

# Memorandum

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<b>Subject:</b>	Potential Fiscal Impacts of Peninsula Park on the City of Redwood City		
<b>Date:</b>	July 9, 2007		

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## Purpose of this Memo Report

The Peninsula Park project, a revision of the earlier Marina Shores Village project, has been proposed for development in Redwood City. This project, located on Bair Island Road between U.S. 101 and Pete’s Harbor, would include a mix of residential, hotel, and commercial uses along with a marina and some public open space (see Table 1).

A key issue of concern to the City of Redwood City is potential impact of the proposed project on City revenues and costs. The intention of this study is to provide an estimate of the project’s likely impacts on City revenues and service costs. To that end, this report reviews the characteristics of the project, describes the scope and focus of fiscal analysis, and then estimates the revenue and cost changes that would be expected to occur if the project is implemented.

This memo considers one alternative to the proposed project: a case in which the proposed hotel is not built.

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## Description of the Project

The Peninsula Park project is located on the northern edge of Redwood City, on the San Francisco Bay side of U.S. 101 (the Bayshore Freeway). According to the Administrative Draft Addendum to the Final Environmental Impact Report for the Marina Shores Village Project, which evaluates the current proposal, Peninsula Park would be a mixed use development situated on 33.24 acres. The proposal includes the land uses shown in Table 1.

**Table 1**  
**Land Uses Proposed for Peninsula Park**

Use	Amount
Housing	796 units
Hotel	200 rooms
Commercial <sup>a</sup>	10,000 sq. ft.
Marina slips	25 to 40 <sup>b</sup>

- a Convenience retail and sit-down restaurant space.
- b Information provided by the applicant subsequent to preparation of the Administrative Draft Addendum.

Source: City of Redwood City, Administrative Draft Addendum to the Final Environmental Impact Report for the Marina Shores Village Project, February 2007, Table 2.2 (p. 2-9)

## Residential Space

Peninsula Park would contain 796 housing units in a series of structures ranging in height from 24 feet (two stories) to 120 feet (approximately 12 stories). The proposed inventory of housing units is shown in Table 2.

**Table 2**  
**Distribution of Housing Unit Types Proposed for Peninsula Park**

Building type	2 BR	3 BR	1 BR	Studio	Total
Midrise structures	214	20	60		294
Lowrise structures	210		120	70	400
Townhouses/rowhouses	92	10			102
Total	516	30	180	70	796

Source: Paul Powers, personal communication to City staff

The project sponsor estimates that housing prices could range from \$350,000 to \$1,400,000 with an average residential value per home of \$750,000.<sup>1</sup>

Housing on the project site is expected to accommodate 1,660 residents of Redwood City.

### **Retail Space**

The retail space in the proposed Peninsula Park project is described as “convenience retail and sit-down restaurant.”

Based on information drawn from the Urban Land Institute’s *Dollars and Sense of Shopping Centers*, it is reasonable to expect that a convenience market would occupy 2,500 to 3,000 square feet, food service outlets (a restaurant of some type, coffee place, etc.) would occupy about 3,000 square feet, and the remaining 4,500 square feet would be divided between retail and service establishments.

According the project sponsor, the assessed value of the retail space would be approximately \$6,000,000.

### **Hotel**

The proposed hotel is planned to be of the same quality as the Four Seasons, the Renaissance, and the San Mateo Marriott (no operator has yet been identified). According the project sponsor, the assessed value of the hotel will likely be in excess of \$65,000,000.

### **Marina**

Ownership of the boat slips will be conveyed separately but only to those who own a residential property within Peninsula Park.

The marina will be maintained by the Homeowners Association. Those owning boat slips will pay higher monthly homeowners’ association dues than those who do not own boat slips.

The boat slips will be available for purchase only by a residential owner and deed restricted for resale on the same basis.

## **Scope of a Fiscal Analysis**

Fiscal analysis is an examination of the revenues, costs, and fiscal balance associated with public agency activities. It provides a reasonable planning-level estimate of fiscal impacts, useful for anticipating whether development permitted by a plan or proposed in a new project will pay its own way, generate surplus revenues that can be used by the City to improve services, or generate deficits that will require the City to reduce services or find offsetting sources of funds.

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<sup>1</sup> Paul Powers, project sponsor, e-mail communication to Blake Lyon, City of Redwood City, February, 2007.

This fiscal analysis has the following key characteristics:

- **Focus on one public agency.** Each public agency has its own budget: revenues collected and costs incurred by one agency do not affect those of the others (although the same factors may affect costs and revenues in more than one agency). This analysis focuses on the City of Redwood City. *It does not, therefore, consider revenues and costs of other agencies that deliver services to city residents, such as San Mateo County, the Redwood City School District, or the Sequoia Union High School District.*
- **Focus on operating costs and revenues.** Operating costs are the annually-recurring costs of providing public services, such as general city administration, public safety, community development, street maintenance, and recreation. Typically, they cover staff salaries and benefits, office supplies, vehicle operating expenses (fuel, insurance, maintenance), maintenance of City facilities and infrastructure, and smaller items of equipment (those intended to be used for up to three years).

