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Executive Summary

Background

In response to requests for site-specific General Plan and Zoning Ordinance amendments, the City undertook a more comprehensive, long-range planning approach in the Menlo Park 2012 El Camino Real/Downtown Specific Plan (“ECR/D Specific Plan”). Through the ECR/D Specific Plan, the City proposed a deliberate and transparent process aimed at gathering community input and developing a community vision rather than planning on a transaction-by-transaction basis. The five-year ECR/D Specific Plan project included over 90 public meetings, was adopted by the City on June 12, 2012, and became effective July 12, 2012.

On February 19, 2014, the City received a Notice of Intent to place a measure on the fall 2014 election ballot (“Ballot Measure” or “Measure”) for voter consideration that would modify the ECR/D Specific Plan. Per California Elections Code Section 9203, the City prepared the following title for the Ballot Measure:

“AN INITIATIVE MEASURE PROPOSING AMENDMENTS TO THE CITY OF MENLO PARK GENERAL PLAN AND MENLO PARK 2012 EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN LIMITING OFFICE DEVELOPMENT, MODIFYING OPEN SPACE REQUIREMENTS, AND REQUIRING VOTER APPROVAL FOR NEW NON-RESIDENTIAL PROJECTS THAT EXCEED SPECIFIED DEVELOPMENT LIMITS”

Generally, the Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of ECR/D Specific Plan components.

Purpose

Within the scope prescribed by the City, the purpose of this Report is to provide a professional and objective analysis of the potential impacts of the Ballot Measure to the ECR/D Specific Plan and the City of Menlo Park. The Report answers the following three questions:

• What amendments to the ECR/D Specific Plan does the Measure propose?
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- Is the Measure consistent with governing City policy and important regional plans?
- If passed, how would the Measure impact the following in the ECR/D Specific Plan area: housing, vacant and underutilized land development, business and employment attraction and retention, fiscal matters, and infrastructure?

**Amendments Proposed by the Ballot Measure**

The Ballot Measure would amend the ECR/D Specific Plan in the following areas:

- Open space regulations
- Office space restrictions
- Mechanism for amending the ECR/D Specific Plan (voter control)

**Change in Open Space Regulations**

Unlike the ECR/D Specific Plan, the Ballot Measure prohibits Open Space located more than 4 feet above the ground floor from counting toward minimum open space requirements for proposed developments (Sections 3.2.1, 3.2.5, 3.2.6).

**Cap on Ballot-defined Office Space Development**

**Definition of Office Space**

Whereas the ECR/D Specific Plan does not expressly define “Office Space,” the Ballot Measure defines “Office Space” by aggregating three commercial classifications found in the ECR/D Specific Plan’s appendix—“Offices, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions” (Sections 3.3.1, 3.3.2, 3.3.3, 3.3.4).\(^1\)

---

\(^1\) The Ballot-Measure definition of Office Space brings two additional changes:

1. The ECR/D Specific Plan expressly excludes “banks and savings and loan institutions” from its classification of Business and Professional offices. The Ballot Measure would incorporate this classification of Business and Professional offices, exclusions of banks and all savings and loan institutions, as well as the ECR/D Specific Plan’s classification of Banks and Other Financial Institutions into its new Office Space definition.

2. As explained in Chapter 1, this new definition of Office Space creates a misalignment with the use classifications included in the ECR/D Specific Plan project description studied in the Environmental Impact Report (EIR).
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**Cap on Net New Non-residential Development and Office Space in the Plan Area**

The ECR/D Specific Plan places maximum development caps for the Specific Plan area at 680 units of net new residential uses and 474,000 square feet of net new non-residential uses from July 12, 2012 when it became effective, without a Specific Plan amendment (p. G16).

The Ballot Measure retains the overall cap of 474,000 square feet of net new non-residential development and introduces a cap of 240,820 square feet of net new office space in the Plan Area (Sections 3.4.2, 3.4.3). These caps can only be increased through voter approval. The Ballot Measure also introduces record keeping requirements associated with the new Office Cap (Section 3.4.3).

**Cap on Office Space per Project**

As adopted, the ECR/D Specific Plan imposes the following restrictions on office development per project:

- **Standard E.3.1.01:** “Business and Professional office (inclusive of medical and dental office) shall not exceed one half of the base FAR or public benefit bonus FAR, whichever is applicable” (p. E16).

