



# Presentation on City Finances and Economic Development

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Sean Charpentier & Carlos Martinez,  
Redevelopment Agency Staff



# GOAL: Provide overview of:

1. City Finances
2. What developers look for in a City, and what cities can do to attract developers.
3. How EPA has attracted development and shaped it to the City's advantage.
4. Future Opportunities and Challenges



# General Economic Development Goals

1. Create Employment
2. Generate Revenue\*
3. Improve Quality of Life

\*Pursuant to request from YUCA, this presentation will largely focus on revenue.



# Importance of City Finances

1. Revenue = independence and influence.
2. City revenue levels determine the type and level of services cities provide for their residents.
3. City Services can include: filling potholes, hiring police, or programs for youth or senior citizens.



# Ranking of Revenue Types

1. Transient Occupancy Tax (TOT)
2. Regional Retail Sales Tax
3. Local Retail Sales Tax
4. Commercial Property Tax.
5. Residential Property tax.



# Tools for Cities to Generate New Revenue

1. New development that creates sales tax, TOT, and property taxes.
2. Voter approved increases in Property, Sales or TOT tax. (Measure C)
3. Increase Fees (limited, many fees are cost recovery)
4. Income Tax (extremely rare)



# EPA Gains Financial Stability between 98-09

<b>East Palo Alto Operating Budget</b>	<b>1998</b>	<b>2009/2010</b>
Foundation or Federal Grants	50%	1%
Property Tax, Sales Tax, other sources	50%	99%
<b>Total</b>	<b>100%</b>	<b>100%</b>



# EPA Revenue below that of its neighbors

1. For each dollar in revenue that East Palo Alto has, Menlo Park has approximately \$2.48.

	East Palo Alto		Menlo Park		Menlo Park as a % of East Palo Alto
	##	%	###	%	
Sales Tax	\$2,379,945	16%	\$6,978,000	18%	293%
Property Tax	\$7,556,450	50%	\$12,366,000	33%	164%
Transient Occupancy Tax	\$500,000	3%	\$2,800,070	7%	560%
Other	\$4,796,190	31%	\$15,660,856	41%	327%
<b>Total</b>	<b>\$15,232,585</b>	<b>100%</b>	<b>\$37,804,926</b>	<b>100%</b>	<b>248%</b>

Sources: City of Menlo Park 2009-10 Budget; City of East Palo Alto 2009/2010 Budget



# EPA receives and spends less than Menlo Park

1. East Palo Alto spends \$459 for every resident. Menlo Park spends \$1,186 for every resident.

	<b>EPA</b>	<b>Menlo Park</b>	<b>Menlo Park as a % of East Palo Alto</b>
Total Population	33,174	31,865	96%
Total Budget	\$15,232,585	\$37,804,926	248%
Per Capita Expenditures	\$459	\$1,186	258%
Per Capita Revenue			
Sales Tax	\$72	\$219	305%
Property Tax	\$228	\$388	170%
Transient Occupancy Tax	\$15	\$88	583%
Total Budget	\$459	\$1,186	258%

Sources: 2009/2010 Budgets and CA Dept. Finance



On per capita basis, Menlo Park spends 12 times more than EPA on Community Services.

	Community Services and Library (1)	Population	Per Capita
East Palo Alto	\$774,613	33,174	\$23
Menlo Park	\$8,796,531	31,865	\$276
(1) 2009/2010 Budgets			

\*Menlo Park is used as a benchmark because of proximity and similarity in size.



# Revenue Conclusion

1. EPA residents deserve same level of services as residents in Menlo Park and Palo Alto.
2. EPA needs to generate more revenue through development to provide more services to its residents.



## **2. What developers look for in a City, and what cities can do to attract developers.**



# What Commercial Developers Look for in a City

1. Available land with Infrastructure.
2. Minimum parcel size 3-5 acres.
3. Certainty about the development process (desired land uses, fees, schedule and process)
4. Competitive land values.
5. Good vehicular access for customers or employees.



# General Tools Cities Can Use to Attract Developers

1. Have a plan that outlines a vision that provides relative certainty about desired land uses, fees, and development process.
2. Have available land with infrastructure.



