

**CITY OF BELMONT
CITY COUNCIL AND BELMONT FIRE
PROTECTION DISTRICT BOARD OF
DIRECTORS**



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CITY COUNCIL SPECIAL MEETING AGENDA

Tuesday, February 8, 2022

5:45 PM

City Council Chambers

City Hall, One Twin Pines Lane, Belmont, California

TELECONFERENCE PARTICIPANTS

Councilmembers will participate by teleconference under Government Code Section 54953(e), and City Council Resolution 2022-001. All votes shall be by roll call.

The meeting will be broadcast live to Belmont residents on Comcast Cable Channel 27, streamed live via the City's website at www.Belmont.gov. The public may also attend the meeting in the City Council Chambers and address the council from the chambers. Social distancing must be practiced, and seating will be limited.

PUBLIC COMMENT:

To maximize time for live public comment, we encourage members of the public to provide comments by joining the City Council meeting via Zoom: For web, visit <https://belmont.gov.zoom.us/> select "Join" and enter Meeting ID: 95745673035. Use the **Raise Hand** feature to request to speak. You may rename your profile if you wish to remain anonymous.

For dial-in comments, call *67 1-(669) 900-6833 (your phone number will appear on the live broadcast if *67 is not dialed prior to the phone number), enter Meeting ID: 95745673035, and press *9 to request to speak. All public comments are subject to a 3-minute time limit unless otherwise determined by the Mayor.

If you wish to submit written public comment, you may send an email to cclerk@belmont.gov before the council considers the item. Please indicate the agenda item topic or agenda item number you wish to comment on in your email's subject line. Any public comment regarding agenda items that are received from the publication of the agenda through the meeting date will be made part of the meeting record, but will not be read during the Council meeting.

1. ITEMS OF BUSINESS

Persons wishing to orally address the Council on the items of business listed below will be given an opportunity to do so before or during the Councils consideration of the item.

2. CLOSED SESSION [5:45 PM]

A. Conference with Legal Counsel - Significant Exposure to Litigation (Gov't Code Section

54956.9(d)(2)), one matter - Letter from David Blackwell, Esq. dated August 13, 2021, on behalf of CP VII 815 Belmont LLC protesting the imposition of the City's traffic impact fee on the project located at 815 Old County Road.

B. Conference with Conference With Labor Negotiators (Govt Code Section 54957.6)

Agency designated representatives: Afshin Oskoui, City Manager; Employee organization: Mid-Management Confidential Employees Association (MMCEA)

3. STUDY SESSION [6:15 PM]

A. Review of Fiscal Impact Study and Options for Development of a City Services Community Facilities District

Recommendation: Review Fiscal Impact Study prepared by NBS and provide direction to staff to form a Community Facilities District (CFD) to help fund essential City services for new development projects.

Attachment(s):

[City Services CFD Update - Staff Report](#)

[City Services CFD Update - Presentation](#)

[City Services CFD Update - Fiscal Impact Study](#)

4. ADJOURNMENT

If you need assistance to participate in this meeting, please contact the City Clerk at (650) 595-7413. The speech and hearing-impaired may call (650) 637-2999 for TDD services. Notification in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Meeting information can also be accessed via the internet at: www.belmont.gov. All staff reports will be posted to the web in advance of the meeting, and any writings or documents provided to a majority of the City Council/District Board or Commission regarding any item on this agenda will be made available for public inspection in the City Clerk's Office, One Twin Pines Lane, during normal business hours and at the Council Chambers at City Hall, Second Floor, during the meeting.



STAFF REPORT

Meeting Date: February 8, 2022

Agency: City of Belmont

Staff Contact: Grace Castaneda, Finance Director, gcastaneda@belmont.gov;
Jennifer Rose, Economic Development, Housing, and Finance Manager, jrose@belmont.gov;
Karen Clark, Administrative Assistant, kclark@belmont.gov

Agenda Title: Review of Fiscal Impact Study and Options for Development of a City Services Community Facilities District

Agenda Action: Discussion & Direction

Recommendation

Review Fiscal Impact Study prepared by NBS and provide direction to staff to form a Community Facilities District (CFD) to help fund essential City services for new development projects.

Strategic Focus Area

Fiscal and Organizational Sustainability

Background

The City of Belmont Strategic Plan identifies Fiscal & Organizational Stability as a key Strategic Focus Area and outlines a series of objectives aimed at strengthening and expanding locally controlled sources of revenue to fund local City service needs and to ensure these funds are spent for Belmont residents and not taken by the State or other agencies. These initiatives include:

1. Maximizing existing sources of revenue, identifying new revenue sources to maintain financial stability, and
2. Securing ongoing funding for sewer, storm, streets, facilities, and parks to address deferred maintenance and future capital needs along with a plan to support critical public services.

The City continues to respond to the evolving fiscal and operational impacts of the COVID-19 pandemic, while simultaneously working to address the ongoing takeaway of key revenue sources as a result of actions taken by the State of California.

While the adopted Fiscal Year 2022 Budget addresses State takeaway of key revenues and maintains important City services including public safety and public works services, local control over City revenue sources is needed to ensure long-term fiscal sustainability and to allow Belmont to be self-reliant into the future.

In 2020, City Council took several actions to update and adopt development related fees including a parkland in-lieu fee, a park impact fee, a traffic impact fee, and a public art in-lieu fee. While these fees have helped mitigate the impacts of new developments on community infrastructure and facilities, these



revenues do not provide funding for the expansion of essential City services to address new development's service demands.

With significant development activity already in the pipeline and forecasted to be built over the next several years, the City is exploring options for generating locally controlled funding for the provision of City services.

The 2017 Belmont General Plan includes goals and policies that address new development and support efforts to mitigate potential fiscal impacts of new development on the City. Goals and policies include:

- GP LU Goal 2.9 - "Foster new development that contributes positively to Belmont's built environment, provides benefits to the local community, and addresses potential impacts."
- GP LU Policy 2.9-2 - "Require that new development "pays its way" so as to limit fiscal impacts on the City."
- GP LU Goal 2.17 - "Support a wide range of economic activity in Belmont that capitalizes on the city's location, strengthens the City's tax base, and ensures that Belmont has adequate fiscal resources to fund high quality public services for its residents and businesses"
- GP LU Policy 2.17-2 - "Support efforts to increase the tax base in Belmont and maintain fiscal sustainability."
- GP LU Policy 2.17-4 - "Continue to monitor land use in the city to ensure a balanced inventory of sufficient land in strategic locations for all uses, especially those uses that are critical to the city's fiscal position."

One of the tools available to local governments to fund the provision of essential City services is the creation of a Community Facilities District (CFD). At the September 28, 2021, City Council Study Session, staff presented three options for the development of a CFD. Council then directed staff to proceed with the option of establishing a CFD with the cooperation of an initial property owner while creating a Citywide "Future Annexation Area." The following steps are required to proceed.

1. Complete Fiscal Impact Study to determine Special Tax Rates
2. City Adoption of Local Goals & Policies
3. Council Meeting – CFD Resolution of Intention
4. Council Meeting – Public Hearing & CFD Election
5. Council Meeting – Ordinance to Levy Special Taxes Adopted
6. Special Tax Levy & CFD Annexations

Following the September Study Session, NBS prepared a Fiscal Impact Study to help determine the cost associated with the increase in City services driven by new developments. This study considered projected future development through 2050, projected revenue and expenditures generated by future development, and determined net fiscal impacts.



Analysis

The first part of the Fiscal Impact Study reviews the net fiscal impact to the City’s General Fund and Belmont Fire Protection District (BFPD) Fund in anticipation of projected future development within the City. The Study calculates “net fiscal impact” by comparing (i) revenues that the City expects to be generated by new development and (ii) expenditures that the City will incur to provide public services.

The second part of the Study recommends that the City consider the establishment of a Community Facilities District (CFD) to levy and collect a special tax to mitigate negative fiscal impacts.

Key Conclusions of Fiscal Impact Study

The following are the high-level conclusions of the Fiscal Impact Study.

- *Negative Fiscal Impact on General Fund.* Projected Single-Family Residential (SFR), Townhome, Multi-Family Residential (MFR), and Affordable Housing development within the City will have a negative fiscal impact on the City’s General Fund.
- *Positive Fiscal Impact on General Fund.* Projected Commercial and Industrial development is expected to have a positive fiscal impact on the City’s General Fund.
- *Negative Fiscal Impact on the BFPD Fund.* Projected Affordable Housing development will have a negative fiscal impact on the City’s BFPD Fund.
- *Negative Fiscal Impact on the BFPD Fund.* Projected SFR, Townhome, MFR, Commercial, and Industrial development is expected to have a positive fiscal impact on the City’s BFPD Fund.

The Study recommends that the City consider establishing a funding source through a special financing district to offset negative fiscal impacts created by projected development.

Net Fiscal Impact of Projected Development

To calculate the net fiscal impact of projected development, the Fiscal Impact Study focused on the topics highlighted below. Key tables from the Study are also incorporated below. The full study is included as Attachment B.

Projected Development. Study considers the impact of currently planned development within the City along with the projected growth in employee and residential populations through the year 2050, per data compiled by the Association of Bay Area Governments and Metropolitan Transportation Commission.

Increase in Persons Served as a Result of Projected Development	Total
Increase in Residential Population	6,911
Increase in Employee Population	2,395
Increase in Persons Served	8,109

Revenues. The Study analyzes the various taxes, fees, and other City revenues collected to fund ongoing operational costs, including most notably revenue from the 1% ad valorem property tax, property tax in lieu of motor vehicle license revenue, documentary transfer tax, and sales tax. The following tables



summarize the annual revenues projected to be generated by future development, distinguishing between types of revenues and types of development.

Revenue Description	General Fund Revenue	BFPD Fund Revenue	Annual Total
Property Tax	\$2,575,195	\$5,091,137	\$7,666,332
Property Tax in Lieu of VLF	998,573	0	998,573
Documentary Transfer	119,379	0	119,379
Sales Tax	1,587,971	0	1,587,971
Other	659,270	0	659,270
Total	\$5,940,387	\$5,091,137	\$11,031,524

Development Type	Annual Total
SFR	\$1,267,723
Townhome	1,685,631
MFR	3,261,606
Affordable Housing	245,477
Commercial	1,478,805
Industrial	3,092,282
Total	\$11,031,524

Recurring Expenditures. The Study analyzes the recurring expenditures incurred by the City to provide ongoing services to its population at optimal service levels. The following tables summarize the annual expenditures projected to be generated by future development.

Expenditure	Annual General Fund Expenditure	Annual BFPD Fund Expenditure	Annual Total
Current Expenditures	\$5,205,400	\$2,540,469	\$7,745,869
Optimal Service Level Personnel Expenditures	5,379,133	0	5,379,133
Optimal Service Level Capital Expenditures	211,071	0	211,071
Total	\$10,795,604	\$2,540,469	\$13,336,073

Development Type	Annual Total
SFR	\$797,624
Townhome	2,518,901
MFR	4,944,939
Affordable Housing	3,198,789
Commercial	400,843
Industrial	1,474,977
Total	\$13,336,073

Fiscal Impact. The Study describes a negative fiscal impact on the City as a result of projected future development within the City, categorizing it by (i) development type, (ii) impacts on the General Fund,



and (iii) impacts on the BFPD Fund.

