would therefore qualify for a property tax exemption.
(b) Based on the net change in assessed value shown in Table 8. The FIA accounts for the existing assessed value of the improvements on Hamilton Avenue Parcel South, which would be demolished. The analysis assumes no net change in the assessed value of land for the Hamilton Parcels.
(c) Represents the City's share of the base 1.0 percent property tax revenue, after accounting for ERAF reductions.

Sources: San Mateo County Controller, 2021; 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 10, in fiscal year 2019-20 the City received approximately $4.8 million in property tax ILVLF revenue. This amounts to approximately $0.23 per $1,000 in assessed value. Based on the estimated total net change in assessed values shown below, the Proposed Project would increase annual General Fund ILVLF revenues by approximately $778,800. The Increased Residential Density Variant would increase annual General Fund ILVLF revenues by approximately $821,800.

**Table 10: Projected Change in Annual Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout**

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Net Change in Assessed Value at Buildout | $3,431,596,951 | $3,575,500,951 |
| **Net Change in ILVLF Revenue** | **$788,766** | **$821,843** |
| | | |
| **Assumptions** | | |
| Total Taxable Assessed Value, FY 19-20 | | $20,790,416,078 |
| FY 19-20 ILVLF Payment | | $4,778,757 |
| ILVLF Revenue per $1,000 in Assessed Value | | $0.23 |

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

*Transient Occupancy Taxes (TOT)*

The City collects Transient Occupancy Taxes (TOT), or lodging "room taxes," when visitors stay in local hotels. The Proposed Project and the Increased Residential Density Variant both include a 193-room hotel. The City's current TOT rate is 12 percent, applicable to all room and parking revenues. In order to provide a conservative estimate of future TOT revenues, the FIA assumes that all new hotel room demand generated by the new development would be absorbed by the new hotel on site. That is, the analysis does not estimate any additional TOT revenue other than that which would be generated by the hotel itself.

Using data obtained from STR, a private data vendor, BAE estimated hotel room revenues that would be subject to TOT. The hotel market data used for this FIA is based on actual room and occupancy rates for eighteen Upscale and Upper Upscale Silicon Valley hotels with 150 to 250 rooms. A list of the hotels included in the STR sample is provided in Table 11.

**Table 11: Comparable Hotels in Menlo Park Market Area, 2021**

| Hotel Name (a) | City | Affiliation Date (b) | Number of Rooms | Share of Market Segment |
|---|---|---|---|---|
| Autograph Collection Hotel Nia | Menlo Park | May 2020 | 250 | 7.2% |
| Hyatt Centric Mountain View | Mountain View | Jul 2019 | 167 | 4.8% |
| Aloft Mountain View | Mountain View | Sep 2020 | 160 | 4.6% |
| Hilton Garden Inn Sunnyvale | Sunnyvale | Oct 2019 | 238 | 6.8% |
| Residence Inn Sunnyvale Silicon Valley II | Sunnyvale | May 1985 | 248 | 7.1% |
| Residence Inn Sunnyvale Silicon Valley I | Sunnyvale | Oct 1983 | 231 | 6.6% |
| Maple Tree Inn | Sunnyvale | Jun 1985 | 177 | 5.1% |
| Joie De Vivre Wild Palms Hotel | Sunnyvale | Mar 2000 | 207 | 5.9% |
| AC Hotels by Marriott Sunnyvale Cupertino | Sunnyvale | Dec 2018 | 183 | 5.2% |
| Radisson Sunnyvale - Silicon Valley | Sunnyvale | Sep 2020 | 180 | 5.2% |
| Hilton Garden Inn Palo Alto | Palo Alto | Mar 2015 | 174 | 5.0% |
| Crow ne Plaza Palo Alto | Palo Alto | Oct 1998 | 195 | 5.6% |
| Hilton Garden Inn Cupertino | Cupertino | Sep 1998 | 164 | 4.7% |
| Juniper Hotel Cupertino, Curio Collection by Hilton | Cupertino | Jul 2020 | 224 | 6.4% |
| Residence Inn San Jose Cupertino | Cupertino | Oct 2017 | 180 | 5.2% |
| AC Hotels by Marriott San Jose Santa Clara | Santa Clara | Sep 2019 | 188 | 5.4% |
| Hyatt House Santa Clara | Santa Clara | Jun 2020 | 150 | 4.3% |
| element Santa Clara | Santa Clara | Aug 2019 | 175 | 5.0% |
| **Total** | | | **3,491** | **100.0%** |

Notes:
(a) List includes upscale and upper upscale hotels with 150-250 rooms in Menlo Park, Cupertino, Mountain View, Palo Alto, Santa Clara, and Sunnyvale.
(b) Affiliation date refers to the date when the property began operating under its current brand.

Source: Smith Travel Research, 2021; BAE, 2021.

This analysis uses annual trend data from 2015 to 2020 to estimate future TOT revenues associated with the hotel in the project. This period includes the COVID-19 pandemic, which was particularly harmful to the lodging industry. However, this period also includes years prior to the pandemic when hotel revenues and occupancy rates were particularly strong. While 2020 was unprecedented in its impact on hotel revenues, future TOT revenues from the hotel in the Proposed Project are expected to fluctuate year to year based on broader economic and market conditions[9] Including data from 2020 in the analysis provides a conservative estimate of hotel revenues from the Proposed Project for the City's budgeting and planning purposes. Because these averages include data from economic downturn years as well as economic boom years, these assumptions help account for potential shifts in hotel market trends over the long-term planning horizon for the Proposed Project. Table 12 shows the low, average, and high estimates for Average Daily Rate (ADR), occupancy rate, and Revenue per Available Room (RevPAR) during this period. As summarized in Table 12, occupancy rates in this submarket ranged from 78 to 81 percent in the years between 2015 and 2019, before falling to a low of 38.6 percent in 2020 as a result of the pandemic. The RevPAR peaked in 2016 at

[9] More recent data for 2021 and 2022 (YTD) shows that average daily rates and occupancy rates are still well below their pre-pandemic levels. BAE excluded annual 2021 data from the analysis in order to avoid overstating the potential negative impacts from COVID-19 on future room rates and occupancy rates.

$206, the same year that the occupancy rate peaked at 80.9 percent. Although ADR was highest in 2019 ($257), the occupancy rate of 77.7 percent yielded a RevPAR of $200 that year.

**Table 12: Hotel Occupancy and Room Rate Trends, 2015 to 2020**

| | | Average Daily Rate | | RevPar (b) |
|---|---|---|---|---|
| **Year** | **Occupancy** | **Nominal $** | **2022 $ (a)** | **2022 $** |
| 2015 | 80.6% | $199.42 | $251.51 | $202.80 |
| 2016 | 80.9% | $207.91 | $254.57 | $205.86 |
| 2017 | 79.7% | $210.12 | $249.25 | $198.63 |
| 2018 | 79.9% | $224.06 | $255.89 | $204.37 |
| 2019 | 77.7% | $232.89 | $257.46 | $199.99 |
| 2020 | 38.6% | $158.45 | $172.20 | $66.41 |
| Low | 38.6% | | $172.20 | $66.41 |
| High | 80.9% | | $257.46 | $205.86 |
| Average | 72.9% | | $240.15 | $179.68 |

Notes:
(a) Figures have been adjusted to 2022 dollars based on Bay Area CPI for All Urban Consumers.
(b) Revenue per available room (RevPAR) is calculated by multiplying the average daily rate by the average occupancy. This figure represents average daily revenue for all rooms in the sample after accounting for vacancy.

Source: Smith Travel Research, 2021; BAE, 2022.

BAE prepared a sensitivity analysis to estimate hotel revenues and resulting TOT receipts during low, average, and high revenue years based on the data summarized in Table 12. The results are shown in Table 13. Hotel revenues from the new hotel can reasonably be expected to fall somewhere within this range, with fluctuations expected year to year based on broader economic conditions. At the low end, assuming RevPar of just $66, an Upscale to Upper-Upscale 193-room hotel could be expected to generate TOT revenues of approximately $561,400 per year. Assuming the average RevPar of $180, the same hotel could be expected to generate TOT revenue of approximately $1.5 million per year. At the high end, assuming RevPar of $206, this type of hotel could be expected to generate approximately $1.7 million in TOT revenue per year.

To calculate net fiscal impacts in subsequent sections of this report, the FIA assumes that annual TOT revenues will average $1.5 million at buildout, which reflects the average RevPar between 2015 and 2020 shown in Table 12Table 13. As mentioned previously, the FIA provides a conservative estimate of potential future annual TOT revenues from the hotel in the Proposed Project in order to account for potential shifts in the hotel market over the long-term future planning horizon for the Proposed Project.

**Table 13: Projected Change in Annual Transient Occupancy Tax (TOT) Revenue at Buildout**

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **Hotel Rooms** | 193 | 193 |
| **Annual Hotel Revenues Subject to TOT** | | |
| Average | $12,657,382 | $12,657,382 |
| Low Estimate | $4,678,204 | $4,678,204 |
| High Estimate | $14,502,043 | $14,502,043 |
| **Est. Annual General Fund TOT Revenue** | | |
| Average | $1,518,886 | $1,518,886 |
| Low Estimate | $561,384 | $561,384 |
| High Estimate | $1,740,245 | $1,740,245 |

| **Assumptions** | |
|---|---|
| RevPAR (a) | |
| Average | $180 |
| Low Estimate | $66 |
| High Estimate | $206 |
| City of Menlo Park TOT Rate | 12% |

Note:
(a) Based on Smith Travel Research (STR) data for eighteen comparable properties in the market area for the years 2015 to 2020. Revenue per available room (RevPAR) is calculated by multiplying the average daily rate by the average occupancy. This figure represents average daily revenue for all rooms in the sample after accounting for vacancy, in 2022 dollars.

Sources: City of Menlo Park; Smith Travel Research; 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.[10]

To estimate annual business license tax revenues associated with the proposed rental apartments, BAE estimated total annual gross receipts for each individual residential parcel based on information provided in the September 2021 draft Willow Village BMR Housing Proposal (Attachment C). BAE used 2021 maximum BMR rents for the BMR units and weighted average market rate rents for the market rate units on each residential parcel.