# Specific Tools Cities/RDAs Use to attract Developers

1. Reduce the cost of land, labor, or capital.
  - a. Land: Purchase land and resell it.  
Assemble parcels. Pay for infrastructure.  
Offer property, sales, or TOT rebate.
  - b. Labor: Training programs or labor intermediary.
  - c. Capital: Offer less expensive loans.



# **3. How EPA has attracted development and shaped it to the City's advantage.**



# Importance of the Market

1. Without Market Demand, nothing will be built.
2. However, the Market must be influenced to benefit EPA.
3. The Market does not care about the unemployment rate or municipal services in East Palo Alto.



# City Council/Agency Community Benefits Policies.

1. Specific Plans for UCI and G101
2. First Source Hiring (FSH)
3. Rent Control
4. 20% Inclusionary Housing
5. Quimby Act for park dedication
6. RDA 20% Set Aside for affordable housing



# Specific Community Benefits Negotiated

1. Contributions to Economic Development Fund.
2. Subsidized space for local retail.
3. Creation of a small business incubator.
4. Development of open space and trails.
5. Local preferences for leasing commercial space
6. Funds for job training.



# Completed Projects in EPA

1. G101 Retail Center- 700,000 sqft of regional retail space, 34 condos.
2. Agency Assistance: Agency served as G101 developer, land assembly, relocation, infrastructure.
3. Benefits: Sales tax, property tax, neighborhood retail, jobs, 6 affordable housing units, funds for job training, business incubator.



# Completed Projects in EPA

1. UCI- 400,000 sqft Class A office space, 200 room 4 Seasons luxury Hotel.
2. Agency Assistance: partial TOT waiver, land assembly.
3. Benefits: Sales tax, TOT, property tax, jobs, contributions to infrastructure.



# Completed Projects in EPA

1. Nugent Square, Peninsula Park Apartments, and Courtyard affordable housing projects.
2. Agency Assistance: Local gap subsidy.
3. Benefits: 238 affordable housing units.



# Pipeline Projects in EPA

1. Univ. Plaza, 180,000 sqft. Class A office space, 20,000 sqft of street front retail.
2. Agency Assistance: None.
3. Benefits: jobs, sales tax, property tax, neighborhood retail space, subsidized retail space, contribution to economic development fund.



# Pipeline Projects in EPA

1. Byrd Brock DKB, Olson, 150 Tara, 4 Corners: 221 housing units, 200,000 sqft of R&D/Flex space, 15,000 sqft of street front retail.
2. Agency Assistance: Land assembly, infrastructure improvements.
3. Benefits: sales tax, property tax, jobs, neighborhood retail space, 45 affordable housing units, contributions to economic development fund, trails, environmental remediation.



# 4. Future Opportunities and Challenges



# EPA Competitive Advantages for Development

1. Proximity to Stanford and highly educated employees in Palo Alto and Menlo Park.
2. Proximity to Dumbarton Bridge and employees in East Bay.
3. Lower land values.
4. Available land along the Bay.



# Economic Development Challenges in East Palo Alto

1. Late start because of incorporation in 1983.
2. Very little Commercial Land.
3. Traffic.
4. Lack of infrastructure in the RBD.
5. Stigma of high crime.
6. Legacy from heavy industrial uses  
(contamination and small irregular parcels.)
7. Low adult population educational  
attainment



# Opportunity Area RBD

1. RBD is last large area to develop jobs and revenue.
2. Specific Plan will create a vision that will advance EPA's goals as well as meet the goals of the developers/users.



# Infrastructure Required in RBD

1. At a minimum \$50 million.
2. Main source of funding will be an assessment district funded by the landowners.
3. Potential additional sources include federal grants and RDA increment financing.
4. Without funding infrastructure, limited new development (aside from entitled projects) can happen in the RBD.

