

AGENDA ITEM #3

**Joint City Council/Planning Commission Study Session on
Ravenswood/4 Corners Transit Oriented Development Specific
Plan**

Wednesday, December 1, 2010

Item No. 3

ITEM: 3

Addendum #1:

Updated Fiscal Impact Analysis: Ravenswood/4 Corners Transit Oriented
Specific Plan Community Preferred Alternative Presentation.

(Sean Charpentier, RDA Project Coordinator II)



CITY OF EAST PALO ALTO
REDEVELOPMENT AGENCY AND
ECONOMIC DEVELOPMENT
1960 Tate St. • East Palo Alto, CA 94303

DATE: December 1, 2010

TO: Mayor, Vice Mayor, City Councilmembers, Planning Commission Chair,
Planning Commission Vice Chair, and Planning Commissioners

FROM: Sean Charpentier, Redevelopment Project Coordinator II
Carlos Martínez, Redevelopment Division Manager

SUBJECT: **Addendum #1:** Updated Fiscal Impact Analysis: Ravenswood/4 Corners
Transit Oriented Specific Plan Community Preferred Alternative
Presentation.

SUMMARY/RECOMMENDATION

This is an addendum to the staff report for the December 1, 2010 Joint City Council/Planning Commission Study Session on the Ravenswood/4 Corners Transit Oriented Specific Plan Community Preferred Alternative. The addendum consists of an updated Fiscal Impact Analysis (FIA) for the Community Preferred Alternative (CPA). As part of the Alternatives Analysis released in October, a FIA was performed on each of the three Land Use Alternatives that were created at the Community Workshops in February and March. Staff wanted an updated FIA on the CPA from the Community Workshop in October and the CAC meeting in November. The FIA analyzes the CPA and the CPA+ Staff Recommendation, which are described in detail in the main Staff Report. The assumptions for the update remained the same as those for the FIA in the Alternatives Analysis. The FIA assumes that the development scenarios are fully developed by approximately 2030. **Table 1** has the Development Scenarios.

Table 1: Development Scenarios

NET DEVELOPMENT	Community Preferred Alternative, 11/9/10	Staff Recommendation	Difference
Residential Units	835	835	0
Total Office	922,361	1,614,638	692,277
Industrial/R&D Sqft	440,573	263,066	(177,507)
Total Retail	112,400	112,400	0
Civic/Community Serving	61,000	61,000	10,000
Parks and Trails (acres)	28	28	0
Jobs			
Accessible to EPA Residents	2,073	2,988	915
Total Jobs	3,801	5,900	2,099

Fiscal Impact Analysis

A FIA is necessary to determine the net fiscal impact of a development program. Net fiscal impact refers to the net revenue remaining after the expenses are subtracted. All developments create increased demand for City services. These are expenses that the City must pay. A FIA indicates if the development has a positive or negative impact on the City's General Fund. The General Fund is an important variable, but it is not the only variable. Cities also consider difficult to measure variables such as the quality of life and housing affordability and quality.

The FIA is especially critical for East Palo Alto because East Palo Alto has significantly lower revenue than the surrounding cities. A major reason for the lower revenue is that East Palo Alto has comparably very little commercial land. The FIA analyzes the net General Fund revenue and the net Redevelopment Revenue.

Net General Fund Revenue

General Fund revenue is the most flexible revenue. The City Council allocates General Fund revenue based on Council priorities. The City Council can choose to spend it on police services, pothole repair, or programs for youth. The major sources of general fund revenue are property taxes and sales taxes. Like many cities, in East Palo Alto the major single expense is the Police Department.

The CPA will generate approximately \$1 million in net general fund revenue. The CPA + Staff Recommendation will generate approximately \$1.5 million in net general fund revenue. See **Table 2**.

Table #2: Net General Fund Revenue.