- **Standard E.3.1.02:** “Medical and Dental office shall not exceed one third of the base FAR or public benefit bonus FAR, whichever is applicable” (p. E16).

- **Medical and Dental office “is additionally limited to a absolute maximum of 33,333 square feet per development project.”**

---

2 This is not the only provision subject to voter control under the Ballot Measure. See the “Voter Controls” section in this Executive Summary and Section 1.2.3 in Chapter 1 for further discussion of the voter control requirement under the Ballot Measure.

3 Should the Ballot Measure pass, the existing FAR and square foot per project restrictions in the ECR/D Specific Plan for office development likely would not apply to Banks and Other Financial Institutions for two reasons:

   1. These limitations in the ECR/D Specific Plan expressly apply to Business and Professional office (which excludes Banks) and Medical and Dental office, not just office space generally.
   2. The Ballot Measure adopts and does not change the definitions of Business and Professional office or Medical and Dental office.

However, it is possible that the Ballot Measure’s inclusion of Banks and Other Financial Institutions into its definition of Office Space could foster ambiguity concerning regulations applicable to the Bank and Other Financial Institutions classification.

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The Ballot Measure places an additional 100,000 square foot cap on its defined Office Space per individual development project (Section 3.3.5). The Measure considers all phases of a multi-phase project collectively as an individual project (Section 3.3.6).

Voter Controls

As adopted, the ECR/D Specific Plan does not require voter approval for amendments to the Specific Plan. The Ballot Measure requires voter approval for changes to ECR/D Specific Plan provisions that are expressly identified in the Measure, but expressly excludes the City’s ability to raise the 680 unit cap on net new residential uses (Section 3.4.4, 4.1). ECR/D Specific Plan provisions that would be subject to voter control, if proposed for change, can be categorized in two groups: (1) those specifically amended by the Ballot Measure, and (2) those adopted, but textually unchanged by the Ballot Measure.

Amended and Voter-Adopted (Specifically Amended by the Ballot Measure)

This category includes all changes discussed above under open space regulations and office space restrictions. These amendments are all subject to voter control under the Measure.

Further, the Ballot Measure adopts the Vision Plan Area Map on Page 2 of the 2008 El Camino Real/Downtown Vision Plan as the “ECR/D Specific Plan Area” (Section 3.1). This provision of the Ballot Measure that addresses the ECR/D Specific Plan Area boundaries would be subject to voter control under the Ballot Measure. Note that the 2008 map shown in the Ballot Measure precedes the 2012 ECR/D Specific Plan area map. The boundaries of the two maps appear similar with no significant differences.

Unchanged and Voter-Adopted (Textually Unchanged by the Ballot Measure)

The following provisions were textually unchanged, but would be subject to voter approval, if amended, under the Ballot Measure:

As noted earlier, the Ballot Measure defines office space as “Offices, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions” (Sections 3.3.1, 3.3.2, 3.3.3, 3.3.4).

Section 4.1 states: “Except for as provided in Section 3.4.4 above [the City’s ability to raise the 680 units of net new residential uses cap under the ECR/D Specific Plan], the voter-adopted development standards and definitions set forth in Section 3 [emphasis added], above, may be repealed or amended only by a majority vote of the electorate of the City of Menlo Park voting ‘YES’ on a ballot measure proposing such repeal or amendment at a regular or special election.” Therefore, a provision, whether textually changed or unchanged under the Ballot Measure, is subject to voter control if it is (1) set forth in Section 3 and (2) adopted by the voters; (3) except for the City’s ability to raise the 680 units of net new residential uses cap.

The adopted ECR/D Specific Plan boundary map can be found on pg. A7, Figure A3 “Plan Area Map”, of the ECR/D Specific Plan.
Menlo Park Ballot Measure Impact Analysis

- The definition of “Private Open Space” in the ECR/D Specific Plan’s appendix (Section 3.2.2).
- The definition of “Common Outdoor Open Space” in the ECR/D Specific Plan’s appendix (Section 3.2.3).
- ECR/D Specific Plan Standard E.3.6.01 setting open space requirements for residential and mixed-use developments (Section 3.2.4).
- The Commercial Use Classification for “Offices, Business and Professional” in the ECR/D Specific Plan’s appendix (Section 3.3.1).
- The Commercial Use Classification for “Offices, Medical and Dental” in the ECR/D Specific Plan’s appendix (Section 3.3.2).
- The Commercial Use Classification for “Banks and Other Financial Institutions” in the ECR/D Specific Plan’s appendix (Section 3.3.3).

