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Fiscal Impact Analysis Report for 1005 O'Brien Drive and 1320 Willow Road
Research and Development 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 1005 O’Brien Drive and 1320 Willow Road Research and Development Project (Proposed Project). At full buildout, the Proposed Project will include two new R&D buildings, a seven-story parking structure, and development of open space, landscaping, and a sports court. The FIA addresses the net increase in revenues and expenditures and resulting net fiscal impact of the Proposed Project on the following:

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

Selected FIA findings are summarized in the following table. As shown, the FIA estimates that the Proposed Project would have a positive net fiscal impact on the City of Menlo Park’s annual General Fund operating budget. The Proposed Project would also generate net positive fiscal impacts 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.

Selected Fiscal Impact Findings for the Proposed Project

All figures in 2024 dollars

	City of Menlo Park	Menlo Park Fire Protection District	Sequoia Union High School District	Ravenswood Elementary District
Annual Impacts				
New Revenues	\$269,090	\$269,336	\$297,355	\$740,530
New Expenditures	\$191,096	\$106,684	\$0	\$0
Net Fiscal Impact	\$77,994	\$162,652	\$297,355	\$740,530

BAE, 2024.

INTRODUCTION

The City of Menlo Park (City) is evaluating the proposed 1005 O'Brien Drive and 1320 Willow Road Research and Development Project (Proposed Project) and engaged BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) of the Project. Like most new developments, 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 to estimate the net fiscal impact of the Proposed Project. 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 the city. Except as otherwise noted in the text, the annual ongoing fiscal impact of the Proposed Project is described in constant 2024 dollars, based on the future point in time when all phases of the project would be fully built out and would have achieved stabilized operations.

Project Description

A summary of the development program for the Proposed Project is provided in Table 1. The Proposed Project would include demolition of three existing onsite buildings and construction of two research and development (R&D) buildings and associated accessory storage buildings (approximately 228,000 total square feet), and one parking structure. The Proposed Project would be developed in two phases:

- Phase 1 would include the demolition of the buildings at 1001 O'Brien Drive, 985 O'Brien Drive, and the eastern portion of the building at 1320 Willow Road and the construction of a five-story, approximately 154,500-square-foot R&D building as well as a five-level parking garage. Phase 1 is expected to begin after approval of the Proposed Project and would last for 21 months. For the purposes of this analysis, completion of Phase 1 is assumed to occur in year 2027.
- Phase 2 would include the demolition of the remaining portion of the building at 1320 Willow Road and construction of a four-story, approximately 73,500-square-foot R&D building. Phase 2 would also include two additional levels of the parking structure. Phase 2 construction would occur over a duration of 15 months and is anticipated to begin after the completion of Phase 1 in 2027. However, because an existing business may continue to occupy a portion of the building at 1320 Willow Road through 2034, Phase 2 could begin as late as 2034. The Project applicant is requesting a Development Agreement to accommodate this future potential phasing.

Table 1 also shows the growth in employment and the service population associated with the Proposed Project. The analysis defines the City's service population as all residents plus 1/3 of the employees who work within the city. Calculating service population in this way reflects the fact that employees, who generally spend less time in the community than residents, tend to generate a smaller share of demand for services. At buildout, the Proposed Project would

include 570 employees, or 190 service population members. After accounting for the existing employment on the project site (81 employees), the Proposed Project would result in a net increase of 489 employees, or 163 service population members at buildout.

Table 1: Development Program at Full Buildout

	<u>Proposed Project</u>
Gross New Building Square Feet	228,000
Existing Square Feet to be Demolished	(90,631)
Net Change in Square Feet	137,369
New Employees	570
Existing Employees	(81)
Net Change in Employees	489
New Service Population (a)	190
Existing Service Population (a)	(27)
Net Change in Service Population (a)	163

Note:

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

Sources: Dudek, 2023; BAE, 2024.

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's General Fund, as this represents the portion of the City's budget that finances key public services. To pay for these services, the General Fund is dependent on discretionary revenue sources such as property taxes, sales 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 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 service population (number of persons served) as are some sources of municipal revenues. In general, as the service population increases, there is a need to hire additional public safety and other government employees, as well as a need to increase spending on equipment and supply budgets. Some municipal revenues, such as franchise fees and fines, also generally increase as the service population increases. The analysis therefore relies in large part on an average cost and average revenue approach, based on the City's current costs and revenues per member of the current service population. This approach is standard practice for FIAs and assumes that future development would generate costs and revenues at the same average rate as the existing service population.

As shown in Table 2, the City's population consists of 33,140 residents and 38,139 employees, resulting in a service population of 45,853 (100% of residents plus 1/3 of employees).¹ The FIA uses this service population figure to derive current expenditures and revenues per service population member.

¹ This analysis uses Esri 2024 estimates for current employment in the city, which may differ from sources used for other studies related to the proposed project. Esri 2024 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 2024-25 budget that this analysis uses to estimate current City expenditures and some current City revenues on a service population basis. Use of data from other sources 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	2024
Residents (a)	33,140
Employees (b)	38,139
Service Population (c)	45,853

Note:

(a) California Department of Finance, E-1 City/County Population Estimates, 01/01/2024.

(b) Esri estimate for 2024.

(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: CA Department of Finance; Esri Business Analyst, 2024; BAE, 2024.

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. Additional methodological details and assumptions are provided in the discussions of individual cost and revenue projections below.

All cost and revenue projections are expressed in constant 2024 dollars based on a future point in time when the Proposed Project would be fully built out and occupied. This report also presents the net annual fiscal impacts to the General Fund through year 2036.

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 as the new workers associated with the Proposed Project make taxable purchases at city retailers. Taxable transactions that take place in the city are subject to a 9.375% sales tax. This total includes the statutory 1% Bradley-Burns sales tax, of which 95% (i.e., 0.95% of the sale price) accrues to the City while the remaining 5% (i.e., 0.05% of the sale price) accrues to the County of San Mateo. Apart from the City's share of the Bradley-Burns sales tax, all other sales tax revenues from taxable transactions that take place in the city accrue to other governmental agencies, including the State of California.

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 the city made by 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 State law, as well as all non-taxable spending on services and entertainment. The adjustments also account for the available retail offerings in the city. After accounting for non-taxable purchases and the specific types of retail available in the city, total annual taxable sales in the city per employee would average approximately \$2,024 per year for employees on the project site. This figure was multiplied by the number of new employees generated by the Proposed Project to estimate the net change in taxable sales that would be generated by new employee spending at buildout of the Proposed Project.