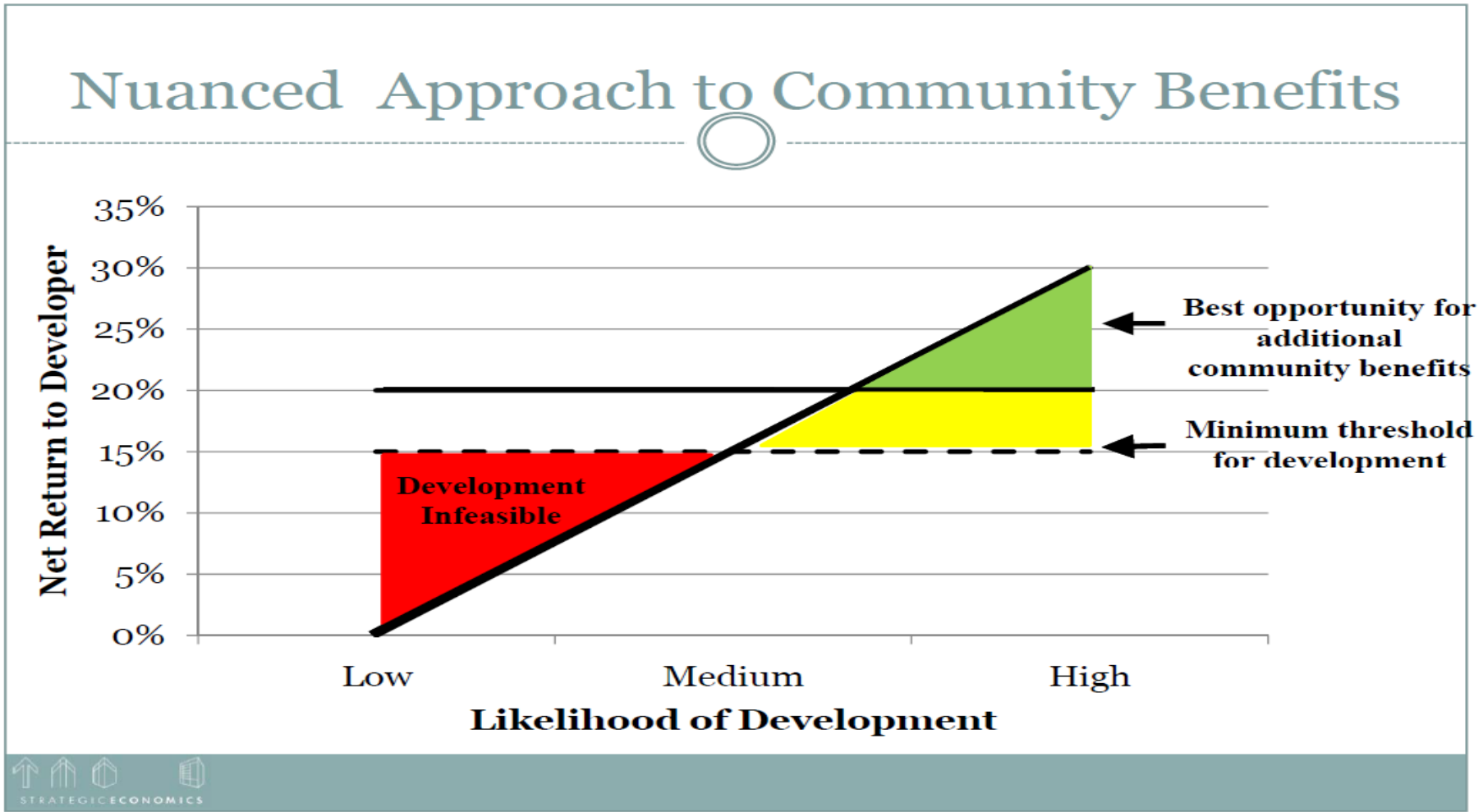


# Sequence of Payment

1. Infrastructure
2. Environmental Remediation
3. Other Development Costs  
(Predevelopment, acquisition and  
Construction)
4. Developer Profit
5. **Additional Community Benefits**



# Feasibility of Additional Community Benefits\*



\*Source: Financing TOD: Enhancing Project Feasibility, Strategic Economics



# Potential for Community Benefits in RBD

- Development impact fees are for capital investments in buildings etc.
- Ongoing expenses such as programs etc need to be funded with ongoing revenue streams.
- It is more efficient to deal with one developer than 15 developers.



# Success in RBD

1. A Specific Plan vision that advances both the City's interests and the developer/user's interests.
2. Program EIR
3. Transparent, clear, certain, and consistent fees and process.
4. Infrastructure in place.
5. Availability of large parcels in RBD.



# Questions?

## Contact:

Sean Charpentier

RDA Project Coordinator II

(650) 853-5906

[scharpentier@cityofepa.org](mailto:scharpentier@cityofepa.org)