	CPA	CPA + Staff Recommendations
Net General Fund Revenue	\$1,046,000	\$1,566,000

Redevelopment Agency Revenue

The second revenue type is the Redevelopment Agency Revenue. The Redevelopment Agency collects the increases in property tax increment within the RBD Project Area. The tax rates do not change, but Agency collects the additional value created by new development. The increase is referred to as “tax increment.” In the RBD, thirty percent (30%) of the additional tax increment is used for affordable housing. In other words, \$0.30 of each dollar of additional tax increment in the RBD is allocated for affordable housing. Next, the Agency pays pass through payments to other entities (the County, public agencies, and special districts) that receive property taxes from properties in East Palo Alto. Finally, the amount remaining after the affordable housing and pass throughs are subtracted can be used for economic development purposes. This is referred to as the “Non Housing” funds.

The CPA would generate approximately \$1 million per year for affordable housing and \$1.3 million for Non Housing funds. The bonding capacity would be \$8 million and \$10 million, respectively. The CPA + Staff Recommendation would generate approximately \$1.4 million per year for affordable housing and \$1.8 million for Non Housing funds. The bonding capacity would be \$11 million and \$13 million, respectively. **Table 3** has a summary of the numbers.

Table #3: Agency Revenue

	CPA	CPA + Staff Recommendations
Annual Affordable Housing Fund	\$1,109,000	\$1,494,000
Estimated Bonding Capacity (1)	\$8,000,000	\$11,000,000
Annual Non- Housing Fund	\$1,329,000	\$1,830,000
Estimated Bonding Capacity (1)	\$10,000,000	\$13,000,000

(1) City staff calculated using same assumptions as the Alternatives Analysis.

The CPA + Staff Recommendation scenario generates higher employment and higher revenue because of the increased office development. Office development is a higher density use that generates more employees and more revenue. See **Attachment #1** for the Updated FIA.

Attachments

#1: Updated FIA

Attachment #1: Updated FIA

Table 1

**Estimated Net Annual Fiscal Impacts, City General Fund and Redevelopment Agency
Fiscal Impact Analysis
Ravenswood / 4 Corners TOD Specific Plan
East Palo Alto, CA**

*Draft
November 24, 2010*

<u>City of East Palo Alto</u>	<u>Tara Road Industrial</u>		<u>Tara Road Office</u>	
Annual General Fund Revenue ¹				
Sales and Use Tax	\$387,000	18%	\$394,000	14%
Secured Property Tax	\$295,000	14%	\$366,000	13%
Unsecured Property Tax	\$9,000	0%	\$12,000	0%
Property Tax In-Lieu of VLF	\$521,000	24%	\$689,000	24%
Utility User Tax	\$174,000	8%	\$204,000	7%
Property Transfer Tax	\$11,000	1%	\$14,000	0%
Business License Tax	\$684,000	32%	\$1,094,000	38%
Franchise Fees ²	Not Available		Not Available	
Motor Vehicle License Fee ²	Not Available		Not Available	
Gas Tax Revenue ³	Not Available		Not Available	
Other Licenses and Permits	\$82,000	4%	\$96,000	3%
Total General Fund Revenue	\$2,163,000	100%	\$2,869,000	100%
General Fund Expenses ⁴				
General Government	(\$30,000)	3%	(\$35,000)	3%
Administrative Services	(\$44,000)	4%	(\$52,000)	4%
Police Services	(\$791,000)	71%	(\$927,000)	71%
Planning/Community Devel.	(\$48,000)	4%	(\$56,000)	4%
Public Works	(\$127,000)	11%	(\$149,000)	11%
Community Services	(\$38,000)	3%	(\$38,000)	3%
Non-Departmental	(\$39,000)	3%	(\$46,000)	4%
Total City GF Expenses	(\$1,117,000)	100%	(\$1,303,000)	100%
Net Annual City GF Impact	\$1,046,000		\$1,566,000	
Annual Redevelopment Agency Revenue⁵				
Affordable Housing Fund	\$1,109,000		\$1,494,000	
Non-Housing Fund	\$1,329,000		\$1,830,000	
	\$2,438,000		\$3,324,000	

¹ For detailed calculations see Tables 6A to 6G.