Net Change in General Fund Sales Tax Revenue from Worker Spending. Table 3 shows the estimated net change in total taxable sales from worker spending in the city for the Proposed Project. As shown, annual taxable purchases in the city would increase by approximately \$990,000 under the Proposed Project. Applying the City’s share of sales tax revenue to this amount results in projected new annual General Fund sales tax revenue totaling approximately \$9,400.

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

	<u>Proposed Project</u>
Worker Spending	
Net Change in Workers	489
Taxable Sales in Menlo Park per Worker (a)	\$2,024
New Annual Taxable Worker Spending in City	\$989,736
Annual Sales Tax Revenue	
Menlo Park Share of Sales Tax Receipts	0.95%
Net Change in General Fund Sales Tax Revenue	\$9,402

Note:

(a) Based on data from the International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Estimates were adjusted based on the available retail offerings in the city and to remove non-taxable spending on services and entertainment as well as a portion of spending at drug and grocery stores.

Sources: ICSC, 2012; BAE, 2024.

Business-to-Business Sales Tax Revenues

The Proposed Project may generate additional sales tax revenue not accounted for in the table above to the extent that businesses located at the project site generate business-to-business taxable sales. This analysis assumes that the Proposed Project would not generate revenues from taxable business-to-business sales at the project site, though this may underestimate the General Fund revenues that the Proposed Project would generate. The analysis excludes these revenues because future business tenants in the Proposed Project are not currently known and the Proposed Project may potentially generate little to no revenue from these sources, depending on the specific tenants that occupy the new buildings. If the tenant(s) in

the project do generate revenue from these sources, the total annual General Fund revenues attributable to the Proposed Project would be higher.

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% property tax rate, which is shared among local jurisdictions including counties, cities, 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% 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 on the City’s General Fund operating budget, which receives a share of the base 1% property tax but does not receive revenue from any additional taxes or special assessments.

The share of base 1% property tax that is allocated to each taxing jurisdiction is based on the Tax Rate Area (TRA) where the property is located. Table 4 shows the effective distribution of the base 1% property tax to the taxing jurisdictions in TRA 08-039, which covers the Proposed Project. As shown, Menlo Park receives approximately 8.45% of the base 1% tax, with the remainder going to various other taxing jurisdictions.

Table 4: Distribution of Base 1% Property Tax Revenue – Tax Rate Area 08-039

Jurisdiction	Pre-ERAF Distribution	ERAF Shift (a)	Effective Distribution
General County Tax	19.93%	-39.59%	12.04%
City of Menlo Park	10.11%	-16.44%	8.45%
Ravenswood Elem General Purpose	32.70%	0.00%	32.70%
Sequoia High General Purpose	13.13%	0.00%	13.13%
San Mateo Community College District	5.70%	0.00%	5.70%
Menlo Park Fire District	13.25%	-11.00%	11.79%
Ravenswood Slough Flood Zone	0.03%	-21.72%	0.03%
Midpeninsula Reg. Open Space	1.54%	0.00%	1.54%
Bay Area Air Quality Management	0.18%	0.00%	0.18%
County Harbor District	0.30%	-22.11%	0.23%
San Mateo County Mosquito & Vector Control District	0.16%	-15.94%	0.14%
County Education Tax	2.97%	0.00%	2.97%
ERAF	0.00%		11.11%
	100.0%		100.0%

Note: Figures are shown to the nearest hundredth decimal place.

(a) Represents the percentage reduction in property taxes to each jurisdiction to fund ERAF, based on fiscal year 2023-24 figures provided by the San Mateo County Controller's Office.

Sources: San Mateo County Controller; BAE, 2024.

As shown in Table 5, the current assessed value of the Proposed Project site totals approximately \$27.0 million. To estimate future property tax revenues resulting from the

Proposed 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 2% per year, except when a property is transferred to a new ownership entity, in which case the County re-assesses the property at the current market value; or for construction of new improvements, in which case the County re-assesses the property by the value of the construction. The County Assessor bases the assessed value of new improvements on: 1) the construction cost of new improvements, 2) the income value of the property and/or 3) the sale price of recently-sold, comparable properties. The Assessor may use one, two, or all three of these methods to assign an assessed improvement value to a project following construction.

Table 5: Current Assessed Value

Assessor's Parcel Number	Fiscal Year 2023-24 Assessed Value		
	Land	Improvements	Total Value
055-421-160	\$10,240,463	\$3,413,486	\$13,653,949
055-421-050	\$5,916,710	\$568,913	\$6,485,623
055-421-060	\$6,258,060	\$568,913	\$6,826,973
Total, Project Site	\$22,415,233	\$4,551,312	\$26,966,545

Sources: San Mateo County Tax Collector; BAE, 2024.

The project applicant currently owns the project site and would retain ownership of the Proposed Project following construction. As a result, the Proposed Project would not lead to a reassessment of the land value of the site to market value. Construction of the new improvements would trigger a reassessment of the value of the improvements on the project site. To estimate the assessed value of the new improvements, the analysis relies on estimated construction costs for the Proposed Project. The construction cost approach typically leads to a more conservative estimate of assessed value compared to the other two approaches that the Assessor might use. According to information provided by the project applicant, total construction costs are estimated at approximately \$231.0 million. After accounting for the current assessed value of the improvements that would be demolished as part of the Proposed Project (\$4.55 million), the total net change in the assessed value of improvements totals approximately \$226.45 million, as shown in Table 6.

Table 6: Net Change in Assessed Value at Buildout

	<u>Proposed Project</u>
Total Assessed Value of New Improvements (a)	\$231,000,000
Less: Current Site Assessed Value of Improvements	(\$4,551,312)
Total Net Change in Assessed Value of Improvements (b)	\$226,448,688

Notes:

(a) Based on construction cost estimate provided by the project applicant in 2024.

(b) As part of the Proposed Project, approximately 1,230 square feet of an adjoining parcel (APN 055-421-190), which currently contains a portion of the surface parking lot for 1035 O'Brien Drive, would be added to the project site while an equal area of APN 055-421-060 would be added to the 1035 O'Brien Drive parcel. This land swap would be implemented by a lot line adjustment. Because the project sponsor already owns and would retain ownership of both parcels, this analysis assumes that the assessed value of the land would not change as a result of the land swap.

Sources: San Mateo County Treasurer-Tax Collector; BAE, 2024.

As shown in Table 7, based on the City's share of the base 1% property tax where the Project site is located (approximately 8.45%), the Proposed Project would increase annual General Fund property tax revenue by approximately \$191,300 at buildout.