For the retail uses, BAE assumed a $350 sales per square foot figure to estimate total average annual sales per retail business ($1,750,000). Based on this level of annual gross receipts,

[10] Menlo Park Municipal Code section 5.12.020.

each retail establishment was assumed to pay $750 in business license taxes.  To estimate business license taxes for the office use, this analysis assumes that the office space would be occupied by a single tenant with all 6,950 new office employees that are anticipated on the project site.  At this threshold, the office portion of the project would pay $1,250 in business license taxes, assuming that the office tenant would pay business license taxes based on the number of employees, which is likely a conservative assumption.  The annual business license tax for the hotel ($3,500) was estimated based on the average RevPAR and hotel revenues shown above in Table 13.  After accounting for the impacted existing business license tax revenues on the Project site ($10,925), the net change in annual business license tax revenue totals $40,325 for the Proposed Project and $42,575 for the Increased Residential Density Variant, as shown in Table 14.

## Table 14: Projected Change in Annual Business License Tax Revenue at Buildout

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **New Business License Tax Revenue** | **$51,250** | **$53,500** |
| Rental Apartments (a) | $20,250 | $22,500 |
| Office | $1,250 | $1,250 |
| Retail | $26,250 | $26,250 |
| Hotel | $3,500 | $3,500 |
| **Existing Business License Tax Revenue** | **($10,925)** | **($10,925)** |
| **Net Change in Annual Business License Tax Revenue** | **$40,325** | **$42,575** |

**Assumptions**

| **New Business License Tax Revenue - Apartments** (a) | Proposed Project | Variant |
|---|---|---|
| Parcel 2 | $3,750 | $4,250 |
| Parcel 3 | $4,750 | $5,250 |
| Parcel 4 | $5,000 | $5,500 |
| Parcel 5 | $3,000 | $3,500 |
| Parcel 6 | $2,500 | $2,750 |
| Parcel 7 | $1,250 | $1,250 |
| Total Annual Business License Tax Revenue from Apartments | $20,250 | $22,500 |
| | | |
| **New Business License Tax Revenue - Office** | | |
| Total Office (Meta) Employees | | 6,950 |
| Annual Office (Meta) Business License Tax Revenue | | $1,250 |
| | | |
| **New Business License Tax Revenue - Retail** | | |
| Average Square Feet per Retail Establishment | | 5,000 |
| Retail Vacancy Adjustment (b) | | 15% |
| Number of Retail Establishments (b) | | 35 |
| Sales per Square Foot | | $350 |
| Estimated Annual Gross Receipts per Retail Establishment | | $1,750,000 |
| Annual Business License Tax Revenue per Retail Establishment | | $750 |
| | | |
| **New Business License Tax Revenue - Hotel** | | |
| Total Hotel Rooms | | 193 |
| Average RevPAR (per night) | | $180 |
| Estimated Annual Hotel Gross Receipts | | $12,657,382 |
| Annual Hotel Business License Tax Revenue | | $3,500 |
| | | |
| **Existing Business License Tax Revenue** | | $10,925 |

Notes:
(a) BAE estimated the business license tax for each residential parcel based on information provided in the September 2021 draft Willow Village BMR Housing Proposal (Attachment C). BMR rents were set at 2021 maximum rents for each unit size. Market rate rents were provided by Keyser Marston Associates, the consultant preparing the Draft Housing Needs Assessment for the Proposed Project.
(b) To provide a conservative estimate of the potential number of future retail businesses on the site, the analysis accounts for a 15% retail vacancy rate on the Main Project Site. One net new retail tenant is assumed on the Hamilton parcels.

Sources: City of Menlo Park; Keyser Marston Associates; BAE, 2022.

### *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. Utility service users may combine all gas, water, and electric billings from a contiguous location for the purposes of calculating the maximum tax amount. Meta would be the sole user occupying the office and accessory use space on the Main Project Site and the proposed new office and accessory use space will likely be considered a contiguous location for the purposes of calculating the maximum tax amount. There is no maximum UUT payment for wireless, telecommunications, or cable services, so these services would be taxed at the normal rate of one percent of expenditures. As shown in Table 15, in FY 2021-22 the City received approximately $1.7 million in total UUT revenue, averaging $38.32 per member of the service population. Annual revenue from gas, water, and electricity UUT totaled approximately $1.0 million, or $22.80 per service population. At buildout, the office and accessory use space occupied by Meta would accommodate a total of 7,354 employees, or 2,451 service population members. Assuming average combined water, gas, and electric UUT revenue of $22.80 per service population, Meta's combined water, gas, and electric UUT payments would exceed the cap. Therefore, new UUT revenue from Meta's combined water, gas, and electricity utility expenditures on the Project site would be equal to the cap ($12,000). There is no maximum UUT payment associated with wireless, telecom, and cable utility expenditures, so Meta's UUT revenues from these sources can be estimated on an average annual revenue per service population basis. Based on the FY 2021-22 Adopted Budget, the City receives approximately $15.51 per member of the service population in wireless, telecom, and cable UUT revenue. Assuming a commensurate increase in the amount of revenue collected each year, the new office and accessory use space in the Proposed Project and Increased Residential Density Variant would generate approximately $50,000 annually from these UUT sources (see Table 16).

**Table 15: Utility User Tax Revenues per Service Population, FY 2021-22**

| UUT Revenue | FY 2021-22 Adopted Budget | UUT Revenue per Service Population |
|---|---|---|
| Electric Utility Users Tax (a) | $606,647 | $13.58 |
| Water Utility Users Tax (b) | $237,497 | $5.32 |
| Gas Utility Users Tax (a) | $174,173 | $3.90 |
| Wireless Svcs Utility Users Tax (a) | $312,129 | $6.99 |
| Telephone Utility Users Tax (a) | $289,751 | $6.49 |
| Cable Utility Users Tax (a) | $90,913 | $2.04 |
| **Total** | **$1,711,110** | **$38.32** |

Sources: City of Menlo Park; BAE, 2022.

Once complete and fully occupied, the new residential and other commercial uses on the Project site would generate increases in the City's service population based on the calculations shown in Table 16. As shown, new UUT revenue from residential and other non-commercial uses would total $143,100 under the Proposed Project and $159,200 under the Increased Residential Density Variant. After accounting for the estimated existing UUT revenue generated on the Main Project Site,[11] the Proposed Project would increase annual General Fund UUT revenues by $146,300. The Increased Residential Density Variant would increase annual General Fund UUT revenue by approximately $162,500.

[11] The FIA assumes that there would be no net change in the amount of existing UUT revenue generated from the service station use on Hamilton Avenue Parcel South or the existing commercial uses on Hamilton Avenue Parcel North. The existing commercial space on Hamilton Avenue Parcel North would remain and the proposed reconstructed service station on Hamilton Avenue Parcel South would have the same number of employees as the existing service station.

## Table 16: Projected Change in Annual Utility User Tax Revenue at Buildout

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| New UUT Revenue from New Office & Accessory Uses | $50,029 | $50,029 |
| New UUT Revenue from New Residential/Other Commercial Uses | $143,100 | $159,244 |
| Less: Estimated Existing Main Project Site UUT Revenue (a) | ($46,823) | ($46,823) |
| **Net Change in UUT Revenue** | **$146,306** | **$162,450** |
| | | |
| **Assumptions** | | |
| **New Office and Accessory Uses** | | |
| New Office & Accessory Use Employees (b) | | 7,354 |
| New Service Population from Office & Accessory Uses (c) | | 2,451 |
| Water, Gas & Electric UUT Revenue per Service Population | | $22.80 |
| Office UUT Revenue from Water, Gas & Electric (d) | | $12,000 |
| | | |
| Wireless, Telecom & Cable UUT Revenue per Service Population | | $15.51 |
| Office UUT Revenue from Wireless, Telecom & Cable (d) | | $38,029 |
| | | |
| **New Residential & Other Commercial Uses** | Proposed Project | Variant |
| New Residents | 3,520 | 3,940 |
| New Non-Office Employees on Main Project Site & Hamilton Parcel North (e) | 644 | 648 |
| New Service Pop. from Residential & Other Commercial Uses (c) | 3,735 | 4,156 |
| Total UUT Revenue per Service Population | $38.32 | $38.32 |
| UUT Revenue from New Residential/Other Comm'l Uses | $143,100 | $159,244 |
| | | |
| **Estimated Existing Main Project Site UUT Revenue** (a) | | |
| Existing Main Project Site Employees (f) | | 3,666 |
| Existing Main Project Site Service Population (c) | | 1,222 |
| Total UUT Revenue per Service Population | | $38.32 |
| Estimated Existing Main Project Site UUT Revenue | | $46,823 |

Notes:
(a) The FIA assumes that there would be no net change in the amount of existing UUT revenue generated from the service station use on Hamilton Avenue Parcel South or the existing commercial uses on Hamilton Avenue Parcel North. The existing commercial space on Hamilton Avenue Parcel North would remain and the proposed reconstructed service station on Hamilton Avenue Parcel South would have the same number of employees as the existing service station.
(b) See Appendix B. Office and accessory use employees include seated workers for Meta and unseated workers in support of Meta. Seated workers are workers with assigned physical seats (desks). Seated workers include both Meta employees (i.e., workers employed by a Meta entity) and contract workers (i.e., workers employed by a third party who provides workers to perform services pursuant to a contract with a Meta entity).
(c) Service population is defined as all residents plus one-third of employment.
(d) Meta's future annual combined UUT payments for water, gas, and electricity are expected to be capped at $12,000 per year. There is no maximum UUT payment for wireless, telecommunications, or cable services, so these services would be taxed at the normal rate of 1 percent of expenditures.
(e) Includes new employees from residential, hotel, and other non-office commercial uses on the Main Project site and net new employees in the proposed new commercial space on Hamilton Parcel North. Figure excludes employees in the existing commercial space on Hamilton Avenue Parcel North because the space would remain on the site. Figure also excludes employees in the reconstructed service station on Hamilton Avenue Parcel South because the proposed new service station would have the same number of employees as the existing service station. See Appendix B for more detail on the existing and proposed employment by location and use.
(f) See Appendix B.