Operating revenues are the funds that are collected on an ongoing or recurring basis; they include taxes, license and permit fees, funds received from the state and federal government, and others. These funds are not earmarked for any particular use; instead, they are collected in the General Fund, and the City allocates them as it sees fit to cover the operating costs of public safety, public works, general government, recreation, and other services.

*These ongoing/recurring costs of providing services and sources of revenue are the focus of the fiscal analysis.*

- **Exclusion of capital costs.** Capital costs are the one-time costs that are incurred to buy or improve land, buildings, infrastructure, and major pieces of equipment. They are typically covered by development impact fees or major grants from the state and/or federal government. In some cases, a City or other public agency will borrow money (in the form of bonds) to pay for a major improvement and then repay that loan with impact fees, revenues from a service that is related to the improvement, special taxes, property tax increments (in the case of redevelopment projects), or other earmarked sources of funds.

*Expenditures made for the infrastructure and other public improvements needed specifically to serve new development projects – e.g., roads within a project, extensions of water and sewer lines – are paid for by the developers of those projects. These expenditures are developer costs, not public costs, and consequently are not addressed in this study.*

*For infrastructure and other public improvements needed to serve a greater area (such as the entire City of Redwood City), the City – like many other jurisdictions – requires developers to pay their fair share of the cost. Needed public improvements could include, for example, intersection improvements, traffic signals, the Bloomquist Extension, or a pedestrian path under U.S. 101.*

*Consistent with these principles, impact fees and the improvements they are intended to cover are not covered in a fiscal analysis.*

- **Focus on the General Fund.** The General Fund of a city's budget receives the greatest portion of revenues that are available for discretionary appropriation. It is used to fund the day-to-day operations of the city. Therefore, fiscal analysis focuses on the revenues that accrue to and the costs incurred by this fund.

Other funds in the city’s budget are “special funds,” which collect revenues that are designated for specific uses – which may be capital costs or operating costs – and distribute the money to pay for those uses. To the extent that other funds are linked directly to the General Fund, however, they are considered in this analysis.

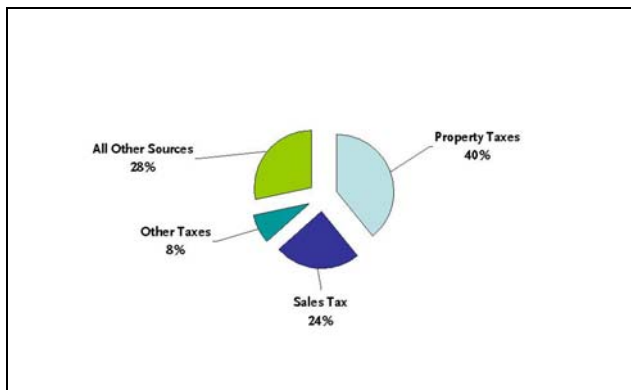
*This analysis includes the Gas Tax, which is used by the City of Redwood City for street maintenance.*

- **Focus on direct costs and revenues.** Fiscal analysis considers the revenue and cost changes that result directly from actions or changes that occur within the city; for example, new property or sales tax revenues that may be generated by new development, or the cost of new demands for police services. *It does not consider the indirect impacts, such as the positive or negative impacts on property values (and, therefore, on property taxes) of new development that may affect the desirability of existing uses.*
- **Focus on the impacts of land use change.** The fiscal analysis assumes that current levels of service will continue in the future. It thus focuses on the changes in revenues and costs that would result from land use change alone, and not the additional changes that would result from improved (or reduced) levels of service. To the extent that the analysis projects budget surpluses in the future (revenues exceeding costs), it may be possible to improve existing services or add new services; to the extent that the analysis projects budget shortfalls (costs exceeding revenues), it may be necessary either to reduce service levels, eliminate some services, or find additional sources of revenue.

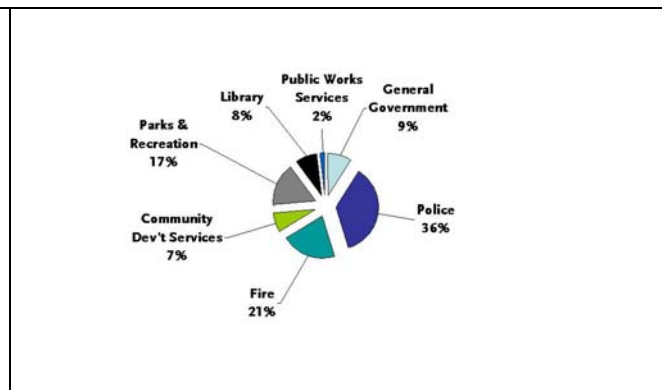
## Fiscal Setting: The General Fund in 2007-08

The City of Redwood City adopted budget for 2007-08 (part of a two-year budget that covers the period 2006-08) anticipates revenues in the General Fund totaling about \$78.3 million, including transfers in from other funds, and expenditures of about \$79.5 million. These revenues and costs are approximately balanced (the budget anticipates net costs of about \$1.3 million). Budgeted revenues and costs are illustrated in Figures 1 and 2, and summarized in Tables 3 and 4.