Annual Fiscal Impact

Description	Value
Total City Revenue	\$11,031,524
Total City Expenditures	(13,336,073)
City Positive / (Negative) Fiscal Impact	(\$2,304,548)

General Fund

Development Type	Revenue	Expenditures	Fiscal Impact
SFR	\$594,320	(\$646,932)	(\$52,612)
Townhome	836,595	(2,043,013)	(1,206,418)
MFR	1,649,703	(4,010,708)	(2,361,006)
Affordable Housing	245,477	(2,594,452)	(2,348,976)
Commercial	1,063,081	(320,641)	742,441
Industrial	1,551,211	(1,179,857)	371,354
Total	\$5,940,387	(\$10,795,604)	(\$4,855,217)

BFPD Fund

Development Type	Revenue	Expenditures	Fiscal Impact
SFR	\$673,404	(\$150,692)	\$522,711
Townhome	849,036	(475,888)	373,148
MFR	1,611,904	(934,231)	677,673
Affordable Housing	0	(604,336)	(604,336)
Commercial	415,724	(80,202)	335,521
Industrial	1,541,071	(295,119)	1,245,951
Total	\$5,091,137	(\$2,540,469)	\$2,550,669

Establishment of a CFD to Offset Negative Fiscal Impacts

The Fiscal Impact Study recommends that the City consider establishing a funding source through a special financing district to offset negative fiscal impacts created by projected development. The CFD could also fund authorized CFD services intended to provide an enhanced level of service or services unique to future development. To keep pace with changing costs, the CFD's maximum special tax rate could include an annual escalation factor based on an annual fixed amount or tied to a specific inflation index. Furthermore, the CFD special tax can be established without a sunset date so it can be levied in perpetuity or until voters choose to end it.

Special Tax Rates - General Fund. Based on the overall fiscal impact to the City's General Fund resulting from projected future SFR, Townhome, and MFR development, the Study proposes annual base CFD special tax rates for General City Services. These rates would mitigate the negative fiscal impacts of projected development. Additional amounts could be added to cover administrative costs and to establish reserves and contingency funds. The special taxes would escalate on an annual basis to offset inflation.



Development Type	CFD Special Tax Rates ⁽¹⁾	Per	Rate as % of Projected Value per Unit ⁽²⁾	Average Current Effective Tax Rate ⁽³⁾	Combined Tax Rate ⁽⁴⁾
SFR	\$2,475	Dwelling Unit	0.11%	1.19%	1.30%
Townhome	2,228	Dwelling Unit	0.25%	1.27%	1.52%
MFR	1,980	Dwelling Unit	0.29%	1.29%	1.57%

(1) Rates for services portion; does not include potential CFD administration or reserve/contingency costs.

(2) Value per SFR unit projected to be \$2,204,000. Value per Townhome unit projected to be \$899,000. Value per MFR unit projected to be \$687,331.

(3) Calculated using the Fiscal Year 2021/22 tax bills of existing residential development. Includes ad valorem taxes and fixed charges.

(4) Equal to the sum of the Rate as % of Projected Value per Unit and Average Current Effective Tax Rate. Any variances due to rounding.

Special Tax Rates - BFPD Fund. Projected future development is anticipated to have an overall positive fiscal impact to the City’s BFPD Fund. As such, no CFD special tax rates are proposed for fire services provided through the City’s BFPD.

CFD Structure. Staff recommends that the City establish a CFD with the cooperation of an initial property owner and establish a Citywide “Future Annexation Area.” Any developing properties that wish to annex into the CFD to fund their mitigation obligations could do so by executing a document called a “Unanimous Approval,” which the Legislature has determined constitutes a vote of the owner of the annexing property. No further hearings or election proceedings would be required. This approach offers a less expensive, streamlined process by which developing properties could choose to satisfy their mitigation obligation.

To establish the CFD, City Council needs to undertake the following proceedings.

Step #1: Under the Mello-Roos Act, the City must adopt local goals and policies before initiating proceedings to establish a CFD. The policies must include at least the following information.

1. A statement of the priority that various kinds of public facilities and services shall have for financing through the use of this chapter, including public facilities to be owned and operated by other public agencies, including school districts, and services to be provided by other public agencies.
2. A statement concerning the credit quality to be required of bond issues, including criteria to be used in evaluating the credit quality.
3. A statement concerning steps to be taken to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under this chapter.
4. A statement concerning criteria for evaluating the equity of tax allocation formulas and desirable and maximum amounts of special tax to be levied against any parcel pursuant to the Mello-Roos Act.
5. A statement of definitions, standards, and assumptions to be used in appraisals required by the Mello-Roos Act.



Step #2: The City Council must adopt a resolution declaring its intention to establish the CFD and the Future Annexation Area (Resolution of Intention). The Resolution of Intention must describe the public services to be financed by the CFD, which should be broadly defined to ensure mitigation of the full range of potential development impacts. The Resolution of Intention should also establish the method for defining the special taxes to be paid by property owners annexing into the CFD, which should be calculated based on the costs of providing the CFD-funded services to the annexing property. The Resolution of Intention would also call for a public hearing (which should be held 30-60 days after adoption of the Resolution of Intention).

Step #3: The Mello-Roos Act provides for a public hearing to be held at which interested persons could provide comments about the establishment of the CFD and the Future Annexation Area, the boundaries of the CFD and the Future Annexation Area, or the furnishing of specified types of public services. The City would not expect protests from the owner of the property that is voluntarily participating in the CFD formation process, and that landowner would be the only party whose protest could halt the CFD formation proceedings. The Future Annexation Area formation process would be halted if more than 50% of the registered voters or the owners of more than 50% of the land in the City protested.

In preparation for the public hearing, staff would prepare a report that contains a brief description of the public services by type which would be "required to adequately meet the needs of the district" and the estimated cost (including estimated administrative costs) of providing those services. The report would only address the initial property included in the CFD, not the property in the Future Annexation Area.

Step #4: After the public hearing, the City Council would consider the following resolutions:

1. Resolution of Formation, establishing the CFD and approving the special taxes to be levied on the initial property owner, subject to the landowner election.
2. Resolution Calling Election, calling a mail ballot election of the original landowner in the CFD. Immediately upon calling the election, the City Clerk would open the landowner ballot(s), because the Mello-Roos Act allows landowners to approve an accelerated election. Assuming the original landowner submits a favorable ballot, then the City Council would consider the following actions:
 - a. Resolution Declaring Election Results, in which the City Council would declare the results of the election and order recordation of a Notice of Special Tax Lien in the San Mateo County real property records.
 - b. Introduction of Special Tax Ordinance; the Mello-Roos Act requires special taxes to be levied by ordinance, and the Ordinance would levy taxes in the original boundaries of the CFD and any properties that annex into the CFD in the future.

Step #5: Adoption of the Special Tax Ordinance.

Post-Formation Annexations. As described above, after the City has formed the CFD, the owners of developing properties in the City could annex into the CFD from the Future Annexation Area by executing a Unanimous Approval. Following execution of the Unanimous Approval, the City would record a Notice of Special Tax Lien and the City Council would periodically adopt a resolution confirming the annexation.



Next Steps

If directed to proceed, staff will work with the consultant team to prepare the necessary CFD proceedings for Council consideration, as described above.

Alternatives

1. Take No Action; staff will not proceed with CFD formation.
2. Provide alternative direction for funding of City services.

Attachments

- A. Presentation
- B. Fiscal Impact Study

Fiscal Impact

☐ No Fiscal Impact

☒ Funding Source Confirmed:

A Mello-Roos Community Facilities District (CFD) is a tool that can help generate locally controlled revenue to support the provision of essential City services for new developments. The structure of this type of CFD would ensure that new development pays their fair share of the cost of City services. This revenue source would complement other impact fee revenues already in place that fund infrastructure such as parks and street improvements.

Source:

Staff

Purpose:

Council Vision/Priority

Public Outreach:

Posting of Agenda

CITY OF BELMONT

Fiscal Impact &
CFD Funding of Public Services
February 8, 2022



Background



- Strategic Focus Area: *Fiscal & Organizational Stability*



- Revenue Diversification: *Local Control Over Local Revenues*



- Forecasted Increase of New Residential and Non-Residential Development Activity



- Options for Funding Essential City Services

Fiscal Impact & CFD Funding of Public Services

Sara Mares, NBS

Chris Lynch, Jones Hall

February 8, 2022



Agenda

- CFD Funding of Public Services
- Fiscal Impact Analysis
- Questions



Community Facilities Districts

Not Benefit Based

- Reasonable metrics
- Achieves local goals and policies

Approval Mechanism

- Registered voter election
- OR
- Landowner vote
- 2/3 votes in favor
- Streamlined annexation process

Sample List of Services

- Police and Fire
- Park, road, open space maintenance
- Flood/storm protection system maintenance

CFD Financing of Public Services

For Landowner Vote

- Services are “in addition to those provided in the territory of the district before the district was created.”
- “...additional services shall not supplant services already available within that territory when the district was created.”
- Building Industry Association-Bay Area v. City of San Ramon case law

CFD and Future Annexation Area Formation

- 3 Public Meetings Required
 - 1. Resolution of Intention
 - 2. Public Hearing, Resolution of Formation, & Resolution of Election
 - 3. Ordinance Levying Special Taxes
- Benefits of Future Annexation Area
 - May be City-wide
 - Allows for a streamlined annexation process
 - Compliments entitlement process



Fiscal Impact Analysis

Cost of Services

- Current Service Levels
- Enhanced Police Services*
- Enhanced General Government Services*

* Includes additional staffing & capital costs



Negative Fiscal Impact

Revenue

- Property Tax
- Property Tax in Lieu of VLF
- Sales Tax
- Other Revenue*

* Includes licenses, permits, fees, charges for services, etc.

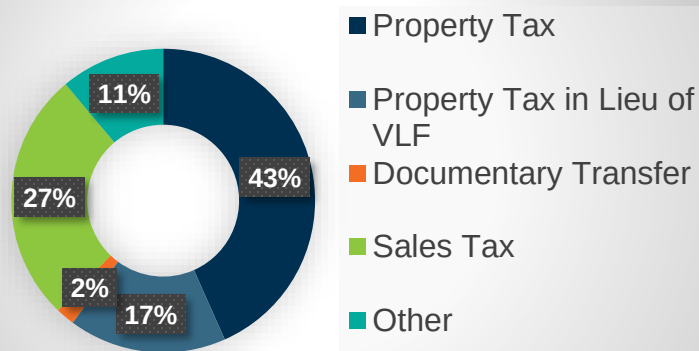
Fiscal Impact Analysis Considerations

- 1. Projected future development through 2050
- 2. Projected revenue and expenditures generated by future development
- 3. Current baseline service levels and enhanced service levels needed to provide services at an optimal (i.e., target) level
- 4. Determined Net Fiscal Impacts



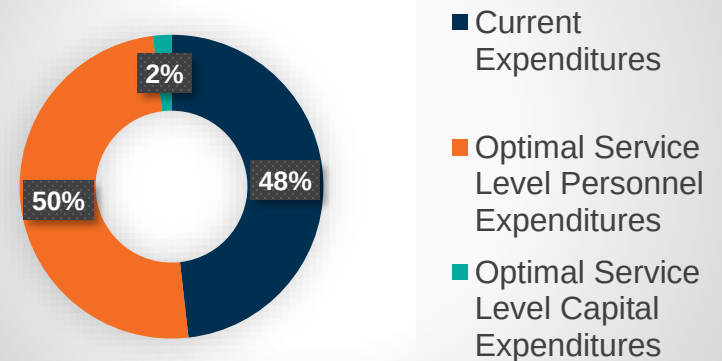
Fiscal Impact Analysis

General Fund Revenues



Revenue Description	General Fund Revenue
Property Tax	\$2,575,195
Property Tax in Lieu of VLF	998,573
Documentary Transfer	119,379
Sales Tax	1,587,971
Other	659,270
Total	\$5,940,387

General Fund Expenditures



Expenditure Description	General Fund Expenditures
Current Expenditures	\$5,205,400
Optimal Service Level Personnel Expenditures	5,379,133
Optimal Service Level Capital Expenditures	211,071
Total	\$10,795,604

CFD Special Tax Rates

Development Type	CFD Special Tax Rates*
SFR	\$2,475
Townhome	2,228
MFR	1,980
Affordable Housing	N/A
Commercial	N/A
Industrial	N/A

- CFD recommended for taxable development types with projected negative fiscal impacts
- Would apply to future development only (rates not applicable to existing development)
- Rates shown do not include administrative costs of the CFD and will be increased accordingly in the CFD formation documents