Sources: City of Menlo Park, BAE, 2021.

It is important to note that the Proposed Project would be required to use electricity as the only source of energy for all appliances used for water heating, cooking, and other activities, consistent with the City's reach code ordinance approved in September 2019. Since it is unclear how reach code requirements will ultimately impact how much UUT revenue is generated on-site, this analysis assumes that increases in electricity expenditures due to these requirements would be comparable to the resulting decrease in gas expenditures.[12] 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 on-site.

*Other Revenues*

According to the FY 2021-22 Adopted Budget, the City generates approximately $2.5 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 17, General Fund revenues from franchise fees and fines in FY 2021-22 totaled approximately $2.5 million, or $55.36 per member of the service population. Assuming a commensurate increase in the amount of revenue collected each year, the Proposed Project would generate additional annual franchise fee and fines revenues of approximately $274,800, while the Increased Residential Density Variant would generate annual franchise fee and fines revenues totaling approximately $298,100.

[12] The commercial kitchens on the Project site may appeal for the use of natural gas in the cooking facilities. However, City staff believes that the amount of natural gas used by the commercial kitchens would be limited.

**Table 17: Projected Change in Annual Franchise Fee and Fines Revenues at Buildout**

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Net Change in Service Population | 4,964 | 5,385 |
| Franchise Fee and Fines Revenue per Service Population | $55.36 | $55.36 |
| **Net Change in Franchise Fee and Fines Revenue** | **$274,786** | **$298,109** |

| **Assumptions** | **FY 2021-22** (a) |
|---|---|
| Franchise Fee Revenue | $2,337,020 |
| Fines Revenue | $135,000 |
| **Total Franchise Fee and Fines Revenue** | **$2,472,020** |
| | |
| Current (2021) Citywide Service Population (b) | 44,657 |
| **Revenue Per Service Population** | **$55.36** |

Notes:
(a) Revenues based on the FY 2021-22 Adopted Budget.
(b) 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 18, the Proposed Project would increase annual General Fund revenues by approximately $5.9 million at buildout. Under the Increased Residential Density Variant, annual General Fund revenues would increase by approximately $6.1 million. For both scenarios, most of the annual General Fund revenue would be generated through property tax and property tax in lieu of vehicle license fees.

**Table 18: Summary of Net Change in Annual General Fund Revenues at Buildout**

| General Fund Revenues | Annual Revenue | Percent of Total |
|---|---|---|
| **Willow Village Master Plan** | | |
| Property Tax | $2,899,459 | 49.3% |
| ILVLF | $788,766 | 13.4% |
| Sales Tax | $217,507 | 3.7% |
| Business License Tax | $40,325 | 0.7% |
| Transient Occupancy Tax | $1,518,886 | 25.8% |
| Utility Users Tax | $146,306 | 2.5% |
| Other Revenues | $274,786 | 4.7% |
| **Total Revenues** | **$5,886,035** | **100.0%** |
| | | |
| **Increased Residential Density Variant** | | |
| Property Tax | $3,021,048 | 49.5% |
| ILVLF | $821,843 | 13.5% |
| Sales Tax | $238,114 | 3.9% |
| Business License Tax | $42,575 | 0.7% |
| Transient Occupancy Tax | $1,518,886 | 24.9% |
| Utility Users Tax | $162,450 | 2.7% |
| Other Revenues | $298,109 | 4.9% |
| **Total Revenues** | **$6,103,025** | **100.0%** |

Source: BAE, 2022.

## 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 2021-22 impact fee rates, the Proposed Project would generate approximately $41.3 million in impact fees to the City of Menlo Park after accounting for fee credits (see Table 19). Transportation Impact Fees for the Proposed Project would total approximately $35.2 million, although this amount may be reduced if the applicant constructs any of the transportation improvement projects identified in the TIF. The Construction Street Impact Fee for the Proposed Project would total approximately $6.1 million. The Proposed Project would provide on-site BMR units in-lieu of paying the commercial BMR in-lieu fees. Impact fees to Sequoia Union High School District would total approximately $4.3 million, while fees to Ravenswood Elementary School District would total approximately $3.3 million.[13]

Under the Increased Residential Density Variant, the impact fees to the City of Menlo Park would total approximately $42.7 million (see Table 20). This would include approximately $36.3 million from Transportation Impact Fees and approximately $6.4 million from

[13] In addition to these required school impact fees, the applicant has negotiated a separate agreement with the Sequoia Union High School District to provide an additional one-time $15 million contribution to address school needs.

Construction Street Fees.  Like the Proposed Project, the Increased Residential Density Variant would include on-site BMR units in-lieu of paying commercial BMR in-lieu fees.  Impact fees to Sequoia Union High School District and Ravenswood Elementary School District would total $4.7 million and $3.6 million, respectively

## Table 19: Impact Fees from the Proposed Project

| FY 2020-21 Impact Fees | Rate | Unit | Quantity Removed | Willow Village Master Plan Gross New | Net Change | Total Fees |
|---|---|---|---|---|---|---|
| Transportation (a) | | | | | | |
| Retail | $11.18 | per net sf | 4,775 | 212,460 | 207,685 | $2,321,918 |
| Office | $19.18 | per net sf | 369,090 | 1,600,000 | 1,230,910 | $23,608,854 |
| Research and Development | $8.17 | per net sf | 53,940 | 0 | (53,940) | ($440,690) |
| Multi-Family Residential | $5,566.90 | per unit | 0 | 1,730 | 1,730 | $9,630,737 |
| Warehouse | $3.17 | per net sf | 580,880 | 0 | (580,880) | ($1,841,390) |
| Hotel | $10,010.13 | per room | 0 | 193 | 193 | $1,931,955 |
| Total (a) | | | 1,008,685 | | | $35,211,385 |
| | | | | | | |
| BMR in-lieu fees | | | | | | |
| Office and R&D | $20.46 | per net sf | (b) | (b) | (b) | (b) |
| All Other Comm'l & Industrial | $11.10 | per net sf | (b) | (b) | (b) | (b) |
| | | | | | | |
| Storm Drainage Fees | | | | | | |
| Multi-Family Residential | $150 | per unit | (c) | (c) | (c) | (c) |
| Commercial | $0.24 | per sf imperv. | (c) | (c) | (c) | (c) |
| | | | | | | |
| Construction Street Fee (d) | 0.58% | of construct. value | n.a. | | $1,057,800,000 | $6,135,240 |
| | | | | | | |
| **Total City of Menlo Park Impact Fees** | | | | | | **$41,346,625** |
| | | | | | | |
| Sequoia Union High School Dist. | | | | | | |
| Residential | $2.300 | per net sf | 0 | 1,695,000 | 1,695,000 | $3,898,500 |
| Commercial | $0.378 | per net sf | 1,008,685 | 1,984,460 | 975,775 | $368,843 |
| **Total** | | | | | | **$4,267,343** |
| | | | | | | |
| Ravenswood Elementary School Dist. | | | | | | |
| Residential | $1.780 | per net sf | 0 | 1,695,000 | 1,695,000 | $3,017,100 |
| Commercial | $0.282 | per net sf | 1,008,685 | 1,984,460 | 975,775 | $275,169 |
| **Total** | | | | | | **$3,292,269** |
| | | | | | | |
| Menlo Park Fire Protection District (e) | | | | | | |
| Office/R&D | $0.572 | per net sf | 423,030 | 1,600,000 | 1,176,970 | $673,227 |
| Multi-Family Residential | $655 | per unit | 0 | 1,730 | 1,730 | $1,133,150 |
| Retail | $0.433 | per net sf | 4,775 | 212,460 | 207,685 | $89,928 |
| Hotel | $0.347 | per net sf | 0 | 172,000 | 172,000 | $59,684 |
| Industrial | $0.217 | per net sf | 580,880 | 0 | (580,880) | ($126,051) |
| **Total** | | | 1,008,685 | | | **$1,829,937** |

Notes:
(a) The Project applicant may receive additional offsetting fee credits in exchange for constructing any off-site improvements identified in the TIF.
(b) Project would provide on-site BMR units in-lieu of paying the fee.
(c) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. According to City staff, this fee will not apply to this project.
(d) The City of Menlo Park uses ICC building valuation data to calculate the Construction Street Impact Fee. The ICC building valuation differs from the total project construction cost shown in Table 7 above.
(e) The City of Menlo Park has not formally adopted the impact fee proposed by MPFPD. Therefore, this fee will not apply to the proposed project. For illustrative purposes, this analysis includes a calculation of the impact fee revenue that the project would generate for the MPFPD if the City of Menlo Park had adopted the impact fee.