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

	<u>Proposed Project</u>
Net Change in Assessed Value of Project Site (a)	\$226,448,688
Projected Increase in Base 1% Property Tax Revenue	\$2,264,487
Menlo Park Share of 1% Property Tax Base (b)	8.45%
Net Change in Annual Property Tax Revenue	\$191,313

Notes:

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

(b) City's share of the base 1.0% property tax in the TRA where the project site is located (TRA 08-039), after accounting for ERAF, as shown in Table 4. The City's property tax rate is shown to the nearest hundredth decimal place.

Sources: San Mateo County Controller; BAE, 2024.

Property Tax In-Lieu of Vehicle License Fee Revenues

Beginning in fiscal year 2005-06, 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 fiscal year 2004-05. 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 (ILVLF). This revenue source is tied to a city's total assessed valuation. In fiscal year 2005-06, 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 5% from one year to the next, the ILVLF base and resulting revenues would increase by 5%.

City staff have warned that the City is not necessarily guaranteed to receive the ILVLF funds to which it is entitled in future years. The complicated process through which the State indirectly funds the ILVLF payments has not been functioning as intended in San Mateo County in recent

years.² As a result, the County has had to request special appropriations from the State Legislature to issue ILVLF payments to cities. Such appropriations are not guaranteed year to year, and the State has not yet taken permanent action to address the ILVLF funding issues experienced by San Mateo County.

As shown in Table 8, in fiscal year 2024-25 the City expects to receive approximately \$7.3 million in ILVLF revenue. This amounts to approximately \$0.25 per \$1,000 of assessed value. Based on the estimated total net change in assessed value shown below, the Proposed Project would increase annual ILVLF revenues by approximately \$57,600.

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

	Proposed Project
Projected Net Increase in Assessed Value	\$226,448,688
Net Change in ILVLF Revenue	\$57,618
Assumptions	
Total Taxable Assessed Value, Fiscal Year 2024-25	\$28,567,616,304
Fiscal Year 2024-25 ILVLF Payment	\$7,268,751
ILVLF Per \$1,000 in Assessed Value	\$0.25

Sources: City of Menlo Park; San Mateo County Assessor's Office; BAE, 2024.

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 are charged based on annual gross receipts, ranging from \$50 per year for businesses with annual gross receipts of \$25,000 or less to a cap of \$8,000 per site per year.³

² The State directs counties to issue ILVLF payments using funds in the county's Educational Revenue Augmentation Fund (ERAF) account. ERAF monies are local property tax revenues that are diverted from localities and allocated to school districts that require State aid to meet mandated funding targets (i.e., "non-basic aid" districts), thereby reducing the State's funding obligations to such districts in the school funding formula. This arrangement acts as an indirect transfer of funds from localities to the State. To meet its ILVLF obligations to localities, the State uses the same infrastructure of indirect transfers through ERAF, only in reverse. By directing ERAF funds to ILVLF payments rather than to non-basic aid districts, the State increases its funding obligations to those districts. If there are insufficient funds in a County's ERAF account to fund the ILVLF payments, the State directs County controllers to draw upon non-basic aid school districts' local property tax revenues; the State will reimburse the districts for their lost revenues in the school funding formula. Put simply, the State funds its ILVLF obligations by directing funds away from non-basic aid school districts and then backfilling those funds through the school funding formula. However, this process has broken down in San Mateo County in recent years. Strong assessed value growth in the County has increased ILVLF obligations to localities. Coupled with declining school enrollment, assessed value growth has also resulted in several previously non-basic aid districts in the County to convert to basic aid status, thereby reducing the revenue base from which the County can draw to fund ILVLF payments. As a result, the County has not had sufficient funds to issue ILVLF payments and has had to request direct appropriation from the State to obtain the funds necessary to issue ILVLF payments.

³ Menlo Park Municipal Code section 5.12.020.

The future business license tax revenue generated by the Proposed Project will ultimately depend on the total number of businesses and the types of businesses that occupy space in the Proposed Project. To estimate business license taxes for the future tenants in the new R&D buildings, this analysis assumes that a new business license paying tenant would occupy each of the two new buildings. The analysis assumes that each tenant would pay a business license tax based on the number of employees. Based on the City’s current business license tax rates, the new business license tax revenue from the Proposed Project is estimated at \$2,350 as shown in Table 9. After accounting for the estimated existing business license tax revenues generated on the project site (\$1,150), the net change in annual business license tax revenue is estimated at \$1,200.

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

	<u>Proposed Project</u>
New Business License Tax Revenue	\$2,350
Less: Estimated Existing Business License Tax Revenue	(\$1,150)
Net Change in Annual Business License Tax Revenue	\$1,200
Assumptions	
New Business License Tax Revenue - R&D Phase 1	
Number of New Tenants (Phase 1)	1
Number of Employees (Phase 1)	386
New Phase 1 Business License Tax Revenue	\$1,250
New Business License Tax Revenue - R&D Phase 2	
Number of New Tenants (Phase 2)	1
Number of Employees (Phase 2)	184
New Phase 2 Business License Tax Revenue	\$1,100

Sources: City of Menlo Park; BAE, 2024.

Other Revenues

According to the fiscal year 2024-25 adopted budget, approximately \$2.7 million in General Fund revenues are from franchise fees and fines. These two revenue sources tend to increase as the service population grows. The City receives franchise payments from companies providing garbage, electric, gas, water, and cable television services in the city. Franchise fees are generally set as a percentage of the service provider’s gross receipts and are therefore expected to increase as expenditures on these services 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 10, the \$2.7 million in General Fund revenues from franchise fees and fines in fiscal year 2024-25 averages to \$58.63 per member of the service population. Assuming a commensurate increase in the amount of revenue collected each year, the change in service population associated with the Proposed Project would generate additional annual franchise fee and fines revenues of approximately \$9,600.

Table 10: Projected Change in Other General Fund Revenue at Buildout

	<u>Proposed Project</u>
Net Change in Service Population from Project (a)	163
Net Change in Franchise Fee and Fines Revenue	\$9,557
<hr/>	
Assumptions	Fiscal Year 2024-25
Franchise Fee Revenue	\$2,503,417
Fines Revenue	\$185,000
Total Franchise Fee and Fines Revenue	\$2,688,417
<hr/>	
Current (2024) Citywide Service Population (b)	45,853
Revenue Per Service Population	\$58.63

Notes:

(a) Net change in service population from the project as shown in Table 1.

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

Sources: City of Menlo Park; BAE, 2024.

Summary of Annually Recurring General Fund Revenues

As shown in Table 11, the Proposed Project would increase annual General Fund revenues by approximately \$269,100. Most of the annual General Fund revenue would be generated through property tax and ILVLF.