² The City's budget does not itemize these revenues. It is possible that they are included under "Other Licenses and Permits", which are included below.

³ The City's budget does not itemize these revenues. It is possible that they are included under "Other Revenues", which have been excluded from this analysis.

⁴ See Table 6C.

⁵ For detailed calculations see Tables 7A and 7B.

Table 2
Preferred Land Use Alternatives
Fiscal Impact Analysis
Ravenswood / 4 Corners TOD Specific Plan
East Palo Alto, CA

Draft
November 24, 2010

Land Use ²	FAR / Residential Density	Tara Road Industrial			Tara Road Office				
		Ravenswd ¹	21-014	21-004	Total	Ravenswd ¹	21-014	21-004	Total
Residential									
Affordable	20 - 25 du/ac			4	4			4	4
Market Rate	20 - 25 du/ac			15	15			15	15
Total Residential	20 - 25 du/ac			19	19			19	19
Mixed Use Residential									
Affordable	40 - 60 du/ac	127	36		163	127	36		163
Market Rate	40 - 60 du/ac	509	144		653	509	144		653
Total MU Residential	40 - 60 du/ac	636	180		816	636	180		816
Total Residential		636	180	19	835	636	180	19	835
Commercial									
Industrial	0.5	440,573			440,573	263,066			263,066
Office	1	700,772			700,772	1,393,049			1,393,049
Mixed Use Office	1	218,710	2,880		221,590	218,710	2,880		221,590
Retail									
Mixed Use Retail	40' deep retail	71,280	21,120		92,400	71,280	21,120		92,400
Retail	Swenson Site	20,000			20,000	20,000			20,000
Total Retail		91,280	21,120		112,400	91,280	21,120		112,400
Total Commercial		1,451,335	24,000		1,475,335	1,966,105	24,000		1,990,105

Source: DC&E, July 26, 2010.

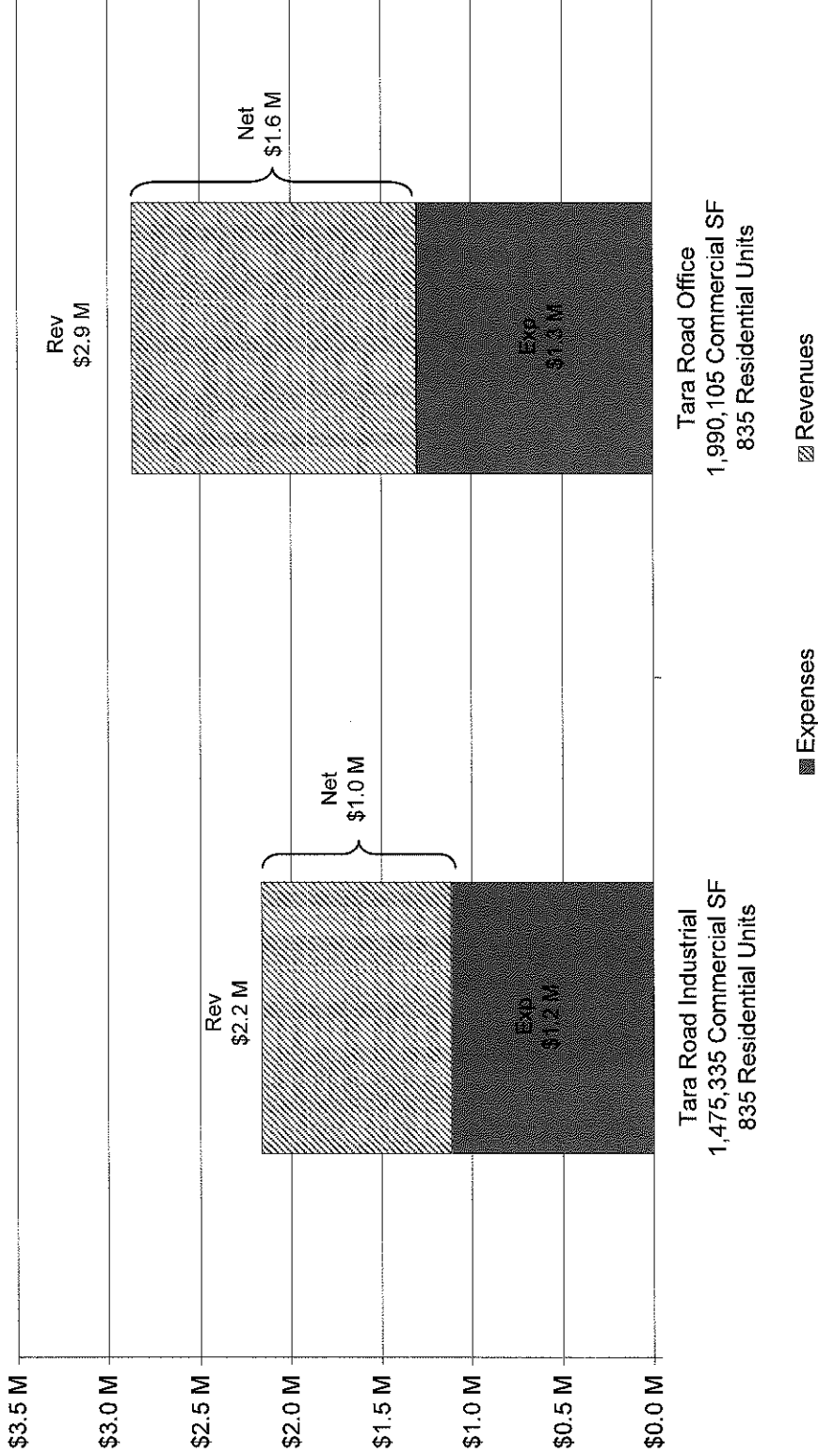
¹ Refers to Ravenswood Redevelopment Area.