Total Effective Tax Rates

Development Type	CFD Special Tax Rates ⁽¹⁾	Per	Rate as % of Projected Value per Unit ⁽²⁾	Average Current Effective Tax Rate ⁽³⁾	Combined Tax Rate ⁽⁴⁾
SFR	\$2,475	Dwelling Unit	0.11%	1.19%	1.30%
Townhome	2,228	Dwelling Unit	0.25%	1.27%	1.52%
MFR	1,980	Dwelling Unit	0.29%	1.29%	1.57%

- Rates shown do not include administrative costs of the CFD and will be increased accordingly in the CFD formation documents

Next Steps Recommended

Once there is a qualifying landowner:

1. Council Meeting – CFD Resolution of Intention
2. Council Meeting – Public Hearing and CFD Election
3. Council Meeting – Ordinance to Levy Special Taxes Adopted
4. Special Tax Levy, CFD Annexations



Questions and Comments



CITY OF BELMONT

Report For:

Fiscal Impact Analysis of Future Development

January 2022

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SECTION 1 | INTRODUCTION

The City of Belmont (“City”) is undertaking a comprehensive review of the net fiscal impact to its General Fund (“General Fund”) and Fire Protection District Fund (“FPD Fund”) in anticipation of projected future development within the City. A review of the revenues expected to be generated by projected development, as compared with expenditures the City will incur to provide certain public services, reveals that projected Single-Family Residential (“SFR”), Townhome (“Townhome”), Multi-Family Residential (“MFR”), and Affordable Housing (“Affordable Housing”) development within the City will have a negative fiscal impact on the City’s General Fund, whereas Commercial (“Commercial”) and Industrial (“Industrial”) development is expected to have a positive fiscal impact. Projected Affordable Housing development will have a negative fiscal impact on the City’s FPD Fund, whereas SFR, Townhome, MFR, Commercial, and Industrial development is expected to have a positive fiscal impact. To offset negative fiscal impacts created by projected development, the City should consider establishing a funding source through a special financing district.

This fiscal impact analysis will provide background information, applicable financial information and analyses, and recommended actions for the City’s consideration. To accomplish these objectives, this report includes the following information:

- **Background Information.** The introductory portion of the report focuses on the City and public services/operations under review. Existing development information is also addressed in this section.
- **Revenues.** The revenue section of the report identifies the various revenue sources and the potential recurring revenues, given certain reasonable assumptions.
- **Expenditures.** The expenditure section of the report identifies the estimated recurring cost burden placed upon the City’s operations.
- **Fiscal Impact.** Using projected development’s identified revenues and expenditures, this section of the report identifies the overall fiscal impact on the City’s operations. Fiscal impacts are addressed on a land use category basis using either a per dwelling unit, building square foot, lot square foot, or acre factor.
- **Recommendations.** The report concludes with a summary of fiscal analysis findings and recommendations for the City’s consideration.

SECTION 2 | BACKGROUND

As part of the overall decision-making process to move forward with proposed development, it is important to evaluate the contributions and demands that future development will place upon a public agency's operating funds. This analysis seeks to determine the fiscal impact of future development throughout the City and the accompanying impact placed upon the City's General Fund and FPD Fund.

The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. The General Fund includes, but is not limited to, such activities as police protection, parks operations and maintenance, and legal and administrative services.

The Belmont Fire Protection District ("FPD") was formed as an independent district in 1928, providing fire service to the City. As of the date of this report, the FPD provides fire protection services to the City and the unincorporated Harbor Industrial Area as a member agency of the San Mateo Consolidated Fire Department Joint Powers Authority ("SMC" or "JPA"), along with the cities of San Mateo and Foster City. As a subsidiary district, the City Council ("City Council") assumes governance as the FPD Board of Directors. The FPD receives a segregated share of the 1% property tax revenue within its boundaries and is not subsidized by City's General Fund revenues. The purpose of the FPD Fund is to account for the FPD's activities. Of note, the City's financial contribution to the SMC's operation is approximately 20% of the JPA's total operating expenses.

To determine the anticipated fiscal impacts placed upon the City, this fiscal impact analysis is designed to quantify the approximate cost of providing services to its projected future population.

Analysis Methodology

The revenue portion of the fiscal impact analysis focuses on various taxes, fees, and other City revenues collected to fund ongoing operational costs. The expenditure portion of the fiscal impact analysis focuses on recurring expenditures incurred by the City to provide ongoing services to its population.

This analysis utilizes data from various sources including, but not limited to, the California Department of Finance, the Association of Bay Area Governments, the Metropolitan Transportation Commission, and the General Plan and financials of the City. Data sources are detailed where applicable in this report. Current-day dollar values are used in this analysis due to the inability to project with accuracy revenues and expenditures at the time of buildout. The rounding of decimals may cause marginal variances between calculated and listed figures that appear in this report.

There are several industry-accepted methods for allocating a public agency's recurring revenues and expenditures to future development. This fiscal analysis largely focuses on two industry-standard approaches: the case study approach and the multiplier approach. Both approaches are described below.

CASE STUDY APPROACH

When data used in a fiscal impact analysis is specific to the analysis itself and is not dependent upon industry-accepted generalized multipliers such as the number of residents, employees, etc., the case study approach is utilized. The case study approach relies on development-specific data to estimate the fiscal

impacts created from projected future development. Data used in the case study approach may include anything applicable to the future projections, including assessed valuations, property turnover rates, residential and employee populations, household incomes, estimated sales, and taxable expenditures.

MULTIPLIER APPROACH

The multiplier approach is used in a fiscal impact analysis when relationships between projected future development and revenues or expenditures generated from projected future development are difficult to quantify. This approach anticipates that certain revenues and expenditures are indicators of future anticipated revenues and expenditures, which can be quantified based on changes in, for example, the number of persons served by a public agency. To apply the multiplier approach, the fiscal analysis determines an average revenue or expenditure amount based upon a per person served basis. Depending on the type of revenue or expenditure, persons served can include residents, employees, or a combination of both.

Current City Persons Served

To best apply the multiplier approach in this fiscal impact analysis, and to allocate applicable revenues and expenditures, population information is utilized.

RESIDENTIAL POPULATION

Current residential population data was obtained from the California Department of Finance (“CA DOF”). Per the California Department of Finance, as of 2021 the residential population of the City is 26,470.

EMPLOYEE POPULATION

Current employee population data was obtained from the Plan Bay Area Projections Report (“PBA Report”) authored by the Association of Bay Area Governments (“ABAG”) and Metropolitan Transportation Commission (“MTC”). The Plan provides public agencies a policy-based roadmap for accommodating projected household and employment growth in San Mateo County (“County”) and eight other counties within California’s Bay Area. Employment and household growth projections were modeled using data collected by the ABAG, MTC, CA DOF, and reference the General Plan and development policies of the City. Projected growth figures provided in the PBA Report are specific to the City or Central San Mateo County, which is comprised of the City, and the cities of Half Moon Bay, Hillsborough, San Mateo, Foster City, and a portion of Burlingame.

Per data collected by ABAG and MTC, in 2020 the employee population of the City was 9,240. The PBA Report projects that within Central San Mateo County the City’s employee population (i.e., number of jobs within the City) will grow annually by approximately 0.30% between the years 2020 and 2050. Using the 2020 employee population and projected annual growth rate, this analysis estimates that as of 2021 the employee population of the City is 9,268.

PERSONS SERVED

Using residential and employee population estimates, the total number of persons served within the City can be determined. When establishing the total number of persons served within the City, this analysis recognizes that an employee population does not have the same impact on demand for public services as a

residential population. This is especially true for the portion of the employee population which works within the City but resides outside of its boundaries. While the exact service-demand relationship between an employee and a resident is difficult to quantify with accuracy, an industry-standard correlation of one-half employee to one resident is commonly used. This 50% adjustment suggests that a resident will have twice the impact on a public agency's revenues and demand for services than that of an employee within the City. The 50% adjustment also seeks to account for employees included within the identified employee population count that are also residents of the City. Applying the 50% adjustment to the City's existing employee population base, the total number of persons served within the City is shown in the following table.

TABLE 1. CURRENT PERSONS SERVED

Description	Total
Current Residential Population ⁽¹⁾	26,470
Current Employee Population ⁽²⁾	9,268
Adjusted Employee Population ⁽³⁾	4,634
Persons Served ⁽⁴⁾	31,104

(1) Per CA DOF.

(2) 2020 Employee Population per PBA Report adjusted to 2021.

(3) Current Employee Population adjusted by 50%.

(4) Equal to (Current Residential Population) + (Adjusted Employee Population).

Future City Persons Served

PLANNED DEVELOPMENT WITHIN THE CITY

There are various residential, nonresidential, and mixed-use developments in the progress or set to begin within the next few years. The name and location of these developments, as provided by the City, are detailed in the following table.

TABLE 2. PLANNED DEVELOPMENTS

Description ⁽¹⁾
1300 El Camino Real - Mixed Use (Firehouse Square)
1325 Old County Road - Mixed Use (Artisan Crossing A.k.a. Windy Hill)
2 Davis Drive - Office/Research & Fire Station
580 Masonic Way - Apartment Units
608 Harbor Boulevard - Apartment Units
800 Laurel Avenue - Townhomes
800-803 Belmont Avenue - Apartment Units
815 Old County Road - Apartment Units
900 Camino Real - Affordable Housing (Hill St. @ ECR)
601-625 Harbor/1421 Old County Road
1301 Shoreway Drive
300-400 Island Parkway & 800 Concourse Drive

The following table details the anticipated amount of Single-Family Residential (“SFR”), Townhomes (“Townhome”), Multi-Family Residential (“MFR”), Affordable housing (“Affordable Housing”), Commercial (“Commercial”), and Industrial (“Industrial”) development that will result from the developments detailed in Table 2.

TABLE 3. PLANNED DEVELOPMENT DETAIL

Development Type	Unit Count	Unit
SFR	0	Units
Townhome	31	Units
MFR	567	Units
Affordable Housing	329	Units
Commercial	9,750	Building Sq. Ft.
Industrial	1,546,000	Building Sq. Ft.

To determine the increase in the residential and employee population that will result from planned development within the City, this analysis considers average persons per household and average employees per building square feet. Per the PBA Report, on average there are 2.46 persons per household in the City. This figure is assigned to SFR and Townhome development, reduced by 20%, and assigned as the average household size of MFR and Affordable Housing development. The reduction seeks to account for MFR and Affordable Housing generally having smaller footprints than Townhome and SFR developments, and thus less capacity to house the same number of persons. Per a Non-residential Analysis prepared by ABAG (“ABAG Non-residential Analysis”), on average Commercial property employs one

person for every 571 building square feet and Industrial property employs one person for 821 building square feet. Given these densities, the increase in residents and employees that will result from planned development once fully built out is calculated in the following table.

TABLE 4. PLANNED DEVELOPMENT RESIDENTS & EMPLOYEES

Development Type	Unit Count	Unit	Density	Resident/ Employee Count ⁽¹⁾
SFR	0	Units	2.46 Residents per Unit ⁽²⁾	0
Townhome	31	Units	2.46 Residents per Unit ⁽²⁾	76
MFR	567	Units	1.97 Residents per Unit ⁽²⁾	1,117
Affordable Housing	329	Units	1.97 Residents per Unit ⁽²⁾	648
Residential Total	927			1,841
Commercial	9,750	Building Sq. Ft.	571 Building Sq. Ft. per Employee ⁽³⁾	17
Industrial	1,546,000	Building Sq. Ft.	821 Building Sq. Ft. per Employee ⁽³⁾	1,883
Non-Residential Total	1,555,750			1,900

(1) For Townhome, MFR, and Affordable Housing development, equal to (Unit Count) x (Density). For Commercial and Industrial development, equal to (Unit Count) / (Density).

(2) Per PBA Report. MFR and Affordable Housing density equal to 80% of SFR Density.

(3) Per ABAG Non-residential Analysis.