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

## Table 20: Impact Fees from the Increased Residential Density Variant

| FY 2020-21 Impact Fees | Rate | Unit | Quantity Removed | Increased Residential Density Variant Gross New | Net Change | Total Fees |
|---|---|---|---|---|---|---|
| Transportation (a) | | | | | | |
| Retail | $11.18 | per net sf | 4,775 | 212,460 | 207,685 | $2,321,918 |
| Office | $19.18 | per net sf | 369,090 | 1,600,000 | 1,230,910 | $23,608,854 |
| Research and Development | $8.17 | per net sf | 53,940 | 0 | (53,940) | ($440,690) |
| Multi-Family Residential | $5,566.90 | per unit | 0 | 1,930 | 1,930 | $10,744,117 |
| Warehouse | $3.17 | per net sf | 580,880 | 0 | (580,880) | ($1,841,390) |
| Hotel | $10,010.13 | per room | 0 | 193 | 193 | $1,931,955 |
| Total (a) | | | 1,008,685 | | | $36,324,765 |
| | | | | | | |
| BMR in-lieu fees | | | | | | |
| Office and R&D | $20.46 | per net sf | (b) | (b) | (b) | (b) |
| All Other Comm'l & Industrial | $11.10 | per net sf | (b) | (b) | (b) | (b) |
| | | | | | | |
| Storm Drainage Fees | | | | | | |
| Multi-Family Residential | $150 | per unit | (c) | (c) | (c) | (c) |
| Commercial | $0.24 | per sf imperv. | (c) | (c) | (c) | (c) |
| | | | | | | |
| Construction Street Fee (d) | 0.58% | of construct. value | n.a. | | $1,104,900,000 | $6,408,420 |
| | | | | | | |
| **Total City of Menlo Park Impact Fees** | | | | | | **$42,733,185** |
| | | | | | | |
| Sequoia Union High School Dist. | | | | | | |
| Residential | $2.300 | per net sf | 0 | 1,891,000 | 1,891,000 | $4,349,300 |
| Commercial | $0.378 | per net sf | 1,008,685 | 1,984,460 | 975,775 | $368,843 |
| **Total** | | | | | | **$4,718,143** |
| | | | | | | |
| Ravenswood Elementary School Dist. | | | | | | |
| Residential | $1.780 | per net sf | 0 | 1,891,000 | 1,891,000 | $3,365,980 |
| Commercial | $0.282 | per net sf | 1,008,685 | 1,984,460 | 975,775 | $275,169 |
| **Total** | | | | | | **$3,641,149** |
| | | | | | | |
| Menlo Park Fire Protection District (e) | | | | | | |
| Office/R&D | $0.572 | per net sf | 423,030 | 1,600,000 | 1,176,970 | $673,227 |
| Multi-Family Residential | $655 | per unit | 0 | 1,930 | 1,930 | $1,264,150 |
| Retail | $0.433 | per net sf | 4,775 | 212,460 | 207,685 | $89,928 |
| Hotel | $0.347 | per net sf | 0 | 172,000 | 172,000 | $59,684 |
| Industrial | $0.217 | per net sf | 580,880 | 0 | (580,880) | ($126,051) |
| **Total** | | | 1,008,685 | | | **$1,960,937** |

Notes:
(a) The Project applicant may receive additional offsetting fee credits in exchange for constructing any off-site improvements identified in the TIF.
(b) Project would provide on-site BMR units in-lieu of paying the fee.
(c) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. According to City staff, this fee will not apply to this project.
(d) The City of Menlo Park uses ICC building valuation data to calculate the Construction Street Impact Fee. The ICC building valuation differs from the total project construction cost shown in Table 7 above.
(e) The City of Menlo Park has not formally adopted the impact fee proposed by MPFPD. Therefore, this fee will not apply to the Proposed Project. For illustrative purposes, this analysis includes a calculation of the impact fee revenue that the project would generate for the MPFPD if the City of Menlo Park had adopted the impact fee.

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

## Projected Annual Service Cost Impacts

The City's General Fund expenditures generally increase as the service population increases, with some exceptions for General Fund expenditures that tend to be relatively fixed and would not change based on changes in the service population. For this analysis, BAE analyzed the City's budgeted General Fund expenditures from the FY 2021-22 Adopted Budget and the FY 2019-20 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. City staff assisted with identifying the typical annual funding levels for each of these departments. According to City staff, the General Fund expenditures for Human Resources, Library and Community Services and Public Works in the FY 2021-22 Adopted Budget reflect typical levels of City General Fund expenditures for these departments. For the Police Department, the analysis uses the 2019-20 Adopted Budget, rather than the more current FY 2021-22 Adopted Budget, because the FY 2021-22 Adopted Budget shows a projected decrease in City General Fund expenditures due to the impacts of the COVID-19 pandemic. The baseline annual General Fund expenditures for the Police Department in the FY 2019-20 Adopted Budget were escalated to account for increases in salaries and pension costs since the 2019-20 fiscal year.

For each department, BAE made certain 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, and most special projects. The analysis also accounts for charges for service and other department revenues that offset variable costs in each department. As shown in Table 21, the City's net variable costs for the impacted departments total approximately $39.1 million.

**Table 21: Current City of Menlo Park Annual General Fund Operating Expenditures, FY 2021-22** (a)

| Department/Division | Annual General Fund Expenditures (a) | Less: Executive Salary and Benefits (b) | Less: Fixed Assets and Capital Outlay, Utilities, and Special Projects (c) | Less: Charges for Service and Other Ofsetting Revenues (d) | Net Variable General Fund Expenditures |
|---|---|---|---|---|---|
| Human Resources | $668,702 | ($270,233) | $0 | $0 | $398,469 |
| Library & Community Svcs | $11,580,286 | ($278,710) | ($507,036) | ($2,087,200) | $8,707,340 |
| Police | $22,517,436 | ($304,405) | ($251,169) | ($2,796,100) | $19,165,762 |
| Public Works | $13,365,312 | ($291,040) | ($1,224,905) | ($1,039,200) | $10,810,167 |
| **Total Expenditures (Impacted Departments)** | **$48,131,736** | **($1,144,388)** | **($1,983,110)** | **($5,922,500)** | **$39,081,738** |

Notes:
(a) Per discussions with City staff, annual General Fund expenditures for Human Resources, Library and Community Services and Public Works are based on the FY 2021-22 Adopted Budget. Expenditures for the Police Department are based on the FY 2019-20 Adopted Budget, escalated to account for increases in salaries and pension costs since the 2019-20 fiscal year.
(b) Salary and benefits costs for department 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: Administrative Services Director, Library Services Director, Police Chief, and Public Works Director. Salary and benefit costs for these positions are based on 2020 data provided by the State Controller's Office.
(c) Reflects General Fund expenditures for Fixed Assets, Capital Outlay, and Utilities, as well as all Special Projects expenditures net of vehicle replacement internal service fund costs. These costs are not anticipated to increase with new development. Totals shown for Human Resources, Library and Community Services, and Public Works are based on the FY 2021-22 Adopted Budget. The total for the Police Department is based on the FY 2019-20 Adopted Budget.
(d) 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. Totals shown for Human Resources, Library and Community Services, and Public Works are based on the FY 2021-22 Adopted Budget. The total for the Police Department is based on the FY 2019-20 Adopted Budget.

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

As shown in Table 22, the City's net variable costs for the impacted departments equate to $875 per member of the service population. This means that the City would need to add $853 to its annual budget for each new member of the service population (i.e., $875 per resident and $292 per worker) to maintain current levels of service provided by these departments. Table 22 applies the net variable costs per member of the service population to the net increase in service population associated with the Proposed Project and the Increased Residential Density Variant to estimate General Fund expenditure impacts. As shown, the Proposed Project would increase the City's total annual General Fund expenditures by approximately $4.3 million. Under the Increased Residential Density Variant, annual General Fund expenditures would increase by approximately $4.7 million. Importantly, 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 project. For instance, for the Police Department to serve the increased service population from the Proposed Project, five new officers would be needed for a total annual cost of approximately $1,000,000, which would be included in the annual expenses to the department of approximately $2,100,000 to serve the Proposed Project.[14] The total Police Department expenditure estimate is based on the Department's expenditure per member of the service population and would include the cost of any equipment, supplies, and administrative personnel necessary to support the additional officers as well any other Department costs that would need to increase to maintain service levels as the service population increases. Additionally, for Public Works the analysis does not factor in future capital improvement/maintenance cost directly (e.g. water line and storm drain replacement, resurfacing); however, generalized maintenance costs are captured in the cost per service population approach.

**Table 22: City of Menlo Park General Fund Expenditure Impacts at Buildout**

| Department | General Fund Expenditures Per Service Population (a) | General Fund Impacts Total (b) | % of Total |
|---|---|---|---|
| **Willow Village Master Plan** | | | |
| Human Resources | $8.92 | $44,293 | 1.0% |
| Library and Community Services | $194.98 | $967,894 | 22.3% |
| Police | $429.18 | $2,130,435 | 49.0% |
| Public Works | $242.07 | $1,201,641 | 27.7% |
| **Total Dept. Expenditures** | **$875.15** | **$4,344,263** | **100.0%** |
| **Increased Residential Density Variant** | | | |
| Human Resources | $8.92 | $48,053 | 1.0% |
| Library and Community Services | $194.98 | $1,050,047 | 22.3% |
| Police | $429.18 | $2,311,262 | 49.0% |
| Public Works | $242.07 | $1,303,633 | 27.7% |
| **Total Dept. Expenditures** | **$875.15** | **$4,712,994** | **100.0%** |

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 populations associated with the Proposed Project and Increased Residential Density Variant shown in Table 1.

Sources: City of Menlo Park; BAE, 2022.

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

Table 23 summarizes the annual recurring net General Fund fiscal impact from the Proposed Project and the Increased Residential Density Variant at full build out and occupancy in 2022 dollars. Both the Proposed Project and the Increased Residential Density Variant would have positive net fiscal impacts on the City's General Fund. The surplus would equal approximately $1.5 million for the Proposed Project and approximately $1.4 million for the Increased

[14] Once authorized, it can take up to 18 months for the community to see an enhancement in services from the hiring of a new police officer due to the time necessary for recruiting, hiring, academy, and field training. The Police Department would begin any service enhancements in the fiscal year prior to occupancy.

Residential Density Variant. The net fiscal impact is equal to approximately 2 percent of the City's total 2021/22 Fiscal Year Adopted General Fund budget.

**Table 23: Annual Net Fiscal Impact to the City of Menlo Park General Fund at Full Buildout and Occupancy**

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **Total Net Change in Revenues** | **$5,886,035** | **$6,103,025** |
| Property Tax | $2,899,459 | $3,021,048 |
| ILVLF | $788,766 | $821,843 |
| Sales Tax | $217,507 | $238,114 |
| Business License Tax | $40,325 | $42,575 |
| Transient Occupancy Tax | $1,518,886 | $1,518,886 |
| Utility Users Tax | $146,306 | $162,450 |
| Other Revenues | $274,786 | $298,109 |
| | | |
| **Total Net Change in Expenditures** | **($4,344,263)** | **($4,712,994)** |
| Human Resources | ($44,293) | ($48,053) |
| Library and Community Services | ($967,894) | ($1,050,047) |
| Police | ($2,130,435) | ($2,311,262) |
| Public Works | ($1,201,641) | ($1,303,633) |
| | | |
| **Net Fiscal Impact** | **$1,541,772** | **$1,390,031** |

Note: Revenues and expenditures are expressed in constant 2022 dollars at the future point in time when the Proposed Project would be fully built out and occupied.