² Excludes Civic Uses.

Exhibit A
Estimated Net General Fund Annual Impacts - Full Buildout
Fiscal Impact Analysis
Ravenswood / 4 Corners TOD Specific Plan
East Palo Alto, CA

Draft
November 24, 2010

Annual Revenue, Expense, and Net Impact on the City of East Palo Alto General Fund^a

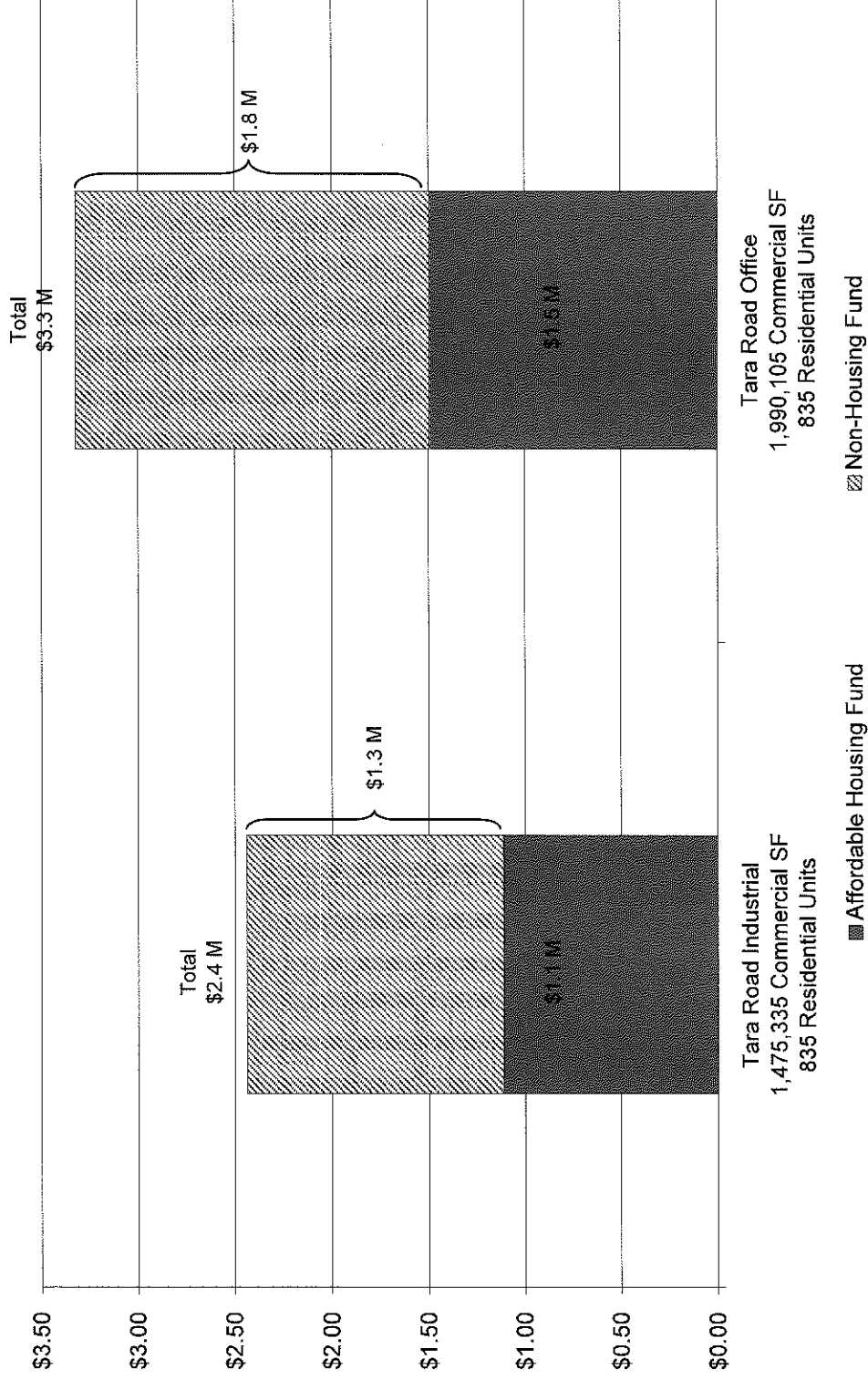


^a See Table 1.

Exhibit B
Estimated Redevelopment Agency Annual Revenue- Full Buildout
Fiscal Impact Analysis
Ravenswood / 4 Corners TOD Specific Plan
East Palo Alto, CA

Draft
November 24, 2010

Annual Redevelopment Agency Revenue^a

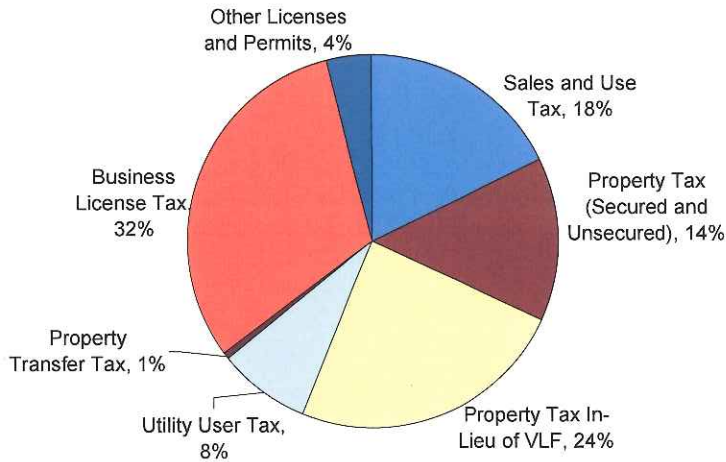


^a See Table 1.