FUTURE RESIDENTIAL POPULATION

Per the CA DOF, as of January 1, 2021, there were 11,140 households in the City. The PBA Report projects that between 2020 and 2050, the number of households in the City will grow annually by approximately 0.90%. This equates to a total growth in households of 3,305 units, as shown in the following table. Of note, this analysis assumes that the increase in residential units resulting from currently planned development is included in the total projected increase in households.

TABLE 5. FUTURE HOUSEHOLD GROWTH

Description	Total
2021 Number of Households ⁽¹⁾	11,140
Annual Growth Rate ⁽²⁾	0.90%
2050 Number of Households	14,445
Increase in Households ⁽³⁾	3,305

(1) Per CA DOF.

(2) Per PBA Report, average annual growth rate between 2020 and 2050.

(3) Includes households identified in Table 4.

To allocate the increase in households not attributable to currently planned development to the residential categories considered in this report, the San Francisco Bay Area Regional Housing Needs Allocation for 2023-2031 ("RHNA") authored by ABAG. The RHNA details how housing constructed between 2023 and 2031 must be allocated to above moderate-income, moderate-income, low-income, and very low-income households within each Bay Area city. For purposes of this analysis, the allocation of future housing within the City to each income category is assumed to apply to housing construction through 2050, and is allocated to projected SFR, Townhome, MFR, or Affordable Housing residential development. Given allocations provided by the RHNA and previously identified residential densities, the future number of residents within the City is calculated in the following table.

TABLE 6. FUTURE RESIDENTIAL POPULATION

Development Type	Planned Development Unit Count ⁽¹⁾	Remaining Development Unit Count ⁽²⁾	Total Residential Unit Count	Increase in Residents ⁽³⁾
SFR	0	195	195	481
Townhome	31	586	617	1,519
MFR	567	947	1,514	2,982
Affordable Housing	329	650	979	1,929
Totals	927	2,378	3,305	6,911
2021 Residential Population ⁽⁴⁾				26,470
2050 Residential Population ⁽⁵⁾				33,381

(1) Identified in Table 4.

(2) Of projected increase in households not attributable to planned development, 27% dedicated to Affordable Housing, 40% to MFR, 25% to Townhome, and 8% to SFR development. Percentages are estimated based on information provided in the RHNA.

(3) Equal to (Total Unit Count) x (Densities identified in Table 4).

(4) Identified in Table 1.

(5) Equal to (Total Increase in Residents) + (2021 Residential Population).

FUTURE EMPLOYEE POPULATION

The PBA Report projects that between 2020 and 2050, the City's employee population will grow annually by approximately 0.30%, which equates to an increase of approximately 900 employees. However, based solely on currently planned development detailed in Tables 3 and 4, the Commercial employee population is projected to grow by 17 and the Industrial employee population is projected to grow by 1,883, which totals to an increase of 1,900 employees. This analysis recognizes that through the year 2050, the Commercial employee population will grow beyond what will result from currently planned development. To estimate this growth, the increase in employee population projected by the PBA Report is considered along with the percentage of vacant land zoned for non-residential use that will be dedicated to Commercial development. Per County Secured Roll data dated January 2021, of the vacant land zoned for non-residential use, approximately 55% will be dedicated to Commercial development and 44% to Industrial development. Thus, this analysis assumes that of the projected growth in the employee population identified in the PBA Report, 55% will result from Commercial development beyond that which

is currently planned. It is assumed that the Industrial employee population will grow only marginally beyond what will result from currently planned development.

TABLE 7. FUTURE EMPLOYEE POPULATION

Description	Total
2050 Employee Population ⁽¹⁾	11,663

(1) Equal to (Growth in Commercial Employee Population identified in Table 4) + (Projected Growth in Employee Population identified in PBA Report x 55%).

FUTURE PERSONS SERVED

Using projected future residential and employee population estimates, the total number of future persons served within the City can be determined. Applying the 50% adjustment (described earlier in this report) to the City's projected future employee population, the total number of future persons served within the City is provided in the following table.

TABLE 8. FUTURE PERSONS SERVED

Description	Total
Future Residential Population ⁽¹⁾	33,381
Future Employee Population	11,663
Adjusted Future Employee Population ⁽²⁾	5,832
Future Persons Served ⁽³⁾	39,213

(1) Identified in Table 6.

(2) Adjusted to reflect 50% of the Future Employee Population.

(3) Equal to (Future Residential Population) + (Adjusted Future Employee Population).

CHANGE IN PERSONS SERVED

A summary of the change in persons served as a result of projected future development within the City is presented in the following table.

TABLE 9. CHANGE IN PERSONS SERVED

Description	Total
Change in Residential Population	6,911
Change in Employee Population ⁽¹⁾	2,395
Change in Persons Served	8,109

(1) Reflects change in employee population prior to application of 50% adjustment.

SECTION 3 | REVENUE ESTIMATE

The City relies on revenue received from several sources. Much of the City's operating revenue is derived from property taxes, sales taxes, property taxes in lieu of vehicle license fees, property transfer taxes (i.e., documentary transfer taxes), and various other taxes and fees. The case study approach is used to determine the estimated property tax revenue generated from projected future development within the City, and the multiplier approach is used to allocate certain types of other revenue the City receives.

Property Tax Revenue

Under California law, non-exempt property pays an *ad valorem* property tax equal to 1% of the assessed value of the property. Any additional voter-approved taxes or assessments will result in a total property tax rate burden that can exceed 1% of the property's assessed value. The property tax revenue received from the 1% *ad valorem* property tax rate is then allocated to various overlapping public agencies based upon their authorized allocation for each Tax Rate Area ("TRA"). Across the City's various TRAs, of the 1% *ad valorem* property tax collected from property within its boundaries, the City receives approximately 7.32% for its general operations (accounted for in the General Fund) and approximately 16.06% for its FPD operations (accounted for in the FPD Fund).

Currently, some parcels are within the City's Sphere of Influence ("SOI") but outside of the City's jurisdiction ("SOI Parcels"). These SOI Parcels generate property tax revenue for the City's FPD but not for the City's general operations. This analysis assumes that future development that takes place within SOI Parcels will occur after said parcels are annexed into the City. In 2019, the City annexed SOI Parcels that will contain the 1325 Old Country Road development identified previously in Table 4 ("Artisan Crossing"). Artisan Crossing is projected to develop into a mixed-use development composed of 212 MFR units, 38 Affordable Housing units, and 3,000 building square feet of commercial property. A resolution passed by the County Board of Supervisors in 2019 set the property tax increment factor to the City (i.e., the allocation of the 1% *ad valorem*) to approximately 9.66%. This analysis considers the tax increment factor of Artisan Crossing where applicable.

The City has indicated that any future annexations will have a tax sharing agreement with the County different from that negotiated through the annexation of the Artisan Crossing parcels. As such, this analysis makes no assumptions as to the details of future tax sharing agreements between the City and the County and assumes any development outside of the Artisan Crossing parcels will occur within the City boundary where the City receives approximately 7.32% of the 1% *ad valorem* property tax. The City has also indicated that it received approval to defease outstanding Redevelopment Agency ("RDA") debt obligations and will be dissolving its existing Successor Agency before June of 2022. As such, this analysis excludes the effect of existing RDA debt obligations on the City's allocation of the 1% *ad valorem* property tax.

The total assessed value of the City's projected future development, the projected future development's incremental assessed value, and the amount of property tax revenue expected to be generated for the City by projected future development is calculated in the following pages.

RESIDENTIAL DEVELOPMENT

Property is subject to the 1% *ad valorem* tax rate unless it can qualify for an exemption under existing California laws. Certain types of property that are granted this property tax exemption, also known as the Welfare Exemption, include hospitals, universities, churches, affordable housing, and other non-profits. If the Welfare Exemption is granted, the property will not be subject to the 1% *ad valorem* property tax. However, the property may still be subject to other assessments, taxes, and charges levied by local governments. Future SFR, Townhome, and MFR development will be subject to the 1% *ad valorem* property tax rate, whereas future Affordable Housing development will likely qualify for the Welfare Exemption and not be subject to the 1% *ad valorem* property tax.

To calculate the amount of property tax revenue projected to be generated for the City by future SFR, Townhome and MFR development, the median sales price of each property type as of October 2021 is considered. For purposes of this analysis, it is assumed that all residential units will apply and qualify for a Homeowner Exemption which reduces the assessed value of each unit by \$7,000.

TABLE 10. TOTAL ASSESSED VALUE OF RESIDENTIAL DEVELOPMENT

Description	SFR	Townhome	MFR	MFR – Art Crossing
Median Price per Unit ⁽¹⁾	\$2,204,000	\$899,000	\$687,331	\$687,331
Homeowner Exemption	7,000	7,000	7,000	7,000
Assessable Value per Unit ⁽²⁾	2,197,000	892,000	680,331	680,331
Unit Count ⁽³⁾	195	617	1,302	212
Total Assessed Value ⁽⁴⁾	\$429,079,392	\$550,281,246	\$885,566,777	\$144,230,172

(1) SFR sales price data drawn from Zillow.com Home Value Index for the City. Townhome sales price data drawn from Movoto.com Market Trends and Statistics. MFR price estimated using listing price data drawn from the online real estate marketplace LoopNet.com. Listing price data of MFR property for sale within the City and the cities of Burlingame, San Carlos, San Mateo, and Redwood City was used in this analysis. Figures reflect market conditions as of October 2021 and are subject to fluctuation.

(2) Equal to (Median Price per Unit) – (Homeowner Exemption).

(3) Calculated in Table 6. Unit Count of MFR – Artisan Crossing parcels drawn from the Artisan Crossing Development Plan authored by BDE Architecture.

(4) Equal to (Assessable Value per Unit) x (Unit Count).

Undeveloped land zoned for residential use currently generates a level of property tax revenue for the City. For purposes of assigning current assessed value to property that will contain projected future SFR, Townhome, and MFR development, County Secured Roll data dated January 1, 2021, was analyzed to determine the estimated number of acres per unit of SFR development and MFR development within the City. This analysis assumes that Townhome units will have a density equal to 70% of an average SFR unit and that Affordable Housing units will have the same density as MFR Units.

TABLE 11. RESIDENTIAL HOUSING DENSITY

Description ⁽¹⁾	Value
Acres per SFR Unit	0.1510
Acres per Townhome ⁽²⁾	0.1057
Acres per MFR Unit	0.0250
Acres per Affordable Housing Unit ⁽³⁾	0.0250

(1) Acres per SFR and MFR unit per County Secured Roll data dated January 2021.

(2) Equal to (Acres per SFR Unit) x (70%). Estimated, subject to change.

(3) Equal to Acres per MFR Unit.

The total acreage and assessed value of undeveloped property projected to develop into projected future residential property in the City is detailed in the following table.

TABLE 12. UNDEVELOPED RESIDENTIAL ACREAGE AND ASSESSED VALUE

Description	Value
Undeveloped Residential Acreage ⁽¹⁾	130.48
Undeveloped Residential Acreage Assessed Value ⁽¹⁾	\$43,250,085
Artisan Crossing Parcels Acreage – MFR Portion ⁽²⁾	1.69
Artisan Crossing Parcels Assessed Value – MFR Portion ⁽²⁾	\$15,334,307

(1) Per County Secured Roll data dated January 2021. Reflects undeveloped parcels with residential use codes and 65% of parcels with no assigned use code.

(2) Estimated based on the portion of the development projected to house 212 MFR units and the total assessed value of Artisan Crossing parcels.

The estimated residential densities calculated in Table 11 are used to estimate the amount of undeveloped acreage, and accompanying assessed value, zoned for residential use that will develop and contain projected future residential development, as shown in the following table.