Source: BAE, 2022.

### *Total 10-Year Impact*

The estimates in Table 23 do not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 24 and Table 25 provide longer term views of the potential net fiscal impact to the City's General Fund over the next ten years. The tables show the annual revenues and expenditures that would be attributable to the Proposed Project and the Increased Residential Density Variant on a year-by-year basis, adjusted for projected 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 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.[15] The one exception is property tax revenues, which is inflated at a rate of two percent per year, the maximum

[15] 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.

allowed by the Proposition 13 limit on annual increases in tax assessments unless a property is transferred or sold.

As shown in Table 24, the annual fiscal impact associated with the Proposed Project would remain positive in each year during the ten-year projection period. Between 2022 and 2024, Table 24 shows a net decrease in revenues from the project site along with a net decrease in City expenditures due to demolition of existing improvements and an associated decrease in employment at the project site. While the City would not decrease expenditures in response to a demolition of improvements on the project site, the cost of providing City services based on activity at the project site would decrease. The figures in Table 24 are intended to capture impacts associated with the Project, which would be anticipated to lead to a decreased demand on City services during this period. The annual General Fund surplus would total approximately $1.6 million following full buildout of the Proposed Project in 2026. However, it is important to note that the positive fiscal impact associated with the Proposed Project would be entirely dependent on the TOT revenue generated by the hotel. Without the hotel, the fiscal impact associated with the Proposed Project would be negative. Similar to the Proposed Project, the fiscal impact associated with the Increased Residential Density Variant would remain positive in each year during the ten-year projection period. Like the Proposed Project, the fiscal impact associated with the Increased Residential Density Variant would be negative without the hotel following full buildout in 2026.

While this type of projection can be useful because it accounts for the effect of inflation on revenues and expenses over time, it should be understood that these long-term estimates are subject to uncertainty and are sensitive to changes in inflation and other factors. Perhaps most importantly, the property tax and property tax ILVLF revenues shown 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 the project is transferred to a different entity during this period, that transfer would trigger a reassessment of the project based on market value, which would likely increase the property tax and property tax ILVLF to a greater extent than shown in the table below.

## Table 24: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2022-2031, Proposed Project

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Net Change in Revenues** | **($253,600)** | **($260,400)** | **($267,300)** | **$5,299,900** | **$6,466,000** | **$6,620,000** | **$6,777,900** | **$6,939,600** | **$7,105,500** | **$7,275,300** |
| Property Tax | ($74,900) | ($76,400) | ($78,000) | $2,457,900 | $3,138,500 | $3,201,200 | $3,265,300 | $3,330,600 | $3,397,200 | $3,465,100 |
| ILVLF | ($20,400) | ($20,800) | ($21,200) | $668,600 | $853,800 | $870,900 | $888,300 | $906,000 | $924,200 | $942,600 |
| Sales Tax | ($33,000) | ($34,000) | ($35,000) | $162,400 | $244,800 | $252,200 | $259,700 | $267,500 | $275,500 | $283,800 |
| Business License Tax | ($10,900) | ($11,300) | ($11,600) | $35,300 | $45,400 | $46,700 | $48,200 | $49,600 | $51,100 | $52,600 |
| Transient Occupancy Tax | $0 | $0 | $0 | $1,659,700 | $1,709,500 | $1,760,800 | $1,813,600 | $1,868,000 | $1,924,100 | $1,981,800 |
| Utility Users Tax | ($46,800) | ($48,200) | ($49,700) | $100,900 | $164,700 | $169,600 | $174,700 | $179,900 | $185,300 | $190,900 |
| Other Revenues | ($67,600) | ($69,700) | ($71,800) | $215,100 | $309,300 | $318,600 | $328,100 | $338,000 | $348,100 | $358,500 |
| | | | | | | | | | | |
| **Total Net Change in Expenditures** | **$1,069,500** | **$1,101,500** | **$1,134,600** | **($3,401,300)** | **($4,889,600)** | **($5,036,200)** | **($5,187,300)** | **($5,343,000)** | **($5,503,200)** | **($5,668,300)** |
| Human Resources | $10,900 | $11,200 | $11,600 | ($34,700) | ($49,900) | ($51,300) | ($52,900) | ($54,500) | ($56,100) | ($57,800) |
| Library and Community Services | $238,300 | $245,400 | $252,800 | ($757,800) | ($1,089,400) | ($1,122,100) | ($1,155,700) | ($1,190,400) | ($1,226,100) | ($1,262,900) |
| Police | $524,500 | $540,200 | $556,400 | ($1,668,000) | ($2,397,800) | ($2,469,800) | ($2,543,900) | ($2,620,200) | ($2,698,800) | ($2,779,700) |
| Public Works | $295,800 | $304,700 | $313,800 | ($940,800) | ($1,352,500) | ($1,393,000) | ($1,434,800) | ($1,477,900) | ($1,522,200) | ($1,567,900) |
| | | | | | | | | | | |
| **Net Fiscal Impact** | **$815,900** | **$841,100** | **$867,300** | **$1,898,600** | **$1,576,400** | **$1,583,800** | **$1,590,600** | **$1,596,600** | **$1,602,300** | **$1,607,000** |

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.

## Table 25: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2022-2031, Increased Residential Density Variant

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Net Change in Revenues** | **($253,600)** | **($260,400)** | **($267,300)** | **$5,439,400** | **$6,706,100** | **$6,863,000** | **$7,029,200** | **$7,193,900** | **$7,368,600** | **$7,541,700** |
| Property Tax | ($74,900) | ($76,400) | ($78,000) | $2,535,300 | $3,270,100 | $3,335,500 | $3,402,200 | $3,470,200 | $3,539,600 | $3,610,400 |
| ILVLF | ($20,400) | ($20,800) | ($21,200) | $689,700 | $889,600 | $907,400 | $925,500 | $944,000 | $962,900 | $982,200 |
| Sales Tax | ($33,000) | ($34,000) | ($35,000) | $176,000 | $268,000 | $276,000 | $284,300 | $292,900 | $301,600 | $310,700 |
| Business License Tax | ($10,900) | ($11,300) | ($11,600) | $36,700 | $47,900 | $49,400 | $50,800 | $52,400 | $53,900 | $55,600 |
| Transient Occupancy Tax | $0 | $0 | $0 | $1,659,700 | $1,709,500 | $1,760,800 | $1,813,600 | $1,868,000 | $1,924,100 | $1,981,800 |
| Utility Users Tax | ($46,800) | ($48,200) | ($49,700) | $111,600 | $182,800 | $188,300 | $194,000 | $199,800 | $205,800 | $212,000 |
| Other Revenues | ($67,600) | ($69,700) | ($71,800) | $230,400 | $338,200 | $345,600 | $358,800 | $366,600 | $380,700 | $389,000 |
| | | | | | | | | | | |
| **Total Net Change in Expenditures** | **$1,069,500** | **$1,101,500** | **$1,134,600** | **($3,642,300)** | **($5,347,200)** | **($5,463,700)** | **($5,672,800)** | **($5,796,400)** | **($6,018,400)** | **($6,149,400)** |
| Human Resources | $10,900 | $11,200 | $11,600 | ($37,100) | ($54,500) | ($55,700) | ($57,800) | ($59,100) | ($61,400) | ($62,700) |
| Library and Community Services | $238,300 | $245,400 | $252,800 | ($811,500) | ($1,191,300) | ($1,217,300) | ($1,263,900) | ($1,291,400) | ($1,340,900) | ($1,370,100) |
| Police | $524,500 | $540,200 | $556,400 | ($1,786,200) | ($2,622,300) | ($2,679,400) | ($2,782,000) | ($2,842,600) | ($2,951,400) | ($3,015,700) |
| Public Works | $295,800 | $304,700 | $313,800 | ($1,007,500) | ($1,479,100) | ($1,511,300) | ($1,569,100) | ($1,603,300) | ($1,664,700) | ($1,700,900) |
| | | | | | | | | | | |
| **Net Fiscal Impact** | **$815,900** | **$841,100** | **$867,300** | **$1,797,100** | **$1,358,900** | **$1,399,300** | **$1,356,400** | **$1,397,500** | **$1,350,200** | **$1,392,300** |

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 2022 dollars).

Source: BAE, 2022.

# SPECIAL DISTRICT FISCAL IMPACT ANALYSIS

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

Due to the impact of the COVID-19 pandemic on revenues and spending levels, the special district fiscal impact analysis in this section utilizes 2019-20 fiscal year budgets for revenue and expenditure assumptions. In many cases, the 2020-21 and 2021-2022 fiscal year budgets for the special districts showed lower levels of general fund expenditures due to the impact of the pandemic. While the longer-term consequences of the COVID-19 pandemic on spending levels remain unclear, many local revenue sources have been recovering from the COVID-19-related economic downturn, potentially enabling jurisdictions to anticipate future restoration of pre-pandemic service and spending levels. As a result, this analysis assumes that as the economy recovers, budget levels will return to pre-pandemic levels, meaning the FY 2019-20 budgets are currently the best indicators of revenues and expenses under normal economic conditions.

## 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 93,956 residents and 47,910 employees, for a service population of 109,926.[16]

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

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

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.  According to the Draft Environmental Impact Report (DEIR) for the project, the MPFPD would need to hire approximately nine new fire-safety employees to maintain current staffing ratios once the Proposed Project is complete.  The DEIR reports that the MPFPD confirmed that demands associated with the Proposed Project could place a strain on current staffing levels and require additional staffing resources to provide adequate fire and emergency medical-service protection.