**Figure 1**  
**Budgeted Revenues, 2007-08**



**Figure 2**  
**Budgeted Expenditures, 2007-08**



Source: City of Redwood City, Fiscal Year 2007-2008 Recommended Budget Amendments, pp. x-xi, and Staff Report to the City Council for Item 8A on the Agenda for the City Council Meeting of July 9, 2007

**Table 3**  
**Budgeted Revenues, 2007-08**

<b>Source</b>	<b>Amount (\$000s)</b>
Property Taxes	\$31,265
Sales Tax	19,206
Other Taxes <sup>a</sup>	6,773
Other Sources	
Licenses & Permits <sup>b</sup>	1,067
Fines & Forfeitures <sup>c</sup>	653
Interest Earnings/Rentals	1,434
Revenue from Other Agencies <sup>d</sup>	2,947
Charges for Other Services	4,436
Other Revenues <sup>e</sup>	6,996
Library	667
Recreation Revenues	1,519
Transfers In	1,317
Subtotal Other Sources	\$21,036
Total General Fund	\$78,280
Gas Tax	1,455
Grand Total	\$79,735

- a Includes franchise fees, transient occupancy tax, real property transfer tax, and business licenses.
- b Includes building permits, other license and permits, and fire permits.
- c Primarily parking fines.
- d Includes Vehicle License Fee, Proposition 172 sales tax (dedicated to public safety), homeowner property tax reimbursements, recreation program grants, Fair Oaks Center contribution/grants, paramedic program contribution, Port of Redwood City contribution, State-mandated program reimbursement, and a variety of smaller sources.
- e Primarily sale of property and reimbursements from other City funds.

Source: City of Redwood City, Fiscal Year 2007-2008 Recommended Budget Amendments, pp. x-xi, and Staff Report to the City Council for Item 8A on the Agenda for the City Council Meeting of July 9, 2007

**Table 4  
 Budgeted Expenditures, 2007-08**

<b>Use</b>	<b>Amount (\$000s)</b>
General Government	
City Council	\$302
City Manager	1,297
City Attorney	919
City Clerk	590
Human Resources	1,314
Finance & Admin. Support	2,624
Subtotal General Government	\$7,046
Police	27,571
Fire	15,817
Community Development Services	5,696
Parks & Recreation	12,588
Library	6,229
Public Works Services	1,302
Transfers Out	3,305
<b>Total</b>	<b>\$79,553</b>

Source: City of Redwood City, Fiscal Year 2007-2008 Recommended Budget Amendments, pp. x-xi, and Staff Report to the City Council for Item 8A on the Agenda for the City Council Meeting of July 9, 2007

## Impacts of Peninsula Park

The proposed Peninsula Park project is expected to have noticeable impacts on the following revenues and costs:

<u>Revenues</u>	<u>Costs</u>
Property taxes	General government (all functions)
Sales taxes	Police
Franchise fees	Fire
Transient occupancy taxes	Community Development Services
Real property transfer taxes	Parks and Recreation
Business licenses	Library
Parking fines	
Motor vehicle in-lieu fees	
Proposition 172 sales taxes	
Garbage collection franchise fees	
Library fees	
Recreation program fees	
Gas taxes	

Estimates of the project's effects on each revenue and cost item were prepared based on examination of the City's budget and interviews with City staff. The resulting projections of fiscal impact are summarized below and detailed in Appendix A.

## Revenues

Source	Basis for Projection	Projected Amount <sup>a</sup>
Property Tax: Secured	Value of property; distribution of property tax (Redwood City receives 20.7 percent of the total tax from property in this area) <sup>b</sup>	\$1,382,800
Property Tax: Unsecured	Same as property tax: secured	3,900–6,200
Property Tax in lieu of VLF	Percent change in City's assessment base	301,500
Sales tax	Household spending on taxable goods; City revenue is one percent of taxable sales	99,300
Franchise fees	5 percent tax on electric, gas, cable, and telephone bills	25,300–25,600
Transient occupancy tax	10 percent tax on hotel room revenues	934,400
Real property transfer tax	Value of property; expected proportion of housing units sold per year; tax rate (Redwood City collects \$0.55 per \$1,000 of sale price)	32,800
Business licenses	Business license fee schedule, assumed numbers of businesses and employees	8,700
Motor vehicle in-lieu fee	Current average revenue per capita (low estimate) or per household (high estimate)	12,000
Proposition 172 sales tax	Average revenue per capita	13,500
Garbage collection franchise fees	13 percent tax on garbage collection fees	71,800
Library fees	Current average revenue per capita	5,300
Recreation program fees	Current average revenue per capita	32,700
Gas taxes	Current average revenue per capita (low estimate) or per household (high estimate)	31,400
<b>Total</b>		<b>\$2,955,400–2,958,000</b>

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. In the tables, details and totals may not agree because of independent rounding.

a Annual revenue at buildout of the project. Estimate does not consider inflation.

b Total property tax of one percent is divided among taxing entities, including the County of San Mateo, the City of Redwood City, the Redwood City School District, and the Sequoia Union High School District.