TABLE 13. CURRENT ASSESSED VALUE OF FUTURE RESIDENTIAL DEVELOPMENT

Description	SFR	Townhome	MFR	MFR – Artisan Crossing ⁽¹⁾
Unit Count ⁽²⁾	195	617	1,302	212
Acres per Unit ⁽³⁾	0.1510	0.1057	0.0250	N/A
Acreage Projected to Develop ⁽⁴⁾	29.49	65.21	32.54	1.69
% of Total Undeveloped Acreage Projected to Develop ⁽⁵⁾	22.60%	49.98%	24.94%	N/A
Current Assessed Value ⁽⁶⁾	\$9,774,519	\$21,616,392	\$10,786,571	\$15,334,307

(1) Information for MFR – Artisan Crossing units specific to Artisan Crossing development.

(2) Identified in Table 10.

(3) Identified in Table 11.

(4) Equal to (Unit Count) x (Acres per Unit).

(5) Equal to (Acreage Projected to Develop) / [(Undeveloped Residential Acreage) or (Artisan Crossing Parcels Acreage – MFR Portion), identified in Table 12].

(6) Equal to (% of Total Undeveloped Acreage Projected to Develop) x [(Undeveloped Residential Acreage Assessed Value) or (Artisan Crossing Parcels Assessed Value – MFR Portion), identified in Table 12].

The incremental assessed value of projected future residential development within the City is calculated in the following table.

TABLE 14. INCREMENTAL ASSESSED VALUE OF FUTURE RESIDENTIAL DEVELOPMENT

Description	SFR	Townhome	MFR	MFR – Artisan Crossing
Total Future Development Assessed Value ⁽¹⁾	\$429,079,392	\$550,281,246	\$885,566,777	\$144,230,172
Current Assessed Value ⁽²⁾	9,774,519	21,616,392	10,786,571	15,334,307
Incremental Assessed Value ⁽³⁾	\$419,304,873	\$528,664,854	\$874,780,206	\$128,895,865

(1) Calculated in Table 10.

(2) Calculated in Table 13.

(3) Equal to (Total Future Development Assessed Value) - (Current Assessed Value).

The amount of property tax revenue expected to be generated by projected residential development is presented in the following table.

TABLE 15. PROPERTY TAX REVENUE GENERATED BY FUTURE RESIDENTIAL DEVELOPMENT

Description	SFR	Townhome	MFR	MFR – Artisan Crossing
Incremental Assessed Value	\$419,304,873	\$528,664,854	\$874,780,206	\$128,895,865
1% Ad Valorem ⁽¹⁾	4,193,049	5,286,649	8,747,802	1,288,959
Allocation of 1% Ad Valorem to City	7.32%	7.32%	7.32%	9.66%
Allocation of 1% Ad Valorem to FPD	16.06%	16.06%	16.06%	16.06%
Projected Property Tax Revenue to City ⁽²⁾	\$306,931	\$386,983	\$640,339	\$124,513
Projected Property Tax Revenue to FPD ⁽³⁾	\$673,404	\$849,036	\$1,404,897	\$207,007

(1) Equal to (Incremental Assessed Value) x (1.00%).

(2) Equal to (1% Ad Valorem) x (Allocation of 1% Ad Valorem to City).

(3) Equal to (1% Ad Valorem) x (Allocation of 1% Ad Valorem to FPD).

NON-RESIDENTIAL DEVELOPMENT

To calculate the amount of property tax revenue projected to be generated for the City by future Commercial and Industrial development, estimated current employee densities and the projected increase in the employee population are considered. The projected change in Commercial and Industrial employee populations is presented in the following table.

TABLE 16. FUTURE DEVELOPMENT EMPLOYEE POPULATION

Description	Value
Projected Change in Commercial Employee Population ⁽¹⁾	512
Projected Change in Industrial Employee Population ⁽²⁾	1,883
Projected Change in Employee Population ⁽³⁾	2,395

(1) Equal to (Growth in Commercial Employee Population Identified in Table 4) + (Growth in Employee Population identified in PBA Report x 55%).

(2) Equal to growth in Industrial Employee Population Identified in Table 4.

(3) Identified in Table 9.

As noted in the ABAG Non-residential Analysis, Commercial property employs approximately one person for every 571 building square feet and Industrial property employs one person for every 821 building square feet. The employee density figures are multiplied by the projected change in the Commercial and Industrial employee population to arrive at the amount of building square feet projected to develop to accommodate future non-residential development.

TABLE 17. ESTIMATED COMMERCIAL AND INDUSTRIAL BUILDING SQUARE FEET

Description	Value
Commercial Bldg. Sq. Ft. per Employee ⁽¹⁾	571
Industrial Bldg. Sq. Ft. per Employee ⁽¹⁾	821
Commercial Bldg. Sq. Ft. Projected to Develop ⁽²⁾	292,352
Industrial Bldg. Sq. Ft. Projected to Develop ⁽²⁾	1,545,943

(1) Per ABAG Non-residential Analysis.

(2) Equal to (Projected Change in corresponding Employee Population identified in Table 16) x (Corresponding Bldg. Sq. Ft. per Employee).

Undeveloped land zoned for non-residential use currently generates a level of property tax revenue for the City. For purposes of assigning current assessed value to property that will contain projected future Commercial and Industrial development, Floor Area Ratios ("FAR") are considered. The FAR of various non-residential uses detailed in the Land Use Element of the City's General Plan were examined. The FAR of non-residential uses that can contain Commercial development ranges from 1.5 to 2.0. The FAR of non-residential uses that can contain Industrial development ranges from 1.5 to 5.0. This analysis assumes that on average, Commercial development will have a FAR of 1.76 and Industrial development will have a FAR of 2.67. The current assessed value of property projected to develop to accommodate future non-residential development is calculated in the following table using the FARs, amount of building square feet projected to develop, and County Secured Roll data.

TABLE 18. CURRENT ASSESSED VALUE OF FUTURE COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Description	Commercial	Commercial – Artisan Crossing ⁽¹⁾	Industrial
Building Square Feet Projected to Develop ⁽²⁾	289,352	3,000	1,545,943
FAR ⁽³⁾	1.76	N/A	2.67
Acreage Projected to Develop ⁽⁴⁾	3.77	0.07	13.29
% of Total Undeveloped Acreage ⁽⁵⁾	5.14%	N/A	18.11%
Current Assessed Value ⁽⁶⁾	\$2,627,128	\$624,486	\$9,256,282

(1) Information listed specific to the Artisan Crossing Development.

(2) Identified in Table 17.

(3) Estimated based on information found within the Land Use Element of the City General Plan.

(4) Equal to (Building Square Feet Projected to Develop)/(FAR) and converted to acres.

(5) Equal to (Acreage Projected to Develop) / (Acreage of undeveloped parcels with non-residential use codes and 35% of parcels with no assigned use code). Data drawn from County Secured Roll data dated January 2021.

(6) Equal to (% of Total Undeveloped Acreage) x (Assessed Value of undeveloped parcels with non-residential use codes and half of parcels with no assigned use code).

To calculate the total assessed value of projected future Commercial and Industrial development, the average sales price per building square foot of each property type was calculated. An average price per building square foot was calculated for each property type using listing price data of property within the City and neighboring cities listed for sale as of the date of this report.

TABLE 19. COMMERCIAL AND INDUSTRIAL PRICE PER BUILDING SQUARE FOOT

Description	Commercial ⁽¹⁾	Industrial ⁽¹⁾
Average Price per Bldg. Sq. Ft.	\$896.55	\$626.69

(1) Average price per the online real estate marketplace LoopNet.com. Calculated using sales price data of Commercial and Industrial property for sale within the City as of the date of this report for the City and the cities of Burlingame, Foster City, San Carlos, San Mateo, and Redwood City. Figures reflect market conditions as of the date of this report and are subject to fluctuation.

The total assessed value and the incremental assessed value of projected Commercial and Industrial development are calculated in the following table.

TABLE 20. INCREMENTAL ASSESSED VALUE OF FUTURE COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Description	Commercial	Commercial – Artisan Crossing	Industrial
Total Assessed Value ⁽¹⁾	\$259,418,536	\$2,689,650	\$968,827,019
Current Assessed Value ⁽²⁾	2,627,128	624,486	9,256,282
Incremental Assessed Value ⁽³⁾	\$256,791,407	\$2,065,164	\$959,570,737

(1) Equal to (Building Square Footage Projected to Develop identified in Table 18) x (Average Price per Bldg. Sq. Ft. identified in Table 19).

(2) Identified in Table 18.

(3) Equal to (Total Assessed Value) – (Current Assessed Value).

The amount of property tax revenue expected to be generated by projected non-residential development is presented in the following table.

TABLE 21. PROPERTY TAX REVENUE GENERATED BY FUTURE COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Description	Commercial	Commercial – Artisan Crossing	Industrial
Incremental Assessed Value	\$256,791,407	\$2,065,164	\$959,570,737
1% Ad Valorem ⁽¹⁾	2,567,914	20,652	9,595,707
Allocation of 1% Ad Valorem to City	7.32%	7.32%	9.66%
Allocation of 1% Ad Valorem to FPD	16.06%	16.06%	16.06%
Projected Property Tax Revenue to City ⁽²⁾	\$187,971	\$1,512	\$926,945
Projected Property Tax Revenue to FPD ⁽³⁾	\$412,407	\$3,317	\$1,541,071

(1) Equal to (Incremental Assessed Value) x (1.00%).

(2) Equal to (1% Ad Valorem) x (Allocation of 1% Ad Valorem to City).

(3) Equal to (1% Ad Valorem) x (Allocation of 1% Ad Valorem to FPD).

Property Tax in Lieu of Vehicle License Fee (“VLF”) Revenue

Property tax in lieu of VLF is revenue the City receives in addition to the City’s share of *ad valorem* property tax revenues. In 2004, the California Legislature permanently reduced the VLF rate from 2.00% to 0.65% and compensated cities and counties for their revenue loss with a like amount of property taxes, dollar for dollar. A public agency’s property tax in lieu of VLF revenue allocation changes in proportion to the growth or decline in gross assessed valuation.

Per assessed value data provided by the California Board of Equalization (“CA BOE”), and the Fiscal Year 2021/22 Property Tax in Lieu of VLF revenue shown in the City’s Fiscal Year 2021 Budget (“FY 2021 Budget”), the ratio of property tax in lieu of VLF received by the City to the City’s assessed value is calculated, as shown in the following table.

TABLE 22. PROPERTY TAX IN LIEU OF VLF RATIO

Description	Fiscal Year 2020/21 Value
City Total Assessed Value ⁽¹⁾	\$8,067,454,000
VLF Revenue ⁽²⁾	2,544,256
Property Tax in Lieu of VLF Ratio ⁽³⁾	0.0315%

(1) Per the CA BOE.

(2) Drawn from the FY 2021 Budget.

(3) Equal to (VLF Revenue) / (City Total Assessed Value).

The property tax in lieu of VLF ratio is applied to the incremental assessed value of projected future development within the City to estimate the amount of property tax in lieu of VLF to be generated by said development.

TABLE 23. PROPERTY TAX IN LIEU OF VLF REVENUE

Description	Incremental Assessed Value ⁽¹⁾	Property Tax in Lieu of VLF Ratio	Property Tax in Lieu of VLF Revenue ⁽²⁾
SFR	\$419,304,873	0.0315%	\$132,081
Townhome	528,664,854	0.0315%	166,529
MFR	1,003,676,071	0.0315%	316,158
Affordable Housing ⁽³⁾	0	0.0315%	0
Commercial	258,856,571	0.0315%	81,540
Industrial	959,570,737	0.0315%	302,265
Total	\$3,170,073,107		\$998,573

(1) Identified in Tables 14 and 20.

(2) Equal to (Incremental Assessed Value) x (Property Tax in Lieu of VLF Ratio).

(3) Affordable Housing is expected to qualify for the Welfare Exemption and thus not expected to generate property tax in lieu of VLF revenue.