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

	<u>Proposed Project</u>	
	<u>Annual</u>	<u>Percent</u>
General Fund Revenues	Revenue	of Total
Property Tax	\$191,313	71.1%
ILVLF	\$57,618	21.4%
Sales Tax	\$9,402	3.5%
Business License Tax	\$1,200	0.4%
Other Revenues	\$9,557	3.6%
Total Revenues	\$269,090	100.0%

Source: BAE, 2024.

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 current impact fee rates, the Proposed Project would generate approximately \$5.7 million in impact fees for the City (see Table 12). These impact fees would include transportation impact fees (\$1.6 million), Below Market Rate (BMR) housing commercial in-lieu fees (\$3.5 million), storm drainage fees (\$35,200), and construction street impact fees (\$515,200). Impact fees to Sequoia Union High School District would total approximately

\$45,300, while fees to Ravenswood Elementary School District would total approximately \$70,100.

Table 12: Impact Fees from the Proposed Project

	Rate	Unit	Proposed Project			Total Fees
			Existing	Gross New	Net New	
Transportation						
R&D	\$9.33	per net sf	(30,564)	227,998	197,434	\$1,842,059
Warehouse	\$3.62	per net sf	(60,067)	-	(60,067)	(\$217,443)
Total						\$1,624,617
BMR Housing Commercial In-Lieu Fees						
Office/R&D	\$21.12	per net sf	(30,564)	227,998	197,434	\$4,169,806
Other Commercial	\$11.46	per net sf	(60,067)	-	(60,067)	(\$688,368)
Total						\$3,481,438
Storm Drainage Fees						
Commercial	\$0.24	per sf imperv.		146,859		\$35,246
Construction Street Impact Fee (a)	0.58%	pct of constr. value		\$88,820,724		\$515,160
Total City of Menlo Park Impact Fees						\$5,656,461
Sequoia Union High School District						
Commercial	\$0.33	per net sf	(90,631)	227,998	137,367	\$45,331
Total						\$45,331
Ravenswood Elementary School District						
Commercial	\$0.51	per net sf	(90,631)	227,998	137,367	\$70,057
Total						\$70,057

Notes:

(a) The City uses ICC building valuation data to calculate the Construction Street Impact Fee. The ICC building valuation differs from the estimated total project construction cost shown in Table 6 above.

Sources: City of Menlo Park; Sequoia Union School District; BAE, 2024.

Projected Annual Service Cost Impacts

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 General Fund expenditures from the fiscal year 2024-25 adopted budget to estimate the costs that would likely increase as the service population increases. This analysis focused on expenditures for the Administrative Services, Library and Community Services, Public Works, and Police Departments, as these departments are most likely to experience increases in demand for services that are funded by the General Fund. For each department, BAE made 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 13, the City’s net variable costs for impacted departments total approximately \$53.8 million.

Table 13: General Fund Expenditures by Department, City of Menlo Park, Fiscal Year 2024-25 Adopted Budget

Department	Annual General Fund Expenditures	Less: Executive Salary and Benefits (a)	Less: Fixed Assets and Capital Outlay, Utilities, and Special Projects (b)	Less: Charges for Service and Other Offsetting Revenues (c)	Net Variable General Fund Expenditures
Administrative Services	\$5,438,280	(\$536,307)	(\$20,500)	\$0	\$4,881,473
Library and Community Svcs	\$14,284,305	(\$280,397)	(\$662,500)	(\$3,248,500)	\$10,092,908
Police	\$25,386,758	(\$321,550)	(\$609,850)	(\$264,000)	\$24,191,358
Public Works	\$17,332,995	(\$302,700)	(\$1,410,250)	(\$1,029,200)	\$14,590,845
Total Expenditures	\$62,442,338	(\$1,440,954)	(\$2,703,100)	(\$4,541,700)	\$53,756,584

Notes:

(a) Salary and benefits costs for department/division heads are considered fixed costs that are not expected to increase with new development in the city. Data reflect salaries and benefits for the following positions: Administrative Services Director, Finance Director, Library and Community Services Director, Police Chief, and Public Works Director. Salary and benefit costs are based on 2023 data provided by the State Controller’s Office, except for the Public Works Director which is based on 2021 data (2022 and 2023 data were unavailable).

(b) Reflects General Fund expenditures for Fixed Assets and Capital Outlay, Utilities, Transfers, Rental of Land and Buildings, and Special Projects expenditures. These costs are not anticipated to increase with new development.

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

Sources: City of Menlo Park; California State Controller; BAE, 2024.

As shown in Table 14, the City’s net variable costs for the impacted departments equate to \$1,172 per member of the service population. This means that the City would need to add \$1,172 to its annual budget for each new member of the service population (i.e., \$1,172 per resident and \$391 per worker) to maintain current levels of service provided by these departments. Table 14 applies the net variable costs per member of the service population to the net increase in service population associated with the Proposed Project to estimate General Fund expenditure impacts. As shown, the Proposed Project would increase the City’s total annual General Fund expenditures by approximately \$191,100. These estimated expenditures solely account for estimated increases in ongoing operating costs (e.g., salaries) and do not account for any one-time capital improvements that might be necessary to serve the new development.

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

Department	Net Variable General Fund Expenditures Per Service Population (a)	Proposed Project General Fund Impacts	
		Total (b)	% of Total
Administrative Services	\$106.46	\$17,353	9.1%
Library and Community Services	\$220.11	\$35,879	18.8%
Police	\$527.59	\$85,996	45.0%
Public Works	\$318.21	\$51,868	27.1%
Total Dept. Expenditures	\$1,172	\$191,096	100.0%

Assumptions

Net Change in Service Population from Project	163
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Notes:

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

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

Sources: City of Menlo Park Fiscal Year 2024-25 Adopted Budget; BAE, 2024.

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

Table 15 summarizes the annual recurring net General Fund fiscal impact from the Proposed Project at full build out and occupancy. The Proposed Project would increase annual General Fund revenues by approximately \$269,100 and annual General Fund expenditures by approximately \$191,100, resulting in a net positive fiscal impact totaling approximately \$78,000 per year once the project is complete and fully occupied.

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

	Proposed Project
Total Net Change in Revenues	\$269,090
Property Tax	\$191,313
ILVLF	\$57,618
Sales Tax	\$9,402
Business License Tax	\$1,200
Other Revenues	\$9,557
Total Net Change in Expenditures	\$191,096
Administrative Services	\$17,353
Library and Community Services	\$35,879
Police	\$85,996
Public Works	\$51,868
Net Fiscal Impact	\$77,994

Sources: BAE, 2024.