*Revenue Impacts from the Project*

After accounting for the ERAF shift, the MPFPD receives approximately 11.8 percent of the 1.0 percent base property tax collected in the TRA in which the project is located.  Based on the estimated net increase in assessed values shown in Table 26, the MPFPD would receive approximately $4.0 million in additional annual property tax revenue at buildout of the Proposed Project.  Under the Increased Residential Density Variant, annual property tax revenue would increase by approximately $4.2 million.

Other sources of General Fund revenues for the MPFPD include licenses and permits, monies from intergovernmental transfers, current service charges, and use of money and property. For this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis and are assumed to be the only revenue source other than property tax that would be affected by new development.  MPFPD’s FY 2019-20 Adopted Budget projected approximately $2.1 million in combined annual license, permit, and service charge revenues, averaging $18.87 per member of the service population.  Applying this estimate to the net increase in service population would total $93,700 annually under the Proposed Project and $101,600 under the Increased Residential Density Variant.

*Expenditure Impacts from the Project*

Unlike the analysis of City General Fund expenditures presented above, the analysis for MPFPD considers all MPFPD General Fund expenditures to be variable, including executive compensation and capital expenses, which may overestimate the potential service cost impacts for the MPFPD.  This approach provides a relatively conservative assessment to avoid underestimating potential impacts on the district.  The MPFPD budget for the 2019-2020 fiscal year includes $57.6 million in total General Fund expenditures, or $524 per member of the service population, as shown in Table 26.  Assuming that costs increase in accordance with service population, the Proposed Project would increase annual expenditures by approximately $2.6 million, while the Increased Residential Density Variant would increase annual expenditures by approximately $2.8 million.

*Net Fiscal Impact from the Project*

Based on the revenue and expenditure estimates shown in Table 26, the Proposed Project and the Increased Residential Density Variant would both have a positive net fiscal impact on the MPFPD. The fiscal surplus would total approximately $1.5 million annually under both options.

The Menlo Park Fire Protection District has adopted an Emergency Services and Fire Protection Impact Fee to fund the District's fire protection capital facilities. While the City of Menlo Park has not adopted the fee, for illustrative purposes this analysis includes a calculation of the impact fee revenue that the project would generate for the MPFPD if the City of Menlo Park adopted the impact fee proposed by the MPFPD and if this fee applied to the project. Based on the fee rates that the MPFPD has proposed, the Proposed Project would generate approximately $1.8 million in one-time impact fee revenue to the District if these fees applied. The Increased Residential Density Variant would generate approximately $2.0 million in one-time impact fee revenue assuming the fees applied. However, the fee will not apply to the project unless the City adopts the fees.

## Table 26: Projected Net Fiscal Impact to Menlo Park Fire Protection District

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Project Net Change in Service Population | 4,964 | 5,385 |
| Project Net Change in Assessed Value | $3,431,596,951 | $3,575,500,951 |
| Net Change in Fire District Property Tax Revenue | $4,046,463 | $4,216,152 |
| Net Change in License, Permit, and Service Charge Revenues | $93,683 | $101,635 |
| Less: Net Change in Projected Expenditures | ($2,599,498) | ($2,820,137) |
| **Projected Net Fiscal Impact to MPFPD** | **$1,540,649** | **$1,497,649** |
| **One-Time Impact Fee Revenue** (a) | **$1,829,937** | **$1,960,937** |
| **Assumptions** | | |
| MPFPD Service Population, 2021 | | 109,926 |
| MPFPD Share of Base 1% Property Tax Revenue (b) | | 11.8% |
| License and Permit Revenues, FY 19-20 Adopted Budget | | $1,223,046 |
| Current Service Charge Revenues, FY 19-20 Adopted Budget | | $851,530 |
| Licenses, Permits, and Service Charges per Service Population | | $18.87 |
| General Fund Expenditures, FY 2019-20 Adopted Budget | | $57,564,946 |
| Expenditures per Service Population | | $523.67 |

Note:
(a) The City of Menlo Park has not formally adopted the impact fee proposed by MPFPD, so this fee will not apply to the proposed project. For illustrative purposes, this analysis includes a calculation of the impact fee revenue that the project would generate for the MPFPD if the City of Menlo Park had adopted the impact fee.
(b) This is the MPFPD's share of the base 1.0 percent property tax in the TRA where the project site is located, after accounting for the reduction in property tax revenues to fund ERAF. This figure does not account for excess ERAF revenues that the County refunds to the District when its ERAF balance exceeds K-14 educational funding needs. Many taxing entities do not consider excess ERAF to be a reliable revenue source due to its volatility, difficulty to predict, and likelihood of being eliminated by State action in coming years. Not including excess ERAF when determining property tax share results in a slightly lower, more conservative property tax revenue estimate.

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

## School Districts Serving the Project Site

This study evaluates the fiscal impacts that the Proposed Project would have on the two school districts that serve the project site. Elementary and middle school students that live in the project would be assigned to the Ravenswood City School District, while high school students would be assigned to the Sequoia Union High School District. 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, though some information regarding potential new facilities needs is also summarized below.

In addition to the Proposed Project, there are a range of other demographic and socioeconomic factors that 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 two school districts from the Proposed 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.

### *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 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. 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. Excluding the age-restricted senior units, this student generation rate yields an additional 599 students for the Proposed Project and an additional 674 students for the Increased Residential Density Variant.

According to the DEIR for the Project, based on currently available capacity and enrollment estimates, the district has additional capacity to accommodate the increase in new students potentially generated by the Proposed Project within its existing facilities.[17] The DEIR states that enrollment capacity currently exceeds enrollment by more than 700 students, indicating that the district has the physical capacity to accommodate growth from the project without the need to construct new facilities.[18] In addition, the district has experienced significant declines in enrollment during recent years, leading the school board to vote in early 2020 to close two elementary schools. While the District reports a significant need to upgrade existing facilities, these needs are attributable to the age of the existing facilities rather than actual or projected increases in enrollment.

Revenue Impacts from the Project. The Proposed Project and the Increased Residential Density Variant would both generate property tax revenue for the District. In the TRA where the project site is 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 27Table 9, the Proposed Project would increase annual property tax revenues to the District by approximately $11.2 million, while the Increased Residential Density Variant would increase annual property tax revenue by approximately $11.7 million. In addition to funding from property tax revenues, Ravenswood City School District would receive a small amount of State funding per student on an annual basis. These state revenues would total approximately $212,800 under the Proposed Project and $239,000 under the Increased Residential Density Variant.

Expenditure Impacts from the Project. Due to the District's recent transition into Basic Aid status, the approved budget for FY 2022-23 serves as the best proxy for estimating per

[17] While the District reports a significant need to upgrade some of its existing facilities, these needs are attributable to the age of the existing facilities rather than actual or projected increases in enrollment.
[18] The ConnectMenlo EIR analyzed potential cumulative impacts to school districts that could occur from implementation of the ConnectMenlo project and concluded that the cumulative impacts on schools would be less than significant. The DEIR for the Project states that because the Proposed Project would not result in a substantial change in the ConnectMenlo project, it would not be a cumulatively considerable contributor to a significant cumulative impact.

student expenditures in the Ravenswood City School District. Based on the FY 2022-23 projected enrollment of 1,520 students, unrestricted expenditures per enrolled student average $11,224. Under the Proposed Project, the projected net change in enrolled students (599 students) would generate new unrestricted expenditures totaling $6.7 million. Under the Increased Residential Density Variant, the net change in enrolled students (674 students) would generate unrestricted expenditures of $7.6 million.

Net Fiscal Impact from the Project. Both the Proposed Project and the Increased Residential Density Variant would result in annual property tax revenues that exceed the net change in projected expenditures from new student enrollment at buildout. Because Ravenswood City Elementary School District is now a Basic Aid district, the District will directly benefit from the increases in assessed value associated with the Project. The net fiscal impact to the district totals approximately $4.7 million under the Proposed Project and approximately $4.4 million under the Increased Residential Density Variant. As shown in Table 19 and Table 20 above, one-time impact fees to the District would total approximately $3.3 million for the Proposed Project and approximately $3.6 million for the Increased Residential Density Variant.

## Table 27: Projected Fiscal Impacts to the Ravenswood City School District

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Number of New Units (a) | 1,611 | 1,811 |
| Project Net Change in Enrolled Students | 599 | 674 |
| Project Net Change in ADA | 534.6 | 601.6 |
| | | |
| Net Change in Assessed Value from Project | $3,431,596,951 | $3,575,500,951 |
| | | |
| Net Change in Ravenswood City ESD Property Tax Revenue | $11,222,029 | $11,692,625 |
| Net Change in State Revenues from ADA | $212,754 | $239,393 |
| Less: Net Change in Projected Expenditures from Enrollment | ($6,723,236) | ($7,565,043) |
| **Projected Net Fiscal Impact to Ravenswood City ESD** | **$4,711,548** | **$4,366,975** |
| | | |
| **One-Time Impact Fee Revenue** | **$3,292,269** | **$3,641,149** |

| **Assumptions** | |
|---|---|
| Ravenswood City ESD Student Generation per Unit (b) | 0.372 |
| | |
| Estimated Average Daily Attendance (ADA) per Enrolled Student (c) | 89% |
| | |
| Ravenswood City ESD Share of Base 1% Property Tax (d) | 32.7% |
| | |
| Unrestricted Revenues per ADA, 2022-23 Adopted Budget | $397.94 |
| Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (e) | $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, 2022-23 Adopted Budget | $17,060,631 |
| Projected Enrolled Students, 2022-23 Adopted Budget | 1,520 |
| Estimated Regular P-2 ADA, 2022-23 Adopted Budget | 1,356.68 |
| Unrestricted Expenditures per Enrolled Student | $11,224.10 |

Notes:
(a) The number of new units excludes age-restricted Senior units, which are not expected to generate any new students.
(b) Based on the Ravenswood City School District School Facility Fee Justification Report prepared in June 2020.
(c) This figure was calculated by dividing the District's 2022-23 projected ADA by its projected enrollment.
(d) Based on the District's share of the base 1.0 percent property tax revenue in TRA 008-038.
(e) 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 Elementary School District; San Mateo County Controller; BAE, 2022.