Documentary Transfer Tax

When property is sold, a documentary transfer tax is charged and distributed to the City and County. The documentary transfer tax is charged at a rate of \$0.55 per \$500 of assessed value, or \$1.10 per \$1,000 of

assessed value. To determine the annual documentary transfer tax, the estimated property turnover rate is considered. This analysis assumes that SFR, Townhome, and MFR units will turnover approximately every 13 years, which results in an annual turnover rate of about 8%. Commercial and Industrial land uses typically have minimal ownership turnover. However, to consider the potential for land use turnover, a conservative estimate of once every 20 years, or an annual turnover rate of 5%, is applied in this analysis to the projected non-residential development. Utilizing the estimated incremental assessed value of projected future development and the estimated annual turnover rates, the City's share of the documentary transfer tax is calculated in the following table.

TABLE 24. DOCUMENTARY TRANSFER TAX GENERATED BY FUTURE DEVELOPMENT

Description	SFR	Townhome	MFR	Commercial	Industrial
Incremental Assessed Value	\$419,304,873	\$528,664,854	\$1,003,676,071	\$258,856,571	\$959,570,737
Estimated Annual Turnover Rate ⁽¹⁾	8%	8%	8%	5%	5%
Annual Turnover Assessed Value ⁽²⁾	33,544,390	42,293,188	80,294,086	12,942,829	47,978,537
Annual Turnover Assessed Value / \$1,000	33,544	42,293	80,294	12,943	47,979
Documentary Transfer Tax Rate per \$1,000 ⁽³⁾	0.55	0.55	0.55	0.55	0.55
Documentary Transfer Tax Revenue	\$18,449	\$23,261	\$44,162	\$7,119	\$26,388

(1) Source for residential rates: "Latest Calculations Show Average Buyer Expected to Stay in Home 13 Years," Economic and Housing Policy, National Association of Homebuilders.

(2) Equal to (Incremental Assessed Value) x (Estimated Annual Turnover Rate).

(3) \$1.10 tax rate is split \$0.55 to the County and \$0.55 to the City.

Sales Tax Revenue

A sales tax is a tax levied on the sale, transfer, or exchange of a taxable item or service. The base sales tax rate in California is 7.25%. Revenue generated from the sales tax is allocated to certain state and local jurisdictions, with the City receiving 1.00% of the base sales tax rate.

In addition to the base sales tax, the County levies and collects an additional 2.125% sales tax. In November 2016, the City's electorate approved Measure I to institute a 0.50% general sales tax aimed at providing funding for street and road repair, storm drain repair, and other essential City services. The Measure I sales tax is set to expire in the year 2046. As a result of all voter-approved measures, the total sales tax rate levied in the City is 9.875%. This analysis seeks to focus solely on revenue streams that will be consistently available to the City, therefore voter-approved taxes subject to expiration such as the Measure I sales tax

are excluded from consideration in this report. The City sales tax rate used to project sales tax revenue is 1.00%.

FUTURE RESIDENTS

To determine the amount of sales tax revenue expected to be generated by the residential population that will result from projected residential development, the median income per household within the City, the median home price to median household income ratio, and the percentage of income spent on taxable retail sales per household are considered.

In 2021, the Joint Center for Housing Studies of Harvard University authored the State of the Nation's Housing report ("Harvard Study"). Per the Harvard Study, in 2020 the national median home price to median income ratio was 4.37, whereas in the San Francisco-Oakland-Hayward metropolitan area the ratio was 9.39. To attempt to arrive at a median home price to median income ratio that can be applied to the City, the national ratio of 4.37 is averaged with the San Francisco-Oakland-Hayward ratio of 9.39 to arrive at an estimated City median home price to median income ratio of 6.88. Together with the projected median sales price of projected SFR development, the ratio is used to estimate the income of households within future SFR development. This analysis assumes that, on average, households within projected Townhome developments will have median household incomes equal to 120% of the City's median household income, as provided in the FY 2021 Budget. It is assumed that households within projected MFR development will have median household incomes equal to the City's median household income. The median income of households that will reside within projected Affordable Housing development is considered separately due to income eligibility limits placed on residents of this type of housing. This analysis assumes that, on average, households within projected Affordable Housing development will have incomes equal to 60% of the City's median household income. The projected income of households within projected residential development are detailed in the following table.

TABLE 25. RESIDENTIAL HOUSEHOLD INCOMES

Description	Median Price per Unit ⁽¹⁾	Median Home Price to Median Income Ratio ⁽²⁾	Household Income ⁽³⁾
SFR	\$2,204,000	6.88	\$320,349
Townhome	899,000	N/A	162,410
MFR	687,331	N/A	135,342
Affordable Housing	N/A	N/A	81,205

(1) Identified in Table 10.

(2) For SFR, equal to the average of the national and San Francisco-Oakland-Hayward median home price to median income ratio. MFR and Affordable Housing incomes considered separately.

(3) SFR household income equal to (Median Price per Unit) / (Median Home Price to Median Income Ratio). Townhome household income equal to 120% of City's median household income, as stated in the FY 2021 Budget. MFR household income equal to City's median household income. Affordable Housing household income equals 60% of City median household income.

Per the CA BOE, approximately 29.5% of a household's spending is spent on taxable retail goods. This percentage is discounted by 40% to attempt to account for purchases made outside of City boundaries and shifts in taxable sales from one point of sale to another within the City. The estimated sales tax revenue generated by projected future households is calculated in the following table.

TABLE 26. SALES TAX REVENUE GENERATED BY INCREASE IN RESIDENTIAL POPULATION

Description	SFR	Townhome	MFR	Affordable Housing
Median Household Income ⁽¹⁾	\$320,349	\$162,410	\$135,342	\$81,205
Percentage of Income Spent on Taxable Retail Sales per Household ⁽²⁾	17.70%	17.70%	17.70%	17.70%
Income Spent on Taxable Retail Sales Within City per Household ⁽³⁾	56,702	28,747	23,956	14,373
Number of Households	195	617	1,514	979
Sales Tax Revenue – Residential Population	\$110,740	\$177,340	\$362,608	\$140,732

(1) Identified in Table 25.

(2) 29.5%, per BOE.gov household spending for California taxable retail goods, discounted by 40% to account for shifts in taxable sales and purchases made outside of the City boundaries. Estimate; subject to change.

(3) Equal to (Median Household Income) x (Percentage of Income Spent on Taxable Retail Sales per Household).

FUTURE EMPLOYEES

In addition to the increased residential population, the increase in employees resulting from projected non-residential development will generate a certain amount of sales tax revenue for the City. The International Council of Shopping Centers conducted a survey that determined the approximate dollar amount an average employee spends per year on taxable goods and services. After adjusting this amount to the year 2021 using the change in Consumer Price Index (“CPI”) of the San Francisco-Oakland-Hayward region, it’s estimated that an average employee within the City will spend approximately \$6,401 per year on taxable goods and services. While personal spending is unique to everyone, this analysis assumes that approximately 60% of the employee’s annual spending will be on taxable purchases that will occur near their place of employment within the City’s boundaries. Using this information, the estimated sales tax revenue generated from future employees is calculated in the following table.

TABLE 27. SALES TAX REVENUE GENERATED BY INCREASE IN EMPLOYEE POPULATION

Description	Commercial	Industrial
Average Annual Taxable Spending per Employee ⁽¹⁾	\$6,401	\$6,401
Additional Employee Count ⁽²⁾	512	1,883
Estimated % of Taxable Sales within City ⁽³⁾	60%	60%
Employee Taxable Sales within City	1,966,387	7,231,850
Sales Tax Revenue – Employee Population ⁽⁴⁾	\$19,664	\$72,318

(1) Drawn from a survey conducted by The International Council of Shopping Centers, adjusted to the year 2021 using the change in CPI of the San Francisco-Oakland-Hayward region.

(2) Identified in Table 16.

(3) Seeks to account for taxable sales made outside of the City boundary.

(4) Equal to (Average Annual Spending per Employee) x (Additional Employee Count) x (Estimated % of Taxable Sales within City) x (1.00%).

NON-RESIDENTIAL SALES TAX REVENUE

Sales tax revenue will be generated from taxable sales that occur within future non-residential development. Economic activity within future Industrial development may generate sales tax revenue; though due to an inability to accurately determine the type of businesses that will reside within future Industrial development, this analysis takes a conservative approach and does not attempt to estimate the amount of sales tax revenue that may be generated by Industrial property.

To best estimate the increase in sales tax revenue that will be generated by future Commercial property, this analysis considers the estimated taxable sales per square foot for commercial property calculated within a retail benchmarking report authored by PwC in 2013.¹ After adjusting the PwC estimate to the year 2021 using the change in CPI for the San Francisco-Oakland-Hayward region, it's estimated that future commercial property will generate approximately \$482 per building square foot.

This analysis recognizes that some taxable sales generated from future Commercial development will not be new taxable sales for the City. A portion of these taxable sales will come from shifts from one existing place of business within the City to a place of business located within the projected Commercial development area. Furthermore, a portion of the sales tax revenue generated by projected Commercial development will derive from purchases made by the projected increase in the residential and employee population, purchases which are quantified separately in this analysis. Therefore, to account for shifts in taxable sales from one point of sale to another point of sale within the City and separately calculated sales tax revenue from the increased residential and employee population, an estimated 50% reduction has been applied. Applying the estimated taxable sales per square foot and the sales tax revenue reduction percentage, the estimated sales tax revenue from projected commercial development can be determined.

TABLE 28. SALES TAX REVENUE GENERATED BY FUTURE COMMERCIAL DEVELOPMENT

Description	Amount
Estimated Taxable Sales per Bldg. Sq. Ft. ⁽¹⁾	\$482
Commercial Bldg. Sq. Ft. Projected to Develop ⁽²⁾	292,352
Taxable Sales ⁽³⁾	\$140,913,664
Sales Tax Revenue – Commercial Development ⁽⁴⁾	\$704,568

(1) Figure drawn from the Measuring Up Retail Benchmarking Survey prepared by PwC, adjusted to the year 2021 using the change in CPI for the San Francisco-Oakland-Hayward. Figure from PwC report is derived from the median sales per square foot estimates for various retail categories.

(2) Identified in Table 17.

(3) Equal to (Estimated Taxable Sales per Bldg. Sq. Ft.) x (Commercial Bldg. Sq. Ft. Projected to Develop).

(4) Equal to (Taxable Sales) x (City sales tax rate of 1.00%) x (50% reduction factor). Reduction factor seeks to account for shifts in taxable sales from one point of sale to another point of sale within the City, and separately calculated sales tax revenue generated by the increased residential and employee population.

Other City Revenue

The City receives revenue from various other sources including fees, fines, penalties, charges for services, and other revenues ("Other City Revenues"). For purposes of this analysis, revenues that are not considered

¹ Measuring Up Retail Benchmarking Survey, PwC Consulting, 2013.

include one-time building and planning permits, certain charges for services, interest from City investments, use of money and property, special project funds, and grants. The following table presents the adopted Fiscal Year 2021/22 Other City Revenues derived from the FY 2021 Budget which apply to the development categories considered in this analysis (i.e., categories of revenue generated by projected residential and non-residential development). Of note, these revenues correspond solely to the City's General Fund.

TABLE 29. OTHER CITY REVENUE

Description	Fiscal Year 2021/22 Value ⁽¹⁾
Franchise Taxes ⁽²⁾	\$1,073,682
Licenses & Permits ⁽³⁾	847,241
Charges for Services ⁽⁴⁾	55,500
Fines & Forfeitures ⁽⁵⁾	165,000
Miscellaneous Revenue	395,125
Other City Revenue	\$2,536,548

(1) Per FY 2021 Budget.

(2) Consists of Utility and Garbage Franchise taxes.

(3) Consists of Business Licenses.

(4) Consists of Fingerprinting, Police Report, Alarm, and Impound Vehicle Release fees.

(5) Consists of Parking, Code Enforcement, and Vehicle Code fines.

To estimate the overall impact that future development will have on the listed Other City Revenue sources, it is assumed that current per capita revenue amounts will serve as the best indicator of future per capita revenue amounts. Therefore, to best allocate Other City Revenues to projected future development, the multiplier approach is utilized. It was previously identified that the total number of persons served within the City is 31,104 and the employee population is 9,268. Using the current City persons served and employee population, the Other City Revenue per person served or employee served can be determined, as shown in the following table.