Consistency with Governing City Policy and Important Regional Plans

The Ballot Measure’s consistency with the following governing policy and important regional plans was considered and is detailed further in Chapter 2, “Policy Consistency Analysis”:

- Governing policy: The Menlo Park General Plan and Zoning Ordinance (Municipal Code Title 16)
- Important regional plans: Plan Bay Area and the Grand Boulevard Initiative

The Menlo Park General Plan and Zoning Ordinance

Per Government Code Section 65454, no specific plan may be adopted or amended unless the proposed plan or amendment is consistent with the jurisdiction’s general plan. Both Menlo Park’s General Plan and Zoning Ordinance were amended to accommodate the ECR/D Specific Plan and, by effect, certain amendments to the ECR/D Specific Plan. According to the staff report for a City Council meeting on April 9, Chapter 16.58 “SP-ECR/D El Camino Real/Downtown Specific Plan”, section 16.58.020 “El Camino Real/Downtown specific plan,” states “Uses, development regulations, guidelines, definitions, off-street parking requirements, and other parameters for public and private development are established through the El Camino Real/Downtown specific plan…” The Menlo Park General Plan describes the El Camino Real/Downtown Specific Plan land use designation as, “This designation provides for a variety of retail, office, residential, personal services, and public and semi public uses, as specified in detail in the El Camino Real/Downtown Specific Plan…”
Menlo Park Ballot Measure Impact Analysis

30, 2012, this action was taken to ensure the ECR/D Specific Plan will serve as an “all-inclusive” document,” meaning that project applicants could refer to the Plan “to understand the goals, standards, guidelines, and other regulations that apply, and would not need to also frequently cross-reference the Zoning Ordinance, General Plan, or other City document.”

For the ECR/D Specific Plan to serve as an “all-inclusive” document, the City amended its General Plan to create the El Camino Real/Downtown Specific Plan land use designation. The General Plan defers to the ECR/D Specific Plan to set development standards within its area, except as to particular floor area ratios (“FAR”) and residential intensity limits. Therefore, an amendment to the ECR/D Specific Plan is likely consistent with the General Plan so long as it is limited to the area governed by the ECR/D Specific Plan and does not change the above-stated FAR or residential intensity limits.

The City also amended its Zoning Ordinance, found in Title 16 of its Municipal Code. Section 16.58 of the Zoning Ordinance establishes the SP-ECR/D EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN zoning category and similarly defers to the ECR/D Specific Plan for guidelines and regulations concerning uses in the area.

Given the City’s amendments to the General Plan and Zoning Code to accommodate the ECR/D Specific Plan, and that the Ballot Measure does not alter the General Plan’s FAR or residential intensity limits, the changes proposed by the Ballot measure are consistent with the General Plan.

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10 “This [The El Camino Real/Downtown Specific Plan] designation provides for a variety of retail, office, residential, personal services, and public and semipublic uses, as specified in detail in the El Camino Real/Downtown Specific Plan. The maximum FAR shall be in the range of 85 percent to 200 percent (base-level maximum) or 100 percent to 225 percent (public benefit bonus-level maximum). Office (inclusive of medical and dental offices) FAR is limited to one-half of the appropriate total FAR, and medical and dental office FAR is limited to one-third of the appropriate total FAR. Residential intensity shall be in the range of between 18.5 to 50 units per net acre (base-level maximum) or 25 to 60 units per net acre (public benefit bonus-level maximum)” (General Plan, p. II-3).

11 “Uses, development regulations, guidelines, definitions, off-street parking requirements, and other parameters for public and private development are established through the El Camino Real/Downtown Specific Plan. All modifications to this chapter or to the El Camino Real/Downtown Specific Plan require review and recommendation by the Planning Commission and review and approval by the City Council through public hearings in accordance with Chapter 16.88 and applicable law. (Ord. 979 § 6 (part), 2012)” (Municipal Code Section 16.58.020).