12-Year Impacts

The estimates in Table 15 do not account for the long-term impact of inflation on revenues and expenditures or the timing of development of the Proposed Project. As discussed above, an existing business tenant may remain in a portion of the building at 1320 Willow Road

through 2034 and therefore completion of the second phase of construction could occur as early as 2028 (if the tenant vacates prior to 2028) or as late as 2035 (if the tenant remains through 2034). Table 16 provides a longer-term view of the potential net fiscal impacts to the General Fund under two potential phasing scenarios: a scenario in which Phase 2 is constructed immediately after completion of Phase 1 and a scenario in which Phase 2 begins after the existing tenant's lease expires in 2034. The table shows the annual revenues and expenditures that would be attributable to the Proposed Project on a year-by-year basis, adjusted for projected increases in revenues and costs in each year from 2025 to 2036. The fiscal impacts shown in the tables below reflect the impacts that are attributable to the buildout of the Proposed Project, irrespective of other changes in the population, workforce, property tax base, or other factors that could impact the City's budget. The analysis escalates most revenues and expenditures based on an escalation rate of 3% per year.⁴ The one exception is property tax revenue, which is inflated at a rate of 2% per year, the maximum allowed by the Proposition 13 limit on annual increases in tax assessments unless a property is transferred or sold.

As shown in Table 16, both scenarios would result in a net decrease in General Fund revenues and expenditures during construction of the first phase in years 2025 and 2026 due to demolition of existing improvements and the 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 service population activity at the project site would decrease. The annual net fiscal impacts associated with the Proposed Project would remain positive in each year during the 12-year projection period under both phasing scenarios. However, the projected cumulative 12-year General Fund surplus would be higher under the first construction phasing scenario. Table 17 shows the total net revenues and expenditures and the net present value of the fiscal impacts associated with each scenario over the 12-year projection period assuming a discount rate of 4%. As shown, the net present value of the net fiscal impacts is \$863,400 under the first construction phasing scenario and \$731,800 under the second construction phasing scenario.

While this type of projection can be useful because it accounts for the effect of inflation and phasing over time, 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 ILVLF revenues shown in Table 16 are based on an assumption that the same entity would retain ownership of the project throughout the period shown. As a result, the property tax and ILVLF revenues associated with each phase would increase by 2% per year following construction of each phase, in accordance with Proposition 13. If ownership of any portion of the project is transferred to a different entity during this period, that transfer would trigger a reassessment

⁴ As of the writing of this report, the current inflation rate is higher than 3%. However, a 3% inflation rate is used for this analysis to reflect typical long-term annual inflation, which has typically averaged approximately 3%.

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

Table 16: Projected Annual Net Fiscal Impact to the City of Menlo Park General Fund from Proposed Project

Phasing Scenario 1												
	2025	2026	Phase 1 complete 2027	Phase 2 complete 2028	2029	2030	2031	2032	2033	2034	2035	2036
Net Change in Service Pop.	(26)	(26)	102	163	163	163	163	163	163	163	163	163
Net Change in Revenues	(\$7,362)	(\$7,489)	\$209,294	\$327,360	\$334,134	\$341,050	\$348,112	\$355,322	\$362,684	\$370,200	\$377,875	\$385,712
Property Tax	(\$2,393)	(\$2,393)	\$150,836	\$234,151	\$238,834	\$243,611	\$248,483	\$253,452	\$258,521	\$263,692	\$268,966	\$274,345
ILVLF	(\$721)	(\$721)	\$45,427	\$70,519	\$71,929	\$73,368	\$74,835	\$76,332	\$77,859	\$79,416	\$81,004	\$82,624
Sales Tax	(\$1,545)	(\$1,591)	\$6,408	\$10,583	\$10,900	\$11,227	\$11,564	\$11,911	\$12,268	\$12,636	\$13,015	\$13,406
Business License Tax	(\$1,133)	(\$1,167)	\$109	\$1,351	\$1,391	\$1,433	\$1,476	\$1,520	\$1,566	\$1,613	\$1,661	\$1,711
Other Revenues	(\$1,570)	(\$1,617)	\$6,514	\$10,756	\$11,079	\$11,411	\$11,754	\$12,106	\$12,470	\$12,844	\$13,229	\$13,626
Net Change in Expenditures	(\$31,396)	(\$32,338)	\$130,243	\$215,080	\$221,533	\$228,179	\$235,024	\$242,075	\$249,337	\$256,817	\$264,522	\$272,457
Human Resources	(\$2,851)	(\$2,937)	\$11,827	\$19,531	\$20,117	\$20,720	\$21,342	\$21,982	\$22,642	\$23,321	\$24,020	\$24,741
Library and Community Services	(\$5,895)	(\$6,072)	\$24,453	\$40,382	\$41,593	\$42,841	\$44,126	\$45,450	\$46,814	\$48,218	\$49,664	\$51,154
Police	(\$14,129)	(\$14,553)	\$58,611	\$96,790	\$99,693	\$102,684	\$105,765	\$108,938	\$112,206	\$115,572	\$119,039	\$122,610
Public Works	(\$8,522)	(\$8,777)	\$35,351	\$58,378	\$60,129	\$61,933	\$63,791	\$65,705	\$67,676	\$69,706	\$71,798	\$73,952
Net Fiscal Impact	\$24,034	\$24,849	\$79,051	\$112,279	\$112,601	\$112,871	\$113,088	\$113,247	\$113,347	\$113,383	\$113,354	\$113,255