TABLE 30. OTHER CITY REVENUE PER PERSON SERVED/EMPLOYEE

Description	Fiscal Year 2021/22 Value	Current City Persons Served or Employee Count ⁽¹⁾	Amount per Person Served/Employee ⁽²⁾
Franchise Taxes	\$1,073,682	31,104	\$34.52
Licenses & Permits ⁽³⁾	847,241	9,268	91.42
Charges for Services	55,500	31,104	1.78
Fines & Forfeitures	165,000	31,104	5.30
Miscellaneous Revenue	395,125	31,104	12.70

(1) Persons Served identified in Table 1, Employee count identified in Table 1.

(2) Equal to (Fiscal Year 2021/22 Value) / (Current City Persons Served or Employee Count).

(3) Revenue calculated on a per employee basis due to deriving from Business Licenses.

To determine the amount of other City revenue allocated to projected residential and non-residential development, the amount per person served/employee calculated in Table 30 is multiplied by the increase in persons served or employees that will result from future development.

TABLE 31. OTHER CITY REVENUE GENERATED BY FUTURE DEVELOPMENT

Description	Increase in Persons Served/Employees ⁽¹⁾	Amount per Person Served/Employer ⁽²⁾	Other City Revenue
Franchise Taxes	8,109	\$34.52	\$279,923
Licenses & Permits	2,395	91.42	218,951
Charges for Services	8,109	1.78	14,434
Fines & Forfeitures	8,109	5.30	42,978
Miscellaneous Revenue	8,109	12.70	102,984
Total			\$659,270

(1) Identified in Table 9.

(2) Calculated in Table 30.

Revenue Summary

Projected residential and non-residential development will generate various forms of general revenues for the City. A portion of the anticipated revenue was calculated utilizing the case study approach and the remaining City revenue was allocated to projected future development using the multiplier approach. A summary of the revenues projected to be generated by future development is presented in the following tables.

TABLE 32. REVENUE SUMMARY

Revenue Description	General Fund Revenue	FPD Fund Revenue	Total
Property Tax	\$2,575,195	\$5,091,137	\$7,666,332
Property Tax in Lieu of VLF	998,573	0	998,573
Documentary Transfer	119,379	0	119,379
Sales Tax	1,587,971	0	1,587,971
Other	659,270	0	659,270
Total	\$5,940,387	\$5,091,137	\$11,031,524

TABLE 33. REVENUE SUMMARY BY FUTURE DEVELOPMENT TYPE

Development Type	Total
SFR	\$1,267,723
Townhome	1,685,631
MFR	3,261,606
Affordable Housing	245,477
Commercial	1,478,805
Industrial	3,092,282
Total	\$11,031,524

SECTION 4 | EXPENDITURES ESTIMATE

The revenues identified in Section 3 of this report are intended to pay for recurring expenditures related to general services provided by the City and services provided by the City's FPD. City General Fund expenditures not considered in this analysis include costs associated with infrastructure improvements, special fund expenditures, governmental transfers, and expenses supported by one-time development fees. For purposes of determining the overall fiscal impact of projected residential and non-residential development, City expenditures are allocated based upon amounts presented in the FY 2021 Budget.

Current Expenditures

Future development will add residents and employees to the City's existing population base. This residential and employee population increase will place additional demands on existing services provided by the City and FPD. To account for increased costs associated with additional demand, City expenditures are allocated to projected development using the multiplier approach. However, development-induced increases in demand for services provided by the City and FPD will not necessarily result in a direct 1:1 relationship increase in expenditures (i.e., there are some "step" functions). A portion of the City's expenditures are fixed or will increase marginally as a result of population increases. For example, a 20% increase in the City's residential population will likely not cause a 20% increase in City Clerk or City Council expenditures. Therefore, to account for relationships between expenditures and population changes that are less than 1:1, City and FPD expenditures have been adjusted to conservatively estimate the impact of projected development on City expenditures. Of note, City expenditure adjustments are estimates based on the individual characteristics of projected development and industry-standard assumptions. The original budgeted expenditure amounts, the demand adjustment percentage, and the adjusted expenditure amounts are presented in the following table.

TABLE 34. CURRENT EXPENDITURES

Description ⁽¹⁾	Adopted Fiscal Year 2021/22 Expenditures	Demand Adjustment Percentage ⁽²⁾	Adjusted Fiscal Year 2021/22 Expenditures ⁽³⁾
City Council	\$711,875	50%	\$355,938
Contingency	250,000	100%	250,000
Executive Management	1,107,472	50%	553,736
City Clerk	426,984	25%	106,746
City Attorney	849,211	50%	424,606
Human Resources	1,140,604	50%	570,302
Financial Operations ⁽⁴⁾	2,831,283	50%	1,415,642
Public Safety – Police ⁽⁵⁾	14,566,685	95%	13,838,351
Parks & Open Space	2,576,414	95%	2,447,593
Public Safety – FPD ⁽⁶⁾	10,257,320	95%	9,744,454
Total	\$34,717,848		\$29,707,367

(1) City Clerk Elections (\$54,000) excluded from consideration in this analysis.

(2) Estimated; subject to change.

(3) Figures applied in Table 38 to calculate the adjusted City expenditures per person currently served.

(4) Consists of Financial Operations, Financial Planning and Reporting, and Risk Management expenditures.

(5) Consists of Law Enforcement Administration, Crime Control, Traffic and Community Safety, and Support Service expenditures.

(6) Consists of Fire Services, BSCFD Legacy Costs, and BFD Legacy Costs expenditures.

After adjusting the Adopted Fiscal Year 2021/22 Expenditures to account for relationships that are less than a 1:1 relationship, the total expenditure amount to be considered is approximately \$29.7 million. This figure is used to determine the current expenditures per person currently served in the City, which in turn is used to calculate what additional current City expenditures will result from projected development.

Current City Expenditures Allocation

Each City expenditure line item was categorized as being tied to serving the residential and employee population, solely the residential population, or solely the employee population. As previously noted, the total number of persons served in the City is 31,104, the number of residents served in the City is 26,470, and the number of employees served is 9,268. The following table provides the persons served category for each of the recurring current expenditure categories.

TABLE 35. CURRENT EXPENDITURES ALLOCATION TO PERSONS SERVED, RESIDENTS SERVED, OR EMPLOYEES SERVED

Description	Persons Served
City Council	Persons Served
Contingency	Persons Served
Executive Management	Persons Served
City Clerk	Persons Served
City Attorney	Persons Served
Human Resources	Persons Served
Financial Operations	Persons Served
Public Safety – Police	Persons Served
Parks & Open Space	Residents Served
Public Safety – FPD	Persons Served

Current Expenditures per Person Served

Using the multiplier approach, the number of persons served within each current expenditure category is applied to the corresponding adjusted expenditure line item to determine the allocable expenditure per person. The table below provides the expenditure per person for each of the listed expenditure categories.

TABLE 36. CURRENT EXPENDITURES PER PERSON SERVED/RESIDENT

Description	Adjusted Fiscal Year 2021/22 Expenditures ⁽¹⁾	Current City Persons Served or Resident Count ⁽²⁾	Amount per Person Served/Resident ⁽³⁾
City Council	\$355,938	31,104	\$11.44
Contingency	250,000	31,104	8.04
Executive Management	553,736	31,104	17.80
City Clerk	106,746	31,104	3.43
City Attorney	424,606	31,104	13.65
Human Resources	570,302	31,104	18.34
Financial Operations	1,415,642	31,104	45.51
Public Safety – Police	13,838,351	31,104	444.91
Parks & Open Space	2,447,593	26,470	92.47
Public Safety – FPD	9,744,454	31,104	313.29

(1) Identified in Table 34.

(2) Identified in Table 1.

(3) Equal to (Adjusted Fiscal Year 2021/22 Expenditures) / (Current City Persons Served or Resident Count).

To determine the amount of other current City expenditures allocated to projected residential and non-residential development, the amount per person served/resident calculated in Table 36 is multiplied by the increase in persons served or residents that will result from future development.

TABLE 37. CURRENT EXPENDITURES GENERATED BY FUTURE DEVELOPMENT

Description	Increase in Persons Served/Residents ⁽¹⁾	Amount per Person Served/Resident ⁽²⁾	Current Expenditures ⁽³⁾
City Council	8,109	11.44	\$92,767
Contingency	8,109	8.04	65,196
Executive Management	8,109	17.80	144,340
City Clerk	8,109	3.43	27,814
City Attorney	8,109	13.65	110,688
Human Resources	8,109	18.34	148,719
Financial Operations	8,109	45.51	369,041
Public Safety – Police	8,109	444.91	3,607,775
Parks & Open Space	6,911	92.47	639,060
Public Safety – FPD	8,109	313.29	2,540,469
Total Current Expenditures			\$7,745,869

(1) Identified in Table 9.

(2) Identified in Table 36.

(3) Equal to (Increase in Persons Served/Residents) x (Amount per Person Served/Residents).

A summary of current expenditures the City is expected to incur as a result of projected residential and non-residential development is provided in the following table.

TABLE 38. CURRENT EXPENDITURES SUMMARY

Description	General Fund Expenditures ⁽¹⁾	FPD Fund Expenditures ⁽²⁾	Total
Current Expenditures	\$5,205,400	\$2,540,469	\$7,745,869

(1) Equal to (Total Current Expenditures) – (Public Safety – FPD) identified in Table 37.

(2) Reflects Public Safety – FPD Current Expenditures identified in Table 37.

Optimal Service Level Expenditures – Police

The City seeks to provide an optimal level of Police Services to its population by maintaining a minimum ratio of 1.5 sworn officers per 1,000 residents (“Target Sworn Police Ratio”). Currently, the City’s ratio of sworn officers per 1,000 residents is 1.17. The cost of providing this below-target service level to the City’s projected total future population is captured in the calculation of current expenditures in Table 37, specifically in the amount for Public Safety - Police. The City has indicated that to provide an optimal level of Police Services to future persons served, additional personnel is required. The following table details the positions, sworn or non-sworn status, and annual costs of the additional personnel needed to provide an optimal level of Police Services.

TABLE 39. ADDITIONAL POLICE PERSONNEL REQUIRED

Position Title	Sworn Status	Number of Positions	Annual Cost per Position	Total Annual Cost
Police Officer	Sworn	9	\$186,688	\$1,680,192
Police Records	Non-sworn	2	117,608	235,216
Police Dispatcher	Non-sworn	2	178,603	357,206
Total		13		\$2,272,614

Combining the total annual cost of the positions detailed in Table 39 and the Public Safety – Police Current Expenditures calculated in Table 37, this analysis arrives at the estimated cost of providing Police Services at an optimal service level. The sum of these expenses captures the approximate cost of additional police personnel that will be needed to ensure that the City’s Target Sworn Police Ratio is met as its population continues to grow.

Optimal Service Level Expenditures – General Government

The City has indicated that to provide an optimal level of service to future persons served, additional City personnel are required. The following table details the positions and annual costs of the additional personnel needed by the City to provide an optimal level of general government services.

TABLE 40. ADDITIONAL CITY PERSONNEL REQUIRED

Position Title	Number of Positions	Annual Cost per Position	Total Annual Cost
Administrative Assistant ⁽¹⁾	1	\$125,434	\$125,434
Assistant City Attorney	1	310,000	310,000
Building Inspector	1	142,044	142,044
Management Analyst ⁽²⁾	3	186,140	558,420
Management Analyst ⁽³⁾	0.5	N/A	92,922
Maintenance Worker	1	144,713	144,713
Office Assistant	1	106,176	106,176
Parks Maintenance Worker	3	144,713	434,139
Principal Engineer	1	333,438	333,438
Recreation Supervisor ⁽³⁾	0.20	N/A	37,228
Senior Planner	1	254,832	254,832
Technology Specialist	1	257,173	257,173
Total	14.70		\$2,796,519

(1) Per City, position is contingent on the building of a community center.