Exhibit C
Breakdown of Projected Annual General Fund Revenue Sources
Fiscal Impact Analysis
Ravenswood / 4 Corners TOD Specific Plan
East Palo Alto, CA

Draft
November 24, 2010

Tara Road Industrial

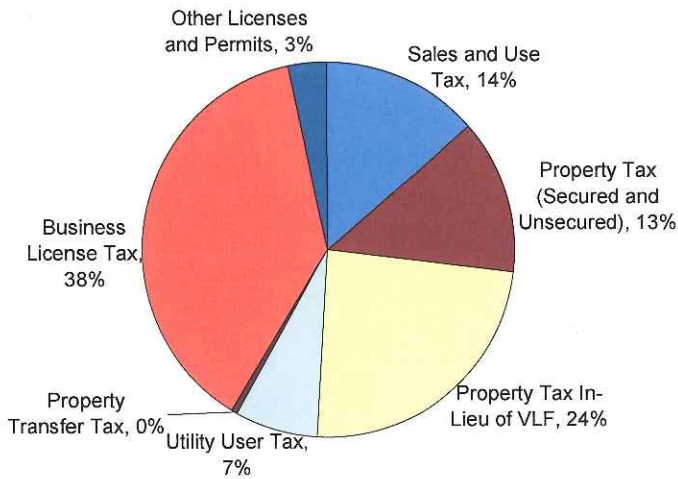


Industrial	440,573 SF
Office	922,362 SF
Retail	112,400 SF
Total Commercial	1,475,335 SF

Residential Units 835 units

Estimated Annual GF Revenues
\$2,163,000

Tara Road Office



Industrial	263,066 SF
Office	1,614,639 SF
Retail	112,400 SF
Total Commercial	1,990,105 SF

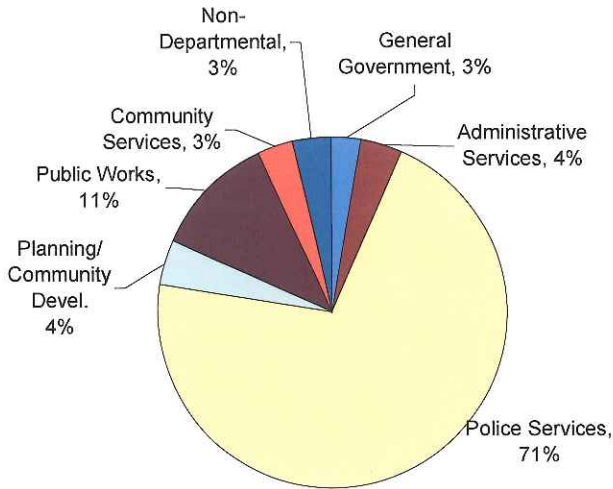
Residential Units 835 units

Estimated Annual GF Revenues
\$2,869,000

Exhibit D
Breakdown of Projected Annual General Fund Expenses
Fiscal Impact Analysis
Ravenswood / 4 Corners TOD Specific Plan
East Palo Alto, CA

Draft
November 24, 2010

Tara Road Industrial

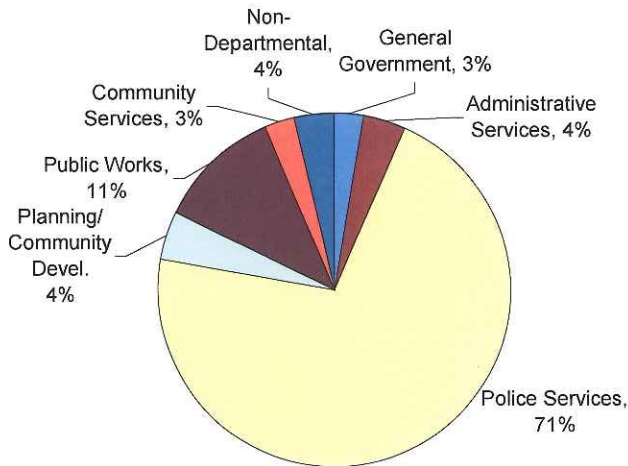


Industrial	440,573 SF
Office	922,362 SF
Retail	112,400 SF
Total Commercial	1,475,335 SF

Residential Units 835 units

Estimated Annual GF Expenses (\$1,117,000)

Tara Road Office



Industrial	263,066 SF
Office	1,614,639 SF
Retail	112,400 SF
Total Commercial	1,990,105 SF

Residential Units 835 units

Estimated Annual GF Expenses (\$1,303,000)