12 As discussed later in this Executive Summary and further in Chapters 1 and 2, the Ballot Measure adopts the Vision Plan Area Map on Page 2 of the 2008 El Camino Real/Downtown Vision Plan as the “ECR/D Specific Plan Area” (Section 3.1). Although the 2008 map shown in the Ballot Measure precedes the 2012 ECR/D Specific Plan area map, the boundaries of the two maps appear similar.
Menlo Park Ballot Measure Impact Analysis

**Important Regional Plans**

**Plan Bay Area**

On April 22, 2010, the San Francisco Bay Area’s four regional government agencies—the Association of Bay Area Governments (“ABAG”), the Bay Area Air Quality Management District (“BAAQMD”), the Bay Conservation and Development Commission (“BCDC”) and the Metropolitan Transportation Commission (“MTC”)—launched One Bay Area to address issues such as transportation infrastructure, housing, and clean air, among others. One Bay Area aims to “coordinate efforts among the Bay Area’s nine counties and 101 towns and cities to create a more sustainable future,” ([http://www.onebayarea.org](http://www.onebayarea.org)). In July 2013, One Bay Area adopted Plan Bay Area, a “long-range integrated transportation and land-use/housing strategy through 2040 for the San Francisco Bay Area” ([http://www.onebayarea.org](http://www.onebayarea.org)).

Designed to meet the goals of the California Sustainable Communities and Climate Protection Act of 2008 (SB 375), Plan Bay Area identifies areas for focused, intensified development surrounding transportation corridors and employment hubs among other variables. The Menlo Park El Camino Real corridor is identified as one such area, and by further limiting the amount of net new office space\(^{13}\), the Ballot Measure shifts the burden of accommodating demand for new office space to surrounding areas that may or may not be farther away from transit hubs and corridors.

**Grand Boulevard Initiative**

Adopted in 1996, the Grand Boulevard Initiative (“GBI”) presents a collaborative effort among local and regional Bay Area agencies and the 19 cities in which the El Camino Real Corridor is found. GBI proposes Guiding Principles that address focusing job and housing growth along the El Camino Real Corridor, creating an improved pedestrian-oriented environment with increased bicycle connectivity, and encouraging compact, mixed-use development, among other topics.

The Ballot Measure’s restrictions on Office Space may further limit ability of the ECR/D Specific Plan area to maximize job provision in new development. The Ballot Measure proposes open space revisions that have the potential to improve the pedestrian environment, but it falls short of ensuring open space within four feet of ground level is situated in such a way that it would contribute to the pedestrian realm.

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\(^{13}\) Office uses are generally considered one of the most intense uses in terms of the employee per square foot measure.
Menlo Park Ballot Measure Impact Analysis

**Ballot Measure Impacts**

As stated above, one of the key questions this report looks to answer is, “If passed, how would the Measure impact housing, vacant and underutilized land development, business and employment attraction and retention, fiscal matters, and infrastructure development in the ECR/D Specific Plan area?” A summary of these impacts is provided in table format below. The tables are organized according to the key topic areas in Chapters 2 through 6 of this Report.

**Land Use & Zoning Consistency (See Chapter 2)**

<table>
<thead>
<tr>
<th>Land Use &amp; Zoning Consistency</th>
<th>Findings</th>
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<tbody>
<tr>
<td>General Plan Policies</td>
<td>No Impact</td>
</tr>
<tr>
<td></td>
<td>Adoption of the Ballot Measure’s open space regulations, office space caps, or “voter control” language would not lead to inconsistencies between the ECR/D Specific Plan and the City’s General Plan policies, as the General Plan adopts the ECR/D Specific Plan in its entirety as its own land use designation category. (See Section 2.2 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Zoning Ordinance</td>
<td>No Impact</td>
</tr>
<tr>
<td></td>
<td>Adoption of the Ballot Measure’s open space regulations, office space caps, or “voter control” language would not lead to inconsistencies between the ECR/D Specific Plan and the City’s Zoning Ordinance, as the Zoning Ordinance adopts the ECR/D Specific Plan in its entirety as its own zoning designation. (See Section 2.3 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Regional Implications</td>
<td>Impact</td>
</tr>
<tr>
<td></td>
<td>Adoption of the Ballot Measure’s Open Space regulations, office space caps, or “voter control” language would not lead to inconsistencies between the ECR/D Specific Plan and Regional Planning Documents. However, the limitation on office space introduced by the Ballot Measure could discourage job growth in the Plan Area and shift this growth to other areas in the City or to other jurisdictions. These shifts could impact transportation patterns and the daytime-nighttime balance in uses. (See Section 2.4 in this Report for further discussion.)</td>
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## Housing Impacts (See Chapter 3)