(2) Consists of positions needed within the City Community Development, Human Resources, and Finance departments.

(3) Represents FTE increases in currently budgeted positions.

A summary of the personnel related expenditures the City is expected to incur to provide its current and future population an optimal level of police and fire public services is provided in the following table.

TABLE 41. OPTIMAL SERVICE LEVEL PERSONNEL EXPENDITURES SUMMARY

Description	General Fund Expenditures ⁽¹⁾
Optimal Service Level Personnel Expenditures	\$5,379,133

(1) Equal to (Total Annual Cost identified in Table 39) + (Total Annual Cost identified in Table 40).

Optimal Service Level Capital Expenditures

The City capital expenditures data for equipment needed to provide optimal service levels to its populace. Provided capital expenditures and equivalent annual costs are detailed in the following table.

TABLE 42. CAPITAL EXPENDITURES

Description	Count	Acquisition Cost	Annual Maintenance Cost	Useful Life ⁽¹⁾	Annual Replacement Cost ⁽²⁾	Total Annual Cost ⁽³⁾
Police Vehicle	4	\$65,000	\$500	5	\$13,000	\$20,000
Police Investigation Vehicle	1	55,000	300	7	7,857	12,086
Police Capital Expenditures						\$32,086
Parks Maintenance Truck	2	80,000	300	7	11,429	17,443
Facility Maintenance Van	1	80,000	300	7	11,429	17,443
Track Chipper	1	138,000	300	7	19,714	29,871
Off-road Vehicle	1	20,000	200	7	2,857	4,486
Street Sweeper	2	340,000	2,000	7	48,571	74,857
Maintenance Truck	1	80,000	300	7	11,429	17,443
Vehicle	1	80,000	300	7	11,429	17,443
Other City Capital Expenditures						\$178,986

(1) In years.

(2) Equal to (Acquisition Cost) / (Useful Life).

(3) Equal to (Annual Maintenance Cost) x (Replacement Cost) x (1.5).

A summary of the capital expenditures the City is expected to incur to provide its current and future population an optimal level of police and fire public services is provided in the following table.

TABLE 43. OPTIMAL SERVICE LEVEL CAPITAL EXPENDITURES SUMMARY

Description	Total ⁽¹⁾
Optimal Service Level Capital Expenditures	\$211,071

(1) Equal to (Police) + (Other City) Capital Expenditures identified in Table 42.

Total Expenditures Summary

Projected residential and non-residential development will cause the City to incur various forms of expenditures to provide an optimal level of public services to its future population. A summary of the expenditures projected to be generated by future development is presented in the following tables.

TABLE 44. EXPENDITURES SUMMARY

Expenditure Description	General Fund Expenditures	FPD Fund Expenditures	Total
Current Expenditures	\$5,205,400	\$2,540,469	\$7,745,869
Optimal Service Level Personnel Expenditures	5,379,133	0	5,379,133
Optimal Service Level Capital Expenditures	211,071	0	211,071
Total	\$10,795,604	\$2,540,469	\$13,336,073

TABLE 45. EXPENDITURES SUMMARY BY FUTURE DEVELOPMENT TYPE

Development Type	Total
SFR	\$797,624
Townhome	2,518,901
MFR	4,944,939
Affordable Housing	3,198,789
Commercial	400,843
Industrial	1,474,977
Total	\$13,336,073

SECTION 5 | FISCAL IMPACT

Based on the estimated total revenue calculated in Section 3 and the estimated total expenditures calculated in Section 4, there is a net negative fiscal impact as a result of projected future development within the City. The table below sets forth the total anticipated negative fiscal impact.

TABLE 46. ANNUAL FISCAL IMPACT

Description	Value
Total City Revenue	\$11,031,524
Total City Expenditures	(13,336,073)
City Positive / (Negative) Fiscal Impact	(\$2,304,548)

Revenues and expenditures expected to be generated by projected future development were categorized as corresponding to the City's General Fund or FPD Fund. The fiscal impact projected future development is expected to have on the City's General Fund and FPD fund are presented in the following tables.

TABLE 47. GENERAL FUND FISCAL IMPACT BY DEVELOPMENT TYPE

Development Type	Revenue	Expenditures	Fiscal Impact
SFR	\$594,320	(\$646,932)	(\$52,612)
Townhome	836,595	(2,043,013)	(1,206,418)
MFR	1,649,703	(4,010,708)	(2,361,006)
Affordable Housing	245,477	(2,594,452)	(2,348,976)
Commercial	1,063,081	(320,641)	742,441
Industrial	1,551,211	(1,179,857)	371,354
Total	\$5,940,387	(\$10,795,604)	(\$4,855,217)

TABLE 48. FPD FUND FISCAL IMPACT BY DEVELOPMENT TYPE

Development Type	Revenue	Expenditures	Fiscal Impact
SFR	\$673,404	(\$150,692)	\$522,711
Townhome	849,036	(475,888)	373,148
MFR	1,611,904	(934,231)	677,673
Affordable Housing	0	(604,336)	(604,336)
Commercial	415,724	(80,202)	335,521
Industrial	1,541,071	(295,119)	1,245,951
Total	\$5,091,137	(\$2,540,469)	\$2,550,669

The net fiscal impacts identified in this section are based on revenues and expenditures projected to be generated by future development. A portion of the expenditures considered when calculating the net fiscal impact are not eligible to be recovered through Community Facilities District special tax revenues. Thus, any revenues generated through Community Facilities District special tax rates proposed through this report must and can only be used to finance eligible services, as detailed in Section 6 of this report.

SECTION 6 | FISCAL IMPACT FUNDING OPTIONS

To mitigate the negative fiscal impacts identified in Section 5 of this report, the City should consider the establishment of a special financing district (“SFD”), which could include a special tax or a special assessment. Since the City’s negative fiscal impacts are attributable to the provision of general services, a special assessment may not be the most appropriate funding option for the City to mitigate those impacts. Special assessments require the identification and separation of general and special benefits. Special benefits can be assessed to property, but all general benefits must be funded by sources other than the special assessments. Therefore, a special assessment would not entirely alleviate the identified negative fiscal impacts. Alternatively, the City could implement a special tax, specifically a Community Facilities District.

Community Facilities Districts

A Community Facilities District (“CFD”), also referred to as a Mello-Roos District, is a type of SFD that is established via the Mello-Roos Community Facilities District Act of 1982 (“1982 Act”). Through the levy and collection of a special tax, CFDs provide funding for authorized public improvements and/or public services. The CFD’s Rate and Method of Apportionment includes procedures for identifying and classifying property within the CFD, establishing the initial maximum special tax rates, and the formula for calculating the annual special tax and assigning the special tax to taxable property within the CFD. Since a CFD authorizes the levy and collection of a special tax as opposed to a special assessment, there is no requirement to make a finding of special benefit for the property subject to the special tax. However, the special tax should be based on a reasonable metric for assigning the special tax, as determined by the relevant legislative body.

To establish a CFD, the 1982 Act requires two-thirds approval of the registered voters, residing within the proposed CFD boundary, voting in the special tax election, or, if there are fewer than 12 registered voters within the proposed CFD boundaries, then a landowner special tax election can take place. In the case of a landowner special tax election, a two-thirds approval is still required, and each landowner receives one vote per acre or portion of an acre of land owned. It should be noted that if a CFD is approved via a landowner special tax election, the CFD is only authorized to fund additional services. In *Building Industry Association of the Bay Area v. City of San Ramon*, the California Appellate Court held that a landowner-approved CFD can only fund the increase in demand for pre-existing services, so long as the special tax revenue is not available for general government purposes. The additional services funded by the CFD shall not replace services already available and provided within the boundaries of the CFD. Furthermore, special tax revenue generated from the CFD can only be used to fund the authorized public services outlined in the 1982 Act. CFD authorized public services include fire protection and park maintenance/lighting services. It should be noted that any CFD formed by the City, as well as any potential annexations to that CFD, would be approved by a landowner special tax election, as new development projects would be required to participate in the CFD as a condition of approval.

FUTURE DEVELOPMENT SPECIFIC COSTS

In addition to using a CFD to mitigate the negative fiscal impacts of future development, the CFD can also fund authorized CFD services that are intended to provide an enhanced level of service or services that are

unique to future development. These services would be in addition to any identified negative fiscal impacts placed upon the City in providing existing levels of public services. Funding for any enhanced and/or additional recurring public service costs, including repairs and replacements, reserves and administration can be accomplished through a CFD.

BENEFITS TO THE CITY

Through the formation of a CFD, the City can establish an ongoing funding source that mitigates negative fiscal impacts created by future residential and non-residential development, as well as provide funding for new or enhanced services within the City. To keep pace with changing costs, the CFD's maximum special tax rate can include an annual escalation factor based on an annual fixed amount or tied to a specific inflation index. Furthermore, the CFD special tax can be established without a sunset date so that the CFD special tax can be levied in perpetuity or until voters choose to end it.

CFD Special Tax Recommendation

For the City to continue to provide vital public services its population base, the City needs to ensure that developing property pays their fair share of any additional financial burdens placed upon the City's operational budget, including the cost of additional services required because of such development. To mitigate the negative fiscal impacts identified in Section 5 of this report, the City should consider establishing a CFD. The levy and collection of the special tax could generate sufficient revenue to offset the negative fiscal impacts to the City. Furthermore, a CFD provides the flexibility to generate additional revenue to fund any enhanced or new project specific costs desired by future development. The CFD's Rate and Method of Apportionment establishes the special tax formula and sets the initial maximum special tax rates. A benefit of a CFD is that it allows for a great deal of flexibility in structuring the special tax formula so that the formula and maximum special tax rates best fit and accomplish specific needs. In this case, the CFD special tax rates could be sized to recover the annual negative fiscal impact on development, recover ongoing administrative costs related to the CFD, and could be structured to create both residential special tax rates and non-residential special tax rates.

CFD SPECIAL TAX RATES

Based on the overall fiscal impact to the City's General Fund resulting from projected future SFR, Townhome, and MFR development, the proposed annual base CFD special tax rates for general City services ("General City Services") are provided in the following table for consideration by the City.

TABLE 49. CFD SPECIAL TAX RATES – GENERAL CITY SERVICES

Development Type	CFD Special Tax Rates ⁽¹⁾	Per	Rate as % of Projected Value per Unit ⁽²⁾	Average Current Effective Tax Rate ⁽³⁾	Combined Tax Rate ⁽⁴⁾
SFR	\$2,475	Dwelling Unit	0.11%	1.19%	1.30%
Townhome	2,228	Dwelling Unit	0.25%	1.27%	1.52%
MFR	1,980	Dwelling Unit	0.29%	1.29%	1.57%

(1) Rates for services portion; does not include potential CFD administration or reserve/contingency costs.

(2) Value per SFR unit projected to be \$2,204,000. Value per Townhome unit projected to be \$899,000. Value per MFR unit projected to be \$687,331.

(3) Calculated using the Fiscal Year 2021/22 tax bills of existing residential development. Includes both ad valorem taxes and fixed charges.

(4) Equal to the sum of the Rate as % of Projected Value per Unit, Average Current Effective Tax Rate and estimated fixed charges.

Projected future development is projected to have an overall positive fiscal impact to the City's FPD Fund. As such, no CFD special tax rates are proposed for fire services provided through the City's FPD.

The CFD special tax rates presented in Tables 49 would represent initial CFD maximum special tax rates to mitigate the identified negative fiscal impacts. The City could also increase the initial CFD maximum special tax rates to cover the added costs for administering the CFD, as well as establish any reserves or contingency funds. Furthermore, the CFD would be structured to include a special tax escalation factor, which would allow for an annual increase to the initial CFD maximum special tax rates. While the CFD maximum special tax rates would increase on an annual basis, the City is not required to levy the special tax at the CFD maximum special tax rates each year. To meet the CFD annual special tax requirement and fund authorized services and administrative costs, the City has the flexibility to levy a CFD special tax amount that is less than or equal to the CFD maximum special tax.