Phasing Scenario 2												
	2025	2026	Phase 1 complete 2027	2028	2029	2030	2031	2032	2033	2034	Phase 2 complete 2035	2036
Net Change in Service Pop.	(26)	(26)	103	103	103	103	103	103	103	102	163	163
Net Change in Revenues	(\$7,362)	(\$7,489)	\$211,546	\$215,909	\$220,363	\$224,911	\$229,553	\$234,293	\$239,132	\$241,471	\$406,261	\$414,665
Property Tax	(\$2,393)	(\$2,393)	\$152,427	\$155,475	\$158,585	\$161,756	\$164,991	\$168,291	\$171,657	\$173,263	\$290,781	\$296,597
ILVLF	(\$721)	(\$721)	\$45,906	\$46,824	\$47,761	\$48,716	\$49,690	\$50,684	\$51,698	\$52,182	\$87,574	\$89,326
Sales Tax	(\$1,545)	(\$1,591)	\$6,471	\$6,666	\$6,865	\$7,071	\$7,284	\$7,502	\$7,727	\$7,881	\$13,015	\$13,406
Business License Tax	(\$1,133)	(\$1,167)	\$164	\$169	\$174	\$179	\$184	\$190	\$196	\$134	\$1,661	\$1,711
Other Revenues	(\$1,570)	(\$1,617)	\$6,578	\$6,775	\$6,978	\$7,188	\$7,403	\$7,625	\$7,854	\$8,011	\$13,229	\$13,626
Net Change in Expenditures	(\$31,396)	(\$32,338)	\$131,524	\$135,470	\$139,534	\$143,720	\$148,031	\$152,472	\$157,047	\$160,182	\$264,522	\$272,457
Administrative Services	(\$2,851)	(\$2,937)	\$11,943	\$12,302	\$12,671	\$13,051	\$13,442	\$13,846	\$14,261	\$14,546	\$24,020	\$24,741
Library and Community Services	(\$5,895)	(\$6,072)	\$24,694	\$25,435	\$26,198	\$26,984	\$27,793	\$28,627	\$29,486	\$30,075	\$49,664	\$51,154
Police	(\$14,129)	(\$14,553)	\$59,188	\$60,964	\$62,793	\$64,676	\$66,617	\$68,615	\$70,674	\$72,085	\$119,039	\$122,610
Public Works	(\$8,522)	(\$8,777)	\$35,699	\$36,770	\$37,873	\$39,009	\$40,179	\$41,385	\$42,626	\$43,477	\$71,798	\$73,952
Net Fiscal Impact	\$24,034	\$24,849	\$80,022	\$80,439	\$80,829	\$81,191	\$81,522	\$81,821	\$82,085	\$81,289	\$141,739	\$142,208

Notes:

(a) Figures have been inflated based on the following rates:

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

(b) For the purpose of estimating the future assessed value of improvements completed in each phase, the 2024 construction costs for the Proposed Project were escalated based on the 10-year average California Construction Cost Index (CCCI): 5.2%.

Sources: CA Dept. of General Services; BAE, 2024.

Table 17: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to the General Fund by Construction Phasing Scenario, 2025-2036

	Scenario 1		Scenario 2	
	Total	NPV (a)	Total	NPV (a)
	12 Years	12 Years	12 Years	12 Years
Net Change in Revenues	\$3,396,891	\$2,511,510	\$2,623,253	\$1,917,168
Property Tax	\$2,430,104	\$1,798,431	\$1,889,038	\$1,382,220
ILVLF	\$731,873	\$541,633	\$568,921	\$416,283
Sales Tax	\$110,782	\$81,093	\$80,753	\$58,324
Business License Tax	\$11,530	\$7,929	\$2,462	\$1,061
Other Revenues	\$112,601	\$82,424	\$82,079	\$59,281
Net Change in Expenditures	\$2,251,532	\$1,648,128	\$1,641,225	\$1,185,366
Human Resources	\$204,455	\$149,662	\$149,035	\$107,640
Library and Community Services	\$422,730	\$309,439	\$308,143	\$222,555
Police	\$1,013,227	\$741,685	\$738,579	\$533,435
Public Works	\$611,120	\$447,342	\$445,468	\$321,737
Net Fiscal Impact	<u>\$1,145,360</u>	<u>\$863,382</u>	<u>\$982,028</u>	<u>\$731,802</u>

Note:

(a) Net present value at a discount rate of 4%.

Source: BAE, 2024.

SPECIAL DISTRICT FISCAL IMPACT ANALYSIS

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

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) provides fire protection services to Menlo Park, Atherton, East Palo Alto, portions of unincorporated San Mateo County, and federal facilities such as the veteran's hospital, United States Geological Survey facility, and the Stanford Linear Accelerator, covering approximately 30 square miles. The MPFPD also has agreements with neighboring departments, including the cities of Palo Alto, Redwood City, Fremont, and the Woodside Fire District, to provide automatic aid. According to 2024 population and employment figures from Esri Business Analyst, the MPFPD serves a total of 91,798 residents and 52,003 employees, for a service population of 109,132.⁵

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. 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. 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 75 engineers/firefighters, for a total of 117 fire safety personnel. In total, the MPFPD employs 152 full-time equivalent personnel including administrative support staff and fire-prevention staff. In addition, the MPFPD is part of the greater San Mateo County boundary-drop plan, which means the closest unit responds to each call, regardless of the department.

Revenue Impacts from the Proposed Project

After accounting for the ERAF shift, the MPFPD receives approximately 11.8% of the 1% base property tax collected in the TRA in which the project is located. Based on the estimated net increase in assessed value from the Proposed Project shown in Table 18, the MPFPD would receive approximately \$267,000 in additional annual property tax revenue at buildout.

⁵ Service population is defined as all residents plus 1/3 of all employees.

Other sources of General Fund revenues for the MPFPD that would increase with service population include licenses and permits and service charges. MPFPD's fiscal year 2024-25 adopted budget projected approximately \$1.6 million in combined annual license, permit, and service charge revenues, averaging \$14.39 per member of the service population. Applying this estimate to the net increase in service population associated with buildout of the Proposed Project totals approximately \$2,300 annually.

Expenditure Impacts from the Proposed Project

The MPFPD budget for the fiscal year 2024-25 includes \$71.4 million in expenditures from its General Fund (excluding contingency reserves), at an average rate of \$655 per member of the service population, as shown in Table 18. Assuming that costs increase in accordance with service population, the Proposed Project would increase the MPFPD's annual expenditures by approximately \$106,700. Unlike the analysis of City expenditures presented above, the analysis considers all MPFPD General Fund expenditures to be variable, including executive compensation, which may overestimate the potential cost impacts for the MPFPD. This approach provides a relatively conservative assessment to avoid underestimating potential impacts to MPFPD.

Net Fiscal Impact from the Proposed Project

Based on the revenue and expenditure estimates shown in Table 18, the Proposed Project would have a positive net fiscal impact on the MPFPD. The surplus would total approximately \$162,700, or 0.2% of MPFPD's fiscal year 2024-25 General Fund operating budget.

The MPFPD has adopted an Emergency Services and Fire Protection Impact Fee to fund the fire protection capital facilities. While the City has not adopted the fee, for illustrative purposes this analysis includes a calculation of the impact fee revenue that the Proposed Project would generate for the MPFPD if the City adopted the impact fee proposed by the MPFPD and if this fee applied to the Proposed Project. Based on the fee rates that the MPFPD has proposed, the Proposed Project would generate approximately \$99,900 in one-time impact fee revenue assuming the fees applied to the Proposed Project. However, the fee would not apply to the project unless the City adopts the fee.