*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.

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 results in an estimated increase of 322 new students for the Proposed Project and 362 new students for the Increased Residential Density Variant.  The estimated ADA associated with this new enrollment is 289 and 325, respectively, based on the district's budgeted attendance rate of 90 percent in the 2019-20 fiscal 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, including the Proposed Project.  The schools that serve the project site are the newly-completed TIDE Academy and the Menlo-Atherton High School, which have a total capacity of 400 and 2,200 students, respectively.  As of the 2021-2022 school year, enrollment in these schools totaled 143 and 2,368, respectively.[19]  Based on this information, the Menlo-Atherton High School currently exceeds capacity.  The Interim District Superintendent indicates that enrollment is projected to exceed capacity at Menlo-Atherton High School in the coming years due to the significant new development proposed in the district.  The Interim District Superintendent has also indicated that continued enrollment growth not only affects the school's education of students, but also impacts facilities and infrastructure planning in ways that are not accounted for by developer impact fees.  In addition, some developments have indirect impacts that require the expenditure of funds to mitigate, whether or not the development generates a need for new students.  It is important to note that this fiscal impact analysis only assesses the fiscal impact of revenues and expenditures directly related to students and does not account for the fiscal impact of any indirect effects of development on school facilities and operations.  Therefore, the net fiscal impact presented in this section may underestimate the impacts of development on the district's operating budget.  In addition to the school impact fees required by law, Peninsula Innovation Partners has negotiated a separate agreement with the Sequoia Union High School District to provide an additional one-time $15 million contribution to address school needs.

The district's FY 2021-22 Budget Plan reports that the district expects student enrollment to decline in the coming years, meaning that projected future decreases in enrollment may potentially offset at least some existing capacity constraints prior to the completion of the Proposed Project.  Overall, the enrollment projections show a decrease of 1,165 total students

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[19] Across all schools in the Sequoia Union High School District, enrollment totaled 9,305 as of May 2021.

between 2019 and 2025, which theoretically could create the capacity necessary to accommodate growth from the Proposed Project. However, this capacity will be spread across all District schools rather than just the two schools that serve the project site.

Revenue Impacts from the Project. Because the Sequoia Union High School District is a Basic Aid district, the district gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources. In the TRA where the project site is located, the district's share of the base one percent property is 13.1 percent. Based on this percentage and the estimated net increase in assessed values shown in Table 28, the Proposed Project would increase annual property tax revenue by approximately $4.5 million. Under the Increased Residential Density Variant, annual property tax revenue to the district would increase by approximately $4.7 million.

In addition to funding from property tax revenues, the Sequoia Union High School District would receive a small amount of State funding per student on an annual basis. These sources include the minimum State Educational Protection Account entitlement, State Lottery Funds, and the State Mandated Costs Block Grant, all of which are allocated based on ADA. Revenues from these sources would total approximately $119,300 for the Proposed Project and approximately $134,200 for the Increased Residential Density Variant.

Expenditure Impacts from the Project. As shown in Table 28, the district budget for FY 2019-20 includes $121.6 million in total unrestricted General Fund expenditures, at a rate of $13,300 per enrolled student. Applying this figure to the increase in enrollment attributable to the Proposed Project (322 students) yields an estimated $4.3 million in additional Sequoia Union High School District expenditures. Under the Increased Residential Density Variant, annual district expenditures would increase by approximately $4.8 million.

Net Fiscal Impact from the Project. After accounting for the projected increase in annual revenues and expenditures, the Proposed Project would generate a small fiscal surplus of approximately $345,000 annually. This is equivalent to approximately 0.3 percent of the District's FY 2019-20 unrestricted General Fund budget. The Increased Residential Density Variant is expected to have a marginal positive fiscal impact totaling approximately $17,000 annually.

In addition to these ongoing operating impacts, the Proposed Project would also generate one-time impact fees to the District totaling approximately $4.3 million. The Increased Residential Density Variant would generate one-time impact fees totaling approximately $4.7 million. As noted above, Peninsula Innovation Partners has also agreed to provide a one-time payment of $15 million to the SUHSD to address school needs, which is not captured in the table below.

## Table 28: Projected Fiscal Impacts to the Sequoia Union High School District

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Number of New Units (a) | 1,611 | 1,811 |
| Project Net Change in Enrolled Students | 322 | 362 |
| Project Net Change in ADA | 289 | 325 |
| | | |
| Net Change in Assessed Value from Project | $3,431,596,951 | $3,575,500,951 |
| | | |
| Net Change in Sequoia USD Property Tax Revenue | $4,506,146 | $4,695,111 |
| Net Change in Annual State Revenues from ADA | $119,340 | $134,206 |
| Less: Net Change in Projected Annual Expenditures from Enrollment | ($4,280,419) | ($4,812,148) |
| **Projected Net Fiscal Impact to Sequoia Union HSD (Annual)** | **$345,067** | **$17,169** |
| | | |
| **One-Time Impact Fee Revenue** | **$4,267,343** | **$4,718,143** |

**Assumptions**

| | |
|---|---|
| Sequoia Union HSD Student Generation per Unit (b) | 0.20 |
| Estimated Average Daily Attendance (ADA) per Enrolled Student (c) | 0.90 |
| | |
| Sequoia Union HSD Share of Base 1% Property Tax Revenue (d) | 13.1% |
| | |
| Unrestricted Revenues per ADA, FY 2019-20 Adopted Budget | $413 |
| Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (e) | $0 |
| Unrestricted State Educational Protection Account Funds per ADA | $200 |
| Unrestricted State Lottery Funds per ADA | $151 |
| Unrestricted State Mandated Costs Block Grant per ADA | $62 |
| | |
| Unrestricted General Fund Expenditures, Board Approved FY 2019-20 Adopted Budget | $121,633,011 |
| Enrolled Regular Students, FY 2019-20 Adopted Budget | 9,150 |
| Estimated Regular ADA, FY 2019-20 Adopted Budget | 8,205 |
| Unrestricted Expenditures per Enrolled Student | $13,293 |

Notes:
(a) This student generation rate was reported by the District Associate Superintendent of Administrative Services and is derived from the statewide yield average calculated by the State Office of Public School Construction.
(b) This figure was calculated by dividing the District's FY 2019-20 projected ADA by its projected enrollment.
(c) This is Sequoia Union HSD's share of the base 1.0 percent property tax in the TRA where the project site is located.
(d) Sequoia Union HSD is a "basic aid" district. Basic aid districts, also known as "community-funded" districts, collect enough property tax revenues to meet their state-determined LCFF minimum funding targets without state support. Though basic aid districts are entitled to other state funds tied to ADA (listed separately) and a minimum level of guaranteed state support (not tied to growth), they will not receive LCFF state aid to offset the costs generated by additional ADA. For that reason, BAE assumes zero state LCFF funds per ADA.

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

# APPENDIX A: FISCAL IMPACTS 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

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

The West Bay Sanitary District provides wastewater treatment services to areas in Menlo Park, Atherton, Portola Valley, East Palo Alto, Woodside, and unincorporated San Mateo County and Santa Clara County. The District is a member agency of Silicon Valley Clean Water Joint Powers Authority, which serves the communities of Redwood City, Belmont, San Carlos, and the West Bay Sanitary District.

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

The Project would generate connection fees for both districts, providing one-time fee revenue to cover the cost of service connections. The MPMWD assesses connection fees based on the water meter size, while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge. One-time impact fee revenues are listed in Table 19 and Table 20 above.

## Midpeninsula Regional Open Space District

The Midpeninsula Regional Open Space District preserves open space and provides opportunities for low-intensity recreation and environmental education. The district covers an area of 550 square miles and includes 17 cities, including the City of Menlo Park. To date, the district has preserved nearly 64,000 acres of public land and created 26 open space preserves, of which 24 are open to the public year-round.

### *Revenue Impacts from the Project*

Property taxes are the primary source of revenue to the district, accounting for over 90 percent of operating revenues. The district's other sources of revenue, such as grants, interest income, and rental income, are comparatively small and not projected to be impacted by the project. At buildout, the Proposed Project is projected to increase annual property tax revenues by approximately $521,500. Under the Increased Residential Density Variant, annual district property tax revenues would increase by approximately $543,700.

*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 $37.0 million in the FY 2019-20 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to $41 per member of the service population. Annual expenditures would thus be expected to increase by $202,700 from the Proposed Project and $220,000 from the Increased Residential Density Variant.

*Net Fiscal Impact from the Project*

As detailed in Table A- 1, the Proposed Project would generate a positive net fiscal impact totaling $327,000. The Increased Residential Density Variant would generate a slightly larger surplus totaling $332,000.

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

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Project Net Change in Assessed Value | $3,431,596,951 | $3,575,500,951 |
| | | |
| Net Change in Open Space District Property Tax Revenue | $529,846 | $552,065 |
| Less: Net Change in Projected Expenditures | ($202,717) | ($219,923) |
| **Projected Net Fiscal Impact to Open Space District** | **$327,129** | **$332,142** |
| | | |
| **Assumptions** | | |
| Open Space District Service Population, 2021 | | 906,127 |
| | | |
| Open Space District Share of Base 1% Property Tax Revenue (a) | | 1.5% |
| | | |
| General Fund Expenditures, FY 2019-20 Adopted Budget (b) | | $37,003,848 |
| Expenditures per Service Population | | $40.84 |

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

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

## San Mateo County Community College District

The San Mateo County Community College District (SMCCCD) offers Associate in Arts and Science degrees and Certificates of Proficiency at three campuses: Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno. The district had 16,321 Full Time Equivalent Students (FTES)[20] as of FY 2019-20, which amounts to approximately 0.02 FTES per member of the district's total service population. Assuming the same the student generation rate for the project, the Proposed Project would result in 93 additional students and the Increased Residential Density Variant would result in 101 net new students.