Source: Mundie & Associates, based on City of Redwood City, Adopted Budget, 2006-2008 and interviews with City staff.

## Costs

Use	Basis for Projection	Projected Amount <sup>a</sup>
General government <sup>b</sup>	Average cost per capita	\$151,800
Police	Cost per officer for 1.6 new officers (low estimate; based on EIR Addendum) to average cost per capita (high estimate)	445,600–594,200
Fire	Cost per firefighter for three new firefighters (based on EIR Addendum)	444,000
Community Development Services	Net added cost assumed to be negligible	0
Parks and Recreation	Parks: average cost per acre of similar park land Recreation: average cost per capita	71,900 133,500
Library	Current cost per capita	134,200
Public Works Services	Interview with City staff	0
<b>Total</b>		<b>\$1,381,100–1,529,700</b>

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. In the tables, details and totals may not agree because of independent rounding.

a Annual revenue at buildout of the project. Estimate does not consider inflation.

b Includes City Council, City Manager, City Attorney, City Clerk, Human Resources, Finance & Admin. Support.

Source: Mundie & Associates, based on City of Redwood City, Adopted Budget, 2006-2008 and interviews with City staff.

## Projected Balance

Based on the revenue and cost characteristics described above, the proposed Peninsula Park project would yield a net surplus of revenues over costs. This balance is calculated in Table 5.

**Table 5**  
**Projected Fiscal Balance of the Peninsula Park Project**

Revenues	\$2,955,400 – 2,958,000
Costs	1,529,700 – 1,381,100
Balance	\$1,425,700 – 1,577,400

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Detail and total may not agree because of independent rounding.

Source: Mundie & Associates, based on City of Redwood City, Adopted Budget, 2006-2008 and interviews with City staff.

The table calculates the lower net balance (more pessimistic case) by subtracting the higher cost estimate (\$1,529,700) from the lower revenue estimate (\$2,955,400). It calculates the higher net

balance (more optimistic case) by subtracting the lower cost estimate (\$1,381,100) from the higher revenue estimate (\$2,958,000). The projected net balance is in the range of \$1.4 million to nearly \$1.6 million per year.

This balance would change over time, as different rates of inflation have different effects on the various revenues and costs.

## **Net Fiscal Impact**

To find the net fiscal impact of the Peninsula Park project, the projected net balance (Table 5) must be compared to the current balance to find the expected change.

In its current condition, the project site is occupied by office buildings and a marina that has been vacated.

Revenues currently generated by the site include property taxes, property taxes in lieu of vehicle license fees (VLF), and business licenses.

- Property taxes, according to the web site of the San Mateo County Tax Collector-Treasurer, totaled \$86,111 in 2006-07 (the most current year for which data are available).<sup>2</sup> Assuming only a two percent increase in the assessed value of the property (the maximum allowed in the absence of sale or improvement), the taxes in 2007-08 would be \$87,834.
- Property taxes in lieu of VLF are based on the proportion of assessed value attributable to the site. In the current year, the project site accounts for 0.00075 percent of the City's total assessed value. It may therefore be assumed to account for \$30 of revenue from property tax in lieu of VLF.
- Business license revenues are based on the number of businesses and number of employees on the site. The environmental impact report for the Marina Shores Village project estimated that the site had about 257 employees at the time that report was prepared.<sup>3</sup> An inventory conducted in June, 2007 counted 27 existing businesses on the site. This number of businesses, with this many employees, would pay business license fees totaling \$7,167.

In its current condition, the project site is estimated to have minimal public service costs.

The net fiscal balance in the current condition, therefore, is equal to the sum of the revenues, or about \$95,000, as shown in Table 6.

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<sup>2</sup> This estimate of property taxes assumes that the City of Redwood City received 20.7 percent of the total one percent property tax levy from these properties. This is the same percent assumed for the projected project. This percentage is net of the ERAF (Educational Revenue Augmentation Fund) shift of property tax revenues from the City to the State of California.

<sup>3</sup> This estimate is based on Caltrans employment densities of one restaurant employee per 450 square feet of restaurant building space and one office employee per 350 square feet of office space, and assumes full occupancy of the existing buildings. The buildings are not full at this time, but no new estimate of employment has been made for this analysis. The resulting estimate of business license revenue for the existing condition is, therefore, considered likely to err on the high side.