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

	<u>Proposed Project</u>
Project Net Change in Service Population	163
Net Change in Assessed Value from Project	\$226,448,688
Net Change in Property Tax Revenues	\$266,991
Net Change in License, Permit, and Service Charge Revenues	\$2,345
Less: Net Change in Projected Expenditures	(\$106,684)
Projected Net Fiscal Impact to MPFPD	\$162,652
Assumptions	
Menlo Park Fire Protection District Service Population, 2024	109,132
Revenues	
Fire District Share of Base 1% Property Tax (a)	11.8%
License and Permit Revenues, Fiscal Year 2024-25 Adopted Budget	\$1,100,000
Current Service Charge Revenues, Fiscal Year 2024-25 Adopted Budget	\$470,100
Licenses, Permits, and Service Charges per Service Population	\$14.39
Expenditures	
General Fund Operating Expenditures, Fiscal Year 2024-25 Adopted Budget (b)	\$71,427,558
Expenditures per Service Population	\$654.50

Notes:

(a) This is the MPFPD's share of the base 1% 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 MPFPD when its ERAF balance exceeds K-14 educational funding needs. Many taxing entities do not consider excess ERAF to be a reliable revenue source due to its volatility, difficulty to predict, and likelihood of being eliminated by State action in coming years. Not including excess ERAF when determining property tax share results in a slightly lower, more conservative property tax revenue estimate.

(b) Does not include transfers, reserves, or expenses on fixed assets not expected to increase with service population.

Sources: Menlo Park Fire Protection District; San Mateo County Controller; Esri Business Analyst; BAE, 2024.

School Districts Serving the Project Site

This study evaluates the fiscal impact that the Proposed Project would have on the two school districts that serve the project site (Ravenswood City Elementary and Sequoia Union High School districts). Since the project does not include a residential component, it would not generate new students or additional expenditures for either district. However, the Proposed Project would generate additional property tax revenues for each district.

California School District Operating Revenues

Under California's funding system for public school districts, the impact that new development has on instructional operating costs depends in part on whether a district is a "basic aid" district. In California, most 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 property tax revenues 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 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 revenues from new developments that increase the local property tax rolls.

Ravenswood City Elementary School District

The Ravenswood City Elementary School District (ESD) is a basic aid district, and therefore the Proposed Project would generate property tax revenue which would contribute to the district’s General Fund. In the TRA where the project site is located, the district’s share of the base 1% property tax is approximately 32.7%. As shown in Table 19, at full buildout the Proposed Project would increase annual property tax revenues by approximately \$740,500.

In addition to these ongoing revenues, the Proposed Project would generate one-time impact fees totaling approximately \$70,100 (see Table 12).

Table 19: Projected Net Fiscal Impact to the Ravenswood City Elementary School District

	Proposed Project
Net Change in Assessed Value from Project	\$226,448,688
Net Change in Property Tax Revenues	\$740,530
Less: Net Change in Projected Expenditures from Enrollment	\$0
Projected Net Fiscal Impact to Ravenswood City ESD	\$740,530
One-Time Impact Fee Revenue	\$70,058
Assumptions	
Ravenswood City ESD Share of Base 1% Property Tax (a)	32.7%

Note:

(a) This is Ravenswood City ESD's share of the base 1% property tax in the TRA where the project site is located.

Sources: Ravenswood City Elementary School District; San Mateo County Controller; BAE, 2024.

Sequoia Union High School District

The Sequoia Union High School District (HSD) is a basic aid district and therefore gets the bulk of its revenue from property taxes, with a minimal amount of funding from the State and other local sources. In the TRA where the project site is located, the district’s share of the base 1% property tax is 13.1%. As shown in Table 20, the Proposed Project is expected to increase annual property tax revenues by approximately \$297,400.

In addition to these ongoing revenues, the Proposed Project would also generate one-time impact fees totaling approximately \$45,300 (see Table 12).

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

	<u>Proposed Project</u>
Net Change in Assessed Value from Project	\$226,448,688
Net Change in Property Tax Revenues	\$297,355
Less: Net Change in Projected Expenditures from Enrollment	<u>\$0</u>
Projected Net Fiscal Impact to Sequoia Union HSD	\$297,355
 One-Time Impact Fee Revenue	 \$45,332
Assumptions	
Sequoia Union HSD Share of Base 1% Property Tax (a)	13.1%

Notes:

(a) This is Sequoia Union HSD's share of the base 1% property tax in the TRA where the project site is located.

Sources: Sequoia Union High School District; San Mateo County Controller; BAE, 2024.

APPENDIX A: FISCAL IMPACTS ON OTHER SPECIAL DISTRICTS

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

Water and Sanitary Districts

Menlo Park Municipal Water (MPMW), is an enterprise operated by the City, which owns and operates a water distribution system and purchases water from the San Francisco Public Utilities Commission. MPMW serves approximately one-half of the City's population, covering the Sharon Heights area and portions of the city north of El Camino Real.

West Bay Sanitary District provides wastewater collection and conveyance services to the Menlo Park, Atherton, and Portola Valley, and areas of East Palo Alto, Woodside and unincorporated San Mateo and Santa Clara counties. The district conveys raw wastewater, via the Menlo Park Pump Station and force main, to Silicon Valley Clean Water (SVCW) for treatment and discharge to the San Francisco Bay. 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.

MPMW and the West Bay Sanitary District operate on a cost recovery basis, covering operational costs through user fees and surcharges. As such, the Proposed Project is not anticipated to have an ongoing fiscal impact on the two districts. The Proposed Project would generate connection fees for MPMW and West Bay Sanitary District, providing one-time fee revenue to cover the cost of service connections. MPMW assesses connection fees based on the water meter size, while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge.

Midpeninsula Regional Open Space District

The Midpeninsula Regional Open Space District preserves open space and provides opportunities for low-intensity recreation and environmental education. The district covers an area of 550 square miles and includes 17 cities, including the Menlo Park. To date, the district has preserved more than 70,000 acres of public land and created 27 open space preserves.

Revenue Impacts from the Proposed Project

Property taxes are the primary source of revenue for the district, accounting for over 90% 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 Proposed

Project. At buildout, the Proposed Project is projected to increase property tax revenues to the district by approximately \$35,000 annually (see Table A- 1).

Expenditure Impacts from the Proposed Project

The district does not maintain a per-capita service standard for the acreage of land preserved and is therefore unlikely to increase its land acquisition efforts as a direct result of the Proposed Project. In addition, the district’s debt service expenditures would not increase due to the Proposed Project. As a result, salaries, benefits, services, and supplies, which total approximately \$46.7 million in the fiscal year 2024-25 budget, are the only district expenditures that are likely to be impacted by growth. This results in an estimated expenditure equal to \$50 per member of the service population. The Proposed Project would incur new expenditures totaling approximately \$8,200 annually.