*Revenue Impacts from the Project*

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

Annual property tax revenue to the district would increase by approximately $2.0 million from both the Proposed Project and the Increased Residential Density Variant, as detailed in Table A-2. For FY 2019-20, SMCCCD's student enrollment fees were projected to total $8.5 million, or approximately $519 per FTES.[21] Based on this figure and the estimated student generation described above, student fees from new enrollment would increase by $48,300 from the Proposed Project and $52,400 from the Increased Residential Density Variant. The new enrollment would also increase funding from three state entitlements, which are unrestricted and allocated on a per-FTES basis. These are the Educational Protection Account funds ($100 per FTES), unrestricted State Lottery funds ($153 per FTES), and State Mandated Cost Block Grant funds ($30 per FTES). These revenue sources would increase by $26,300 for the Proposed Project and $28,600 for the Increased Residential Density Variant.

*Expenditure Impacts from the Project*

For FY 2019-20, the district budgeted approximately $204.3 million in unrestricted General Fund expenditures, or $12,518 per FTES. Assuming the District maintains this per-FTES spending, the new enrollment associated with the Proposed Project would generate

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

[21] 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.

approximately $1.2 million in additional expenditures for the district. The Increased Residential Density Variant would increase annual expenditures by approximately $1.3 million.

*Net Fiscal Impact from the Project*

As reported in Table A-2, the Proposed Project would result in a positive net fiscal impact to SMCCCD, totaling $867,000 per year. The Increased Residential Density Variant would also generate a fiscal surplus of approximately $856,000per year.

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

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Project Net Change in Full-Time Equivalent Students (FTES) | 93 | 101 |
| Project Net Change in Assessed Value | $3,431,596,951 | $3,575,500,951 |
| Net Change in Property Tax Revenues | $1,956,769 | $2,038,827 |
| Net Change in Student Fee Revenues | $48,255 | $52,351 |
| Net Change in State Revenues from FTES | $26,339 | $28,574 |
| Less: Net Change in Projected Expenditures | ($1,164,424) | ($1,263,258) |
| **Projected Net Fiscal Impact to SMCCCD** | **$866,939** | **$856,494** |

| **Assumptions** | |
|---|---|
| SMCCCD Service Population, 2021 | 871,002 |
| Projected SMCCCD Full-Time Equivalent Students (FTES), FY 2019-20 Adopted Bud | 16,321 |
| FTES per Service Population Member | 0.02 |
| SMCCCD Share of Base 1% Property Tax Revenue (a) | 5.7% |
| SMCCCD Student Fee Revenues, FY 2019-20 Adopted Budget | $8,466,977 |
| Student Fee Revenues per FTES | $519 |
| Unrestricted State Revenues per FTES, FY 2019-20 Adopted Budget | $283 |
| Unrestricted State Educational Protection Account Funds per FTES | $100 |
| Unrestricted State Lottery Funds per FTES | $153 |
| Unrestricted State Mandated Costs Block Grant per FTES | $30 |
| Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget (b) | $204,314,183 |
| Unrestricted Expenditures per FTES | $12,518 |

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

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

## San Mateo County Office of Education

The San Mateo County Office of Education (SMCOE) provides support for public schools throughout the County through instructional services, fiscal and operational services, and student services. The Office's instructional services include teacher support, educational technology, and professional development. The fiscal services division assists school districts with accounting, budgeting, payroll functions, and maintaining compliance. SMCOE also provides direct educational services to students with severe disabilities, incarcerated students through juvenile court schools, and at-risk students through community schools.

*Revenue Impacts from the Project*

Like K-12 school districts, SMCOE is funded through a combination of local property taxes and State funds, as determined by the LCFF. SMCOE is a Basic Aid entity, meaning that its property tax revenues exceed its LCFF funding entitlement. The State provides a fixed minimum level of funding, as well as some minor unrestricted and categorical funds, but does not adjust its funding to offset changes in SMCOE's revenues or expenditures. Consequently, SMCOE could potentially experience fiscal impacts from new development, including the Proposed Project.

This analysis assumes that property tax is the only unrestricted SMCOE revenue source that would be impacted by the 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.[22]

SMCOE receives 3.0 percent of the base one-percent property tax in the TRA where the Proposed Project is located. Annual property tax revenue to SMCOE would increase by approximately $1.0 million at buildout of both the Proposed Project and the Increased Residential Density Variant, as detailed in Table A-3.

*Expenditure Impacts from the Project*

To evaluate the Proposed Project's potential impact on SMCOE operations and expenditures, it is useful to distinguish between SMCOE's two service populations. One service population consists of the students enrolled in SMCOE-operated schools, to whom SMCOE provides direct educational services. As noted above, the Proposed Project is unlikely to produce a significant change in this particular service population. The other service population is all enrolled K-12 public school students in San Mateo County. This population receives indirect services through the administrative support, training, and other functions SMCOE provides to school districts in the County. At Ravenswood ESD and Sequoia USD combined, the Proposed Project would generate 921 new students and the Increased Residential Density Variant would generate 1,036 additional students (see Table 27 and Table 28).

In FY 2019-20, SMCOE budgeted $41.8 million in unrestricted expenditures, omitting capital outlay and transfers. These expenditures amount to $447 per enrolled student in San Mateo

[22] SMCOE-operated schools enroll about 300, or 0.32 percent, of San Mateo County's approximately 93,500 students, according to 2019-2020 Census day enrollment data from the California Department of Education.

County as of the 2019-20 fiscal year. As shown in Table A-3, projected growth-related expenditures would be approximately $411,800 under the Proposed Project and approximately $463,200 under the Increased Residential Density Variant.

*Net Fiscal Impact from the Project*

As detailed in Table A-3, the Proposed Project and the Increased Residential Density Variant would both produce an annual fiscal surplus for SMCOE.

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

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| Project Net Change in Enrolled Students (a)(b) | 921 | 1,036 |
| Project Net Change in Assessed Value | $3,431,596,951 | $3,575,500,951 |
| Net Change in Property Tax Revenues | $1,018,301 | $1,061,004 |
| Less: Net Change in Projected Expenditures from Enrollment | ($411,767) | ($463,182) |
| **Projected Net Fiscal Impact to San Mateo COE** | **$606,534** | **$597,821** |
| **Assumptions** | | |
| San Mateo COE Share of Base 1% Property Tax Revenue (c) | | 3.0% |
| Unrestricted Expenditures, FY 2019-20 Adopted Budget (d) | | $41,826,786 |
| Service Population (i.e., Enrolled Students Countywide) (e) | | 93,554 |
| Unrestricted Expenditures per Service Population | | $447 |

Notes:
(a) Assumes student generation of 0.372 students per project housing unit for Ravenswood Elementary School District. Redwood City ESD fiscal impact table for details.
(b) Assumes student generation of 0.20 students per project housing unit for Sequoia Union High School District. See Sequoia Union HSD fiscal impact table for details.
(c) This is San Mateo COE's share of the base 1.0 percent property tax in the TRA where the project site is located.
(d) Expenditures for all unrestricted funds, excluding capital outlay and transfers.
(e) 2019-2020 academic year Census day enrollment for all K-12 public schools, including charter schools, in San Mateo County, as reported by the California Department of Education.

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

# APPENDIX B: SUMMARY OF NET CHANGE IN EMPLOYMENT ON PROJECT SITE

## Table B- 1: Summary of Net Change in Employees by Location and Use

| | Willow Village Master Plan | Increased Residential Density Variant |
|---|---|---|
| **Total Project Site** | | |
| **Existing Employees** | **3,796** | **3,796** |
| Main Project Site | 3,666 | 3,666 |
| Hamilton Parcels | 130 | 130 |
| **New Employees** | **8,128** | **8,132** |
| Main Project Site | 7,964 | 7,968 |
| Hamilton Parcels | 164 | 164 |
| **Total Net Change in Employees on Project Site** | **4,332** | **4,336** |
| **Main Project Site** | | |
| **Existing Employees** | **3,666** | **3,666** |
| Meta Seated Workers | 3,500 | 3,500 |
| Workers from Other Onsite Tenants | 70 | 70 |
| Building Services Employees | 96 | 96 |
| **New Employees** (a) | **7,964** | **7,968** |
| Office and Accessory Uses (b) | 7,354 | 7,354 |
| *Meta Seated Workers (b)* | *6,950* | *6,950* |
| *Non-Seated Workers* | *404* | *404* |
| Other Commercial & Residential Uses | 610 | 614 |
| **Net Change in Employees on Main Project Site** | **4,298** | **4,302** |
| **Hamilton Parcels** | | |
| **Existing Employees** | **130** | **130** |
| Hamilton Avenue Parcel North | 126 | 126 |
| Hamilton Avenue Parcel South | 4 | 4 |
| **New Employees** | **164** | **164** |
| Hamilton Avenue Parcel North | 160 | 160 |
| Hamilton Avenue Parcel South | 4 | 4 |
| **Net Change in Employees on Hamilton Parcels** | **34** | **34** |

Note:
(a) For the Main Project Site, when employees are referred to, unless noted otherwise, the employees include seated workers for Meta, unseated workers in support of Meta, and employees within the hotel, retail, and residential land uses.
(b) Seated workers account for 6,950 of the 7,354 total office and accessory use employees on the Main Project Site. Seated workers are employees with assigned physical seats (desks). Seated workers include both Meta employees (i.e., workers employed by a Meta entity) and contract workers (i.e., workers employed by a third party who provides workers to perform services pursuant to a contract with a Meta entity). The number of seated workers is a good proxy for the number of workers actually present in a given Meta building or campus on a typical day (referred to as “onsite workers”). The number of onsite workers typically is less than or equal to the number of seated workers. This balance occurs because, on any given day, a certain number of seated workers are not present onsite (as a result of time off, offsite meetings, remote work, sick leave, etc.), while a certain number of contract workers without assigned seats (e.g., security, culinary, transportation personnel) are present onsite.

Sources: ICF; BAE, 2022.