<table>
<thead>
<tr>
<th>Housing Impacts</th>
<th>Findings</th>
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<tbody>
<tr>
<td><strong>Change in Open Space Regulations</strong></td>
<td><strong>Impact</strong></td>
</tr>
<tr>
<td></td>
<td>Maximum residential build-out in both the highest intensity (ECR SA-W) and lowest (ECR NE-L) EC/R/D Specific Plan zoning designations is possible under the Ballot Measure’s Open Space requirements. However, the Open Space revisions may lead to competing demands with other required land uses, including parking. Consequently, adoption of the Ballot Measure’s Open Space requirements may:</td>
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<tr>
<td></td>
<td>• Reduce the likelihood that residential development occurs in zoning districts that have open space requirements only for residential uses.</td>
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<tr>
<td></td>
<td>• Reduce provision of private open space in residential developments.</td>
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<tr>
<td></td>
<td>(See Section 3.2 in this Report for further discussion.)</td>
</tr>
<tr>
<td><strong>Cap on Ballot Measure-defined Office Space Development</strong></td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td>Jobs:Housing Ratio</td>
<td>Adoption of the Ballot Measure’s Office Space development cap would not directly impact the number of net new jobs expected in the EC/R/D SP area, and the maximum number of dwelling units, 680, allowed in the Plan area is not changed by the Ballot Measure. Therefore, the Jobs:Housing ratio would not be impacted by the Ballot Measure.</td>
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<tr>
<td></td>
<td>There does remain the possibility that Ballot Measure voter approval requirements stymies future development. If this were to occur, the Jobs:Housing ratio could be impacted. Since the Ballot Measure impacts residential and nonresidential development differently, it is difficult to estimate if the impact would be positive or negative in the aggregate.</td>
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<tr>
<td></td>
<td>(See Section 3.3.1 in this Report for further discussion.)</td>
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<tr>
<td><strong>Voter Controls</strong></td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td></td>
<td>The Ballot Measure does not impact the maximum number of dwelling units, 680, allowed in the Plan area. (See Section 3.4 in this Report for further discussion.)</td>
</tr>
<tr>
<td><strong>Consistency with Housing Element</strong></td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td></td>
<td>Adoption of the Ballot Measure would not lead to inconsistencies between the EC/R/D Specific Plan and the Housing Element.</td>
</tr>
<tr>
<td></td>
<td>The Ballot Measure does not directly reduce potential housing development and maintains EC/R/D Specific Plan zoning densities, which meet and/or exceed the State Department of Housing and Community Development requirements for affordable housing (minimum 30 du/ac). NOTE: Housing Affordability is addressed in the next section.</td>
</tr>
<tr>
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<td>(See Section 3.5 in this Report for further discussion.)</td>
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</tbody>
</table>
**Impacts to Private Development and Business (See Chapter 4)**

<table>
<thead>
<tr>
<th>Impacts to Private Develop. &amp; Bus.</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Open Space Regulations</td>
<td><strong>No Impact</strong>&lt;br&gt;A adoption of the Ballot Measure’s Open Space requirements, likely does not hinder development of maximum residential build-out in both the highest intensity (ECR SA-W) and lowest (ECR NE-L) ECR/D Specific Plan area zoning designations. However, the Open Space revisions lead to competing demands with other required land uses at or near ground level, including parking. (See Section 4.2.1 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Achieving Maximum Build-out</td>
<td><strong>Impact</strong>&lt;br&gt;Soft costs and financing costs will generally remain the same (until the development caps are met and the voter controls kick in); however, hard costs will increase as a result of the open space requirements and competing demands for ground level uses. Therefore the most likely capital cost category to decrease would be acquisition (land) costs. It is also likely that the Measure could have upward pressure on rents. The market may not bear the higher rents (or increases in parking or other ancillary fees) the project would need to command to maintain feasibility and, as a result, businesses may locate elsewhere. Another potential outcome is that land owners may decide to not sell property to the developer at the lower land price point supported by the project. (See Section 4.2.2 for further discussion.)</td>
</tr>
<tr>
<td>Financial Feasibility of Development