Net Fiscal Impact from the Proposed Project

As detailed in Table A- 1, the Proposed Project is expected to have a positive net fiscal impact on the district, resulting in an annual surplus of approximately \$26,800 per year.

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

	<u>Proposed Project</u>
Project Net Change in Service Population	163
Net Change in Assessed Value from Project	\$226,448,688
Net Change in Property Tax Revenues	\$34,964
Less: Net Change in Projected Expenditures	(\$8,188)
Projected Net Fiscal Impact to Open Space District	<u>\$26,777</u>
Assumptions	
Open Space District Service Population, 2024	930,474
Open Space District Share of Base 1% Property Tax (a)	1.5%
Operating Expenditures, Fiscal Year 2024-25 Adopted Budget (b)	\$46,739,108
Operating Expenditures per Service Population	\$50.23

Notes:

(a) This is the district’s share of the base 1% property tax in the TRA where the project site is located. 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, 2024.

San Mateo County Community College District

The San Mateo County Community College District (SMCCCD) offers Associate in Arts and Science degrees and Certificates of Proficiency at three campuses: Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno. As of the 2024-25 school year, the district had 14,241 Resident Full Time Equivalent

Students (FTES)⁶, which amounts to approximately 0.015 Resident FTES per member of the district's total service population. Assuming the same proportion of new service population members in the Proposed Project enrolls in district community colleges, the Proposed Project would result in 2.51 new FTES (see Table A- 2).

Revenue Impacts from the Proposed Project

SMCCCD became a basic aid district beginning in fiscal year 2012-13. 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.

The district's share of the base 1% property tax is approximately 5.7% in the TRA where the Proposed Project is located. The Proposed Project is projected to generate a \$129,100 increase in annual property tax revenue to the district at buildout, as detailed in Table A- 2.

In the fiscal year 2024-25 adopted budget, SMCCCD's resident student enrollment fees are projected to total \$10.9 million, or approximately \$768 per Resident FTES. Based on this figure and the Proposed Project's estimated student generation, described above, the Proposed Project at buildout is projected to generate additional student fee revenues of \$1,925. The new enrollment would also increase funding from three state entitlements, which are unrestricted and allocated on a per-Resident FTES basis. These are the Educational Protection Account funds (\$100 per FTES), unrestricted State Lottery funds (\$191 per FTES), and State Mandated Cost Block Grant funds (\$36 per FTES). The Proposed Project is projected to generate an additional \$820 from these sources.

Expenditure Impacts from the Proposed Project

In fiscal year 2024-25, the unrestricted General Fund expenditure budget totaled approximately \$235.2 million, or \$15,450 per Total District FTES. Assuming the district maintains this per-FTES spending, the new FTES associated with the Proposed Project would generate additional annual expenditures totaling \$38,200.

Net Fiscal Impact from the Proposed Project

As reported in Table A- 2, the Proposed Project would have a positive net fiscal impact on SMCCCD, totaling approximately \$93,700 per year.

⁶ Enrollment for revenue calculation purposes is measured in Full Time Equivalent Students (FTES). A FTES is equal to 15 course credits.

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

	<u>Proposed Project</u>
Project Net Change in Service Population	163
Project Net Change in Full-Time Equivalent Students (FTES)	2.51
Project Net Change in Assessed Value	\$226,448,688
Net Change in Property Tax Revenue	\$129,127
Net Change in Student Fee Revenue	\$1,925
Net Change in State Revenue from FTES	\$819
Less: Net Change in Projected Expenditures	(\$38,150)
Projected Net Fiscal Impact to SMCCCD	\$93,720
Assumptions	
SMCCCD Service Population, 2024	926,495
Resident Full-Time Equivalent Students (FTES), Annual 2024-25	14,241
Resident FTES per Service Population Member	0.015
Revenues	
SMCCCD Share of Base 1% Property Tax Revenue (a)	5.7%
Resident Student Fee Revenues, 2024-25 Adopted Budget	\$10,941,060
Student Fee Revenues per Resident FTES	\$768.28
Unrestricted State Revenues per Resident FTES, 2024-25 Adopted Budget	\$326.75
Unrestricted State Educational Protection Account Funds per Resident FTE	\$100.00
Unrestricted State Lottery Funds per Resident FTES	\$191.00
Unrestricted State Mandated Costs Block Grant per Resident FTES	\$35.75
Expenditures	
Unrestricted General Fund Expenditures, 2024-25 Adopted Budget (b)	\$235,210,970
Total District Full-Time Equivalent Students (FTES), Annual 2023-24 (c)	15,447
Unrestricted Expenditures per Total District FTES	\$15,227

Notes:

- (a) This is the SMCCCD's share of the base 1% property tax in the TRA where the project site is located.
- (b) This figure omits capital outlay expenditures as they are not impacted by growth in FTES.
- (c) Total District FTES includes Resident, Out of State, and International Full-Time Equivalent Students (FTES).

Sources: San Mateo County Community College District; San Mateo County Controller; Esri Business Analyst; BAE, 2024.

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.

Like K-12 school districts, SMCOE is funded through a combination of local property taxes and State funds, as determined by the LCFF. SMCOE is a basic aid entity, meaning that its property

tax revenues exceed its LCFF funding entitlement. The State provides a fixed minimum level of funding, as well as some minor unrestricted and categorical funds, but does not adjust its funding to offset changes in SMCOE’s revenues or expenditures. Consequently, SMCOE could potentially experience fiscal impacts from new development, including the Proposed Project.

This analysis assumes that property tax is the only unrestricted SMCOE revenue source that would be impacted by the Proposed Project. Because the Proposed Project does not include any residential units, it would not generate any new students or additional expenditures for SMCOE. As summarized in Table A- 3, SMCOE receives 3% of the base 1% property tax in the TRA where the project site is located. Annual property tax revenue to SMCOE would increase by approximately \$67,200 under the Proposed Project.

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

	<u>Proposed Project</u>
Project Net Change in Assessed Value	\$226,448,688
Net Change in Property Tax Revenues	\$67,199
Less: Net Change in Projected Expenditures from Enrollment	\$0
Projected Net Fiscal Impact to San Mateo COE	\$67,199
Assumptions	
San Mateo COE Share of Base 1% Property Tax Revenue (a)	3.0%

Notes:

- (a) This is SMCOE's share of the base 1% property tax in the TRA where the project site is located.
- (b) Expenditures for all unrestricted funds, excluding capital outlay and transfers.
- (c) 2023-24 academic year annual 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, 2024.