**Table 6**  
**Estimated Fiscal Balance of the Project Site in its Current Condition**

Revenues	
Property Tax: Secured	\$87,800
Property Tax in Lieu of VLF	30
Business Licenses	7,170
Total	\$95,000
Costs	0
Net Balance	\$95,000

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100 (except in this table, which includes a small amount for the property tax in lieu of VLF). In the tables, details and totals may not agree because of independent rounding.

Source: Mundie & Associates, based in part on San Mateo County Tax Collector-Treasurer web site, interviews with City staff, and Draft Environmental Impact Report on the Marina Shores Village Project (p. 6-6).

The net fiscal impact of the Peninsula Park project is shown in Table 7. This table subtracts the estimated current net balance from the projected net balance with the proposed project to find a net fiscal impact of between \$1.3 million and \$1.5 million in added revenues for the City of Redwood City.

**Table 7**  
**Net Fiscal Impact**

	<b>Current (from Table 6)</b>	<b>Future (From Table 5)</b>	<b>Change</b>
Revenues	\$95,000	\$2,955,400 – 2,958,000	\$2,860,300 – 2,863,000
Costs	0	1,529,700 – 1,381,100	1,529,700 – 1,381,100
Net Balance	\$95,000	\$1,425,700 – 1,577,000	\$1,330,700 – 1,482,000

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Details and totals may not agree because of independent rounding.

Source: Mundie & Associates

## What If?

### A Project with No Hotel

The proposed hotel is an important contributor to the revenue estimates for the proposed project: it would generate property taxes, transient occupancy taxes, business license fees, and franchise fees totaling about \$1.1 million per year.

Without the hotel, the Peninsula Park project would still produce a positive fiscal impact for the City of Redwood City. This impact is summarized in Table 8.

**Table 8**  
**Net Fiscal Impact with No Hotel**

Revenues	
Project as Proposed	\$2,955,400 – 2,958,000
Less Hotel	
Property tax	134,600
Property tax in lieu of VLF	29,335
TOT	934,400
Business License	6,100
Franchise	200-600
Total	1,104,600 – 1,104,900
Revenues without Hotel	\$1,850,800 – 1,853,100
Costs	1,529,700 – 1,381,100
Net Balance	\$321,100 – 472,000
Current Balance	95,000
Net Impact without Hotel	\$226,100 – 377,000

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Details and totals may not agree because of independent rounding.

Source: Mundie & Associates

The calculations shown in Table 8 indicate that the proposed hotel would account for between 35 and 40 percent of total revenues estimated for the Peninsula Park project. It further shows that the net revenue from the project would be reduced from between \$1.3 and \$1.5 million per year to between \$200,000 and \$400,000 per year. While the hotel is not critical for a positive fiscal outcome, therefore, it would be expected to contribute significantly to the City's fiscal health.

### A Project with Partial Residential Buildout

With a large project, there is always a possibility that the amount of development realized is less than the amount planned. What would be the effect on revenues and costs if only one-half of the proposed housing units were built?

This sensitivity test uses the simplifying assumption that the average housing price in a partially-completed project would be the same as the average in the entire project (that is, \$750,000). All other revenue and cost assumptions remain the same as in the base case.

Table 9 compares the characteristics of the partially-built project evaluated here with the proposed project, as described in Table 1. Tables 10 through 13 summarize the fiscal projection for the theoretical partially-built project.

**Table 9**  
**Project Characteristics: Proposal and (Theoretical) Partially Built Project**

Use	Proposed Project	Partially-Built Project
Housing	796 units	398 units
Hotel	200 rooms	200 rooms
Commercial <sup>a</sup>	10,000 sq. ft.	10,000 sq. ft.
Marina slips	25 to 40	25 to 40

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Details and totals may not agree because of independent rounding.

Source: Table 1; Mundie & Associates

**Table 10**  
**Projected Revenues: Proposed Project and Partially-Built Project**

	Project as Proposed	Partial Buildout
Property Tax: Secured	\$1,382,800	\$764,900
Property Tax: Unsecured	3,900–6,200	3,900–6,200
Property Tax in Lieu of VLF	301,500	166,800
Sales Tax	99,300	49,600
Franchise Fees	25,500	12,800–13,100
Transient Occupancy Tax	934,400	934,400
Real Property Transfer Tax	32,800	16,400
Business Licenses	8,700	8,700
Motor Vehicle In Lieu Fee	12,000	6,000
Prop 172 Sales Tax	13,400	6,800
Garbage Collection Franchise	71,800	71,800
Library services	5,300	2,700
Recreation Program Fees	32,700	16,400
Gas Tax	31,400	15,700
<b>Total</b>	<b>\$2,955,400–2,958,000</b>	<b>\$2,076,700–2,079,400</b>

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Details and totals may not agree because of independent rounding.

Source: Mundie & Associates

**Table 11**  
**Projected Costs: Proposed Project and Partially-Built Project**

	<b>Project as Proposed</b>	<b>Partial Buildout</b>
General Government	\$151,800	\$75,900
Police	445,600–594,200	297,100–445,600
Fire	444,000	444,000
Community Development Services	0	0
Parks & Recreation		
Park Maintenance	71,900	71,900
Recreation & Comm. Services	133,500	66,700
Total	205,400	138,700
Library	134,200	67,122
Public Works Services	0	0
<b>Total</b>	<b>\$1,381,100–1,529,700</b>	<b>\$1,022,800–1,171,300</b>

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Details and totals may not agree because of independent rounding.

Source: Mundie & Associates

**Table 12**  
**Net Fiscal Balance: Proposed Project and Partially-Built Project**

	<b>Project as Proposed</b>	<b>Partial Buildout</b>
Revenues	\$2,955,400 – 2,958,000	\$2,076,700–2,079,400
Costs	1,529,700 – 1,381,100	1,171,300 – 1,022,800
Net Balance	\$1,425,700 – 1,577,000	\$ 905,400 – 1,056,600
Current Balance	\$95,000	\$95,000
Net Impact	\$1,330,700 – 1,482,000	\$810,400 – 961,500

Note: All projections and estimates of dollar amounts are rounded to the nearest \$100. Details and totals may not agree because of independent rounding.

Source: Mundie & Associates

These tables show that a project with only one-half of the proposed housing units but with the hotel, commercial space, and marina, would yield a net fiscal benefit for the City of Redwood City. This benefit would be less than the net revenue with full buildout of the project, but greater than the net revenue with no hotel.

## **Appendix A**

### **Basis for Revenue and Cost Projections**

#### **Revenues**

##### **Property Tax: Secured**

Secured property tax is the tax on real property (property that is not movable). Property tax is set at one percent of assessed value.

Assessed value is set at 100 percent of fair market value upon completion of construction or upon sale. After that, it may rise at the rate of increase of the Consumer Price Index, but no more than two percent per year, until it is resold; at that time, the assessed value is reset to the new fair market value. If a property is improved, then the improvements are assessed at their fair market value and added to the previous value of the property.

The one percent property tax is divided among taxing jurisdictions. In this location, Redwood City receives 20.7 percent of tax revenues.

The values of the properties that comprise the Peninsula Park project are estimated as follows:

- Housing units: range in price from \$350,000 to \$1,400,000, with an average value of \$750,000.
- Retail space: \$6,000,000
- Hotel: \$65,000,000

##### **Property Tax: Unsecured**

Unsecured property tax is the tax on personal property; in this case, the boats that will be kept at the proposed marina. Property tax is set at one percent of assessed value.

The Peninsula Park project includes a marina that is proposed to have 25 to 40 boat slips. For this analysis, the average prices of a boat is estimated at \$75,000, based on the advertised prices of used boats for sale listed in *Latitude 38* magazine advertisers' online links. Boat lengths in this sample range from 20 feet to 40 feet.

As with the secured property tax, Redwood City receives 20.7 percent of the tax revenues.

##### **Property Tax in Lieu of VLF (Vehicle License Fee)**

This revenue source is an artifact of the history of changes in the vehicle license fee (VLF): at present, the state returns property tax to the local agencies because it does not "backfill" the reduction in VLF previously adopted.

Property tax in lieu of VLF increases in proportion to increases in the City's assessed value. The project's estimated assessed value of \$668,800,000 would represent an increase of 5.69 percent over the City's assessment base of \$11.74 million reported in the FY 2006 Comprehensive Annual Financial Report. Applying this percent increase to the budgeted revenue from this source of \$5,300,000 in 2007-08 yields an increase of \$166,760 attributable to this project. (This figure excludes the assessed value of the boats in the marina.)

### Sales Tax

Sales tax in California is levied on most retail goods sold, excluding most food sold in grocery and grocery-type stores. For this analysis, Mundie & Associates prepared an estimate of annual spending per household on taxable items sold in retail space. That estimate, which is based on spending by households with the incomes required to purchase a unit in the proposed Peninsula Park project, is summarized in Table A1.

**Table A1**  
**Estimated Annual Spending on Retail Goods Sold in Retail Stores**

Item	Annual Spending
Apparel, Men and boys	\$740
Apparel, Women and girls	1,299
Apparel, Children under 2	126
Footwear	450
Other apparel products and services	618
Food away from home	4,544
Housekeeping supplies	963
Personal care products and services	898
Household furnishings and equipment	3,436
Tobacco products and smoking supplies	286
Pets, toys, and playground equipment	723
Television, radios, sound equipment	1,397
Reading	221
<b>Total</b>	<b>\$12,468</b>

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, Annual Spending in 2005 by Households with Incomes of \$70,000 or more.

## Franchise Fees

Redwood City charges franchise fees to the private companies that hold the franchises to provide certain public services – electricity, natural gas, and cable television – to city residents and businesses. (Garbage franchise fees are calculated separately.) The tax rates are one-half percent of gross revenues from electricity use, one percent of gross revenues from gas use, and five percent of gross revenues from cable television use.

City staff estimated the gross revenues that could be generated by Peninsula Park. These estimates, and the resulting calculations of franchise fee revenue, are summarized in Table A2.

**Table A2  
 Estimated Franchise Fees**

### Residential Use

	Monthly Utility Cost per Unit	Annual Utility Cost per Unit	Tax Revenue <sup>a</sup>
Electric	100.21	1,203	\$6.01
Gas	45.87	550	5.50
Cable	33.22	399	19.93
Total	\$296.65	\$3,560	\$31.45
Total for 796 households			25,031.53

### Hotel Use

<i>With Pool &amp; Restaurant</i>	Monthly Usage	Annual Usage	Adj. Sum <sup>b</sup>	Revenue/ Room <sup>a</sup>	Total for 200 Rooms
Electric	\$45.00	\$540.00	\$345.60	\$1.73	\$346
Gas	16.00	192.00	122.88	1.23	246
Total					\$591

<i>Without Pool &amp; Restaurant</i>	Monthly Usage	Annual Usage	Adj. Sum <sup>b</sup>	Revenue/ Room <sup>a</sup>	Total for 200 Rooms
Electric	\$18.90	\$226.80	\$145.15	\$0.73	\$145
Gas	\$6.72	\$80.64	\$51.61	\$0.52	\$103
Total					\$248

a Franchise fee tax rate is one-half percent of electricity charge, one percent of gas charge, and five percent of cable television charge.

b Adjusted to reflect 64 percent occupancy (national average).

Source: City of Redwood City

### **Transient Occupancy Tax (Hotel Tax)**

Redwood City charges a tax of 10 percent on hotel rooms stays of less than 30 days.

For this analysis, it is assumed that the 200-room hotel in the project has an average room rate of \$200 per night and an occupancy rate of 64 percent.

### **Real Property Transfer Tax**

Real property transfer tax is collected on property that is sold in a given year. The City of Redwood City receives \$0.55 per \$1,000 of value.

For this analysis, it is assumed that 10 percent of the housing units in the proposed project are sold each year. The analysis uses the initial sale price, averaging \$750,000 per unit. (Over time, these prices are expected to increase, and the annual revenue from this source would therefore increase as well.)

### **Business Licenses**

For most businesses, business license fees in Redwood City are based on the number of employees. The base fee is \$37 per year; in addition, each business pays \$24 per full-time employee (including owners and partners) and \$12 per part-time employee. The maximum fee is \$3,030 per year.

The estimate derived in this analysis uses the following assumptions:

- The hotel and the restaurant in the hotel are separate businesses, and each pays the maximum of \$3,030 per year.
- The 10,000 square feet of retail space is occupied by 20 businesses, with an average of four employees per business.

### **Motor Vehicle In Lieu Fees**

Motor Vehicle In Lieu fees are collected by the state and returned to local jurisdictions based on vehicle ownership within the jurisdiction. Redwood City anticipates revenue of \$557,960 from this source in 2007-08.

This analysis provides a range estimate of revenues from this source: like the estimate of parking fines, the low end of the range is based on average revenue per capita (\$7.24 per year) and the higher end is based on average revenue per household (\$19.55 per year).

### **Proposition 172 Sales Tax**

The Proposition 172 (public safety) sales tax is a one-half cent tax that was adopted by voters in 1993 to replace some of the property tax revenue taken from the local governments by the state

to fund schools in the Educational Revenue Augmentation Funds (ERAF) shift that began in 1992.

In contrast to the local share of the regular sales tax, which is returned from the state to local governments based on point of sales (that is, where purchases are made), the Proposition 172 sales tax is distributed based on a multi-step process. First, a portion of the revenue is distributed to counties based on their respective shares of statewide sales (this step is similar to the point-of-sale allocation). Then, within each county, revenue is distributed to the county and each city in proportion to the revenues they received from AB8 of 1980 (the “backfill” provision for distribution of state revenues to local governments following the adoption of Proposition 13).

Estimating San Mateo County’s share of statewide sales and Redwood City’s loss of property tax in comparison to losses by other jurisdictions in San Mateo County is beyond the scope of this study. For simplicity, this analysis assumes that the City’s future revenues from Proposition 172 will be the same per capita as the current amount (expected to total \$628,300, or \$8.16 per capita, in 2007-08). This assumption is equivalent to an assumption that taxable sales in San Mateo County will continue to account for about the same proportion of statewide taxable sales as they do at present.

### **Garbage Franchise Collection Fees**

The City of Redwood City imposes a franchise tax of 13 percent on garbage collection fees. Fees payable by the residential, commercial, and hotel uses in the Peninsula Park project were estimated by the City staff.

### **Library Services Fees**

Library service fees are expected to total \$246,945, or \$3.21 per capita, in 2007-08. This average is assumed to apply to residents of Peninsula Park.

### **Recreation Program Fees**

The City charges user fees for some of its recreation programs. In the 2007-08 budget, this source of revenue is expected to yield \$1,519,440, or \$19.73 per capita. Revenue from this source attributable to the Peninsula Park project is estimated at this same level.

### **Gas Taxes**

Gas tax revenues are distributed to cities based on a variety of formulas:

- “Section 2105” funds are distributed based on population.
- “Section 2106” funds, net of a predetermined transfer to the Bicycle Transportation Account in the State Transportation Account, are distributed based on (1) a flat fee (cities receive \$400 per month) and (2) an amount returned to the county based on registered vehicles, which is then allocated to the county based on its share of countywide assessed value and to cities based on population.

- “Section 2107” funds are allocated (1) to cities with snow removal costs exceeding \$5,000 and then (2) to cities based on population.
- “Section 2107.5” funds are allocated to cities in fixed amounts based on population.

For simplicity in this analysis, it is assumed that the amount of gas tax revenue received by Redwood City will increase in proportion to population. The amount budgeted in 2007-08 (\$1,455,120) is equal to an average of \$18.99 per capita.

## Costs

### General Government

“General Government” is comprised of the services that are required to operate a city but that cannot be correlated directly with specific characteristics of the city, such as acres of park lands, miles of streets, or traffic accidents. In Redwood City, the departments that make up General Government are City Council, City Manager, City Attorney, City Clerk, Human Resources, and Finance & Administrative Support.

The costs of these services are unlikely to change by a significant amount as the result of a 2.2 percent increase in the City’s population. Nevertheless, to be sure that costs associated with the proposed project are not under underestimated, this analysis assumes that they will increase in proportion to population. The budgeted cost for these functions in 2007-08 is about \$7,046,000, or \$91.50 per capita.

### Police

The *Addendum to the 2003 Environmental Impact Report for the Marina Shores Village Project*, which describes the expected impacts of the Peninsula Park project, indicates that the Peninsula Park project would require the City to add 1.6 police officers to serve the new population. The cost of each new officer is estimated based on the current department budget (\$25,571,000 in 2007-08) divided by the current number of sworn officers (99). This approach implicitly includes not only the salaries and benefits for new officers, but also all of their equipment needs that are covered by the City’s operating budget and all support from non-sworn personnel (e.g., administrative positions, dispatchers, community service officers, and clerks). The resulting cost per officer is \$278,495, and the resulting total cost estimate is \$445,592.

An alternative approach is to estimate the City’s current cost per capita, by dividing that total Police Department budget by the number of current residents. This approach yields an average cost of \$358 per capita.

### Fire Department

According to the *Addendum to the 2003 Environmental Impact Report for the Marina Shores Village Project*, the Marina Shores Village project would have required the addition of three firefighters to the Redwood City staff. Although the Peninsula Park project is only 40 percent as large as Marina

Shores Village, it would require the same number of additional firefighters (one per shift). Finance Department staff estimate the cost of these three firefighters at \$444,000 per year.

### **Community Development Services**

Community Development Services include building & inspection, code enforcement, economic development, engineering & construction, housing, planning, and redevelopment. The budget for these services in 2007-08 is about \$5.7 million. About 20 percent of the department's costs (\$984,000) are expected to be offset by development-related fees (building permits, plan checking fees, engineering and subdivision fees, and planning cost recovery fees).

This analysis assumes that the added costs of Community Development services associated with the Peninsula Park project will be negligible. Likely sources of costs would be remodeling of both housing units and commercial space, both of which would be at least partly offset by permit fees.

### **Parks and Recreation**

The cost of park maintenance for the Peninsula Park project is estimated based on the amount of park land included in the project (2.79 acres) and the average maintenance cost for parks of that type (turf). The Parks and Recreation Department considers this type of park area to require a high level of attention, and budgets one full-time equivalent position for every 195,000 square feet of area (that is, per 4.48 acres) per year. Based on this requirement, the park in the Peninsula Park project would require 0.22 full-time equivalent position.

The current cost of one full-time equivalent position is \$87,200. In addition to maintenance personnel, however, the park maintenance function requires equipment and support staff. The "fully loaded" cost of park maintenance is estimated based on the relationship of personnel costs to total costs in the Lido Landscape Maintenance District, which maintains parks in Redwood Shores. The full cost is estimated to total 132 percent of the personnel cost.

The cost of recreation services for the proposed project is estimated based on the current average cost per capita. The total budget for 2007-08 (\$6,192,305) averages \$80 per City resident.

### **Library Services**

The cost of library services is estimated based on the current cost per city resident. The total budget for 2007-08 is \$6,229,000, which equals \$81 per capita.

### **Public Works Services**

The proposed project would not add new City-maintained streets or other facilities that would be maintained by the City of Redwood City. Therefore, City staff anticipate no significant increase in the costs of Public Works Services as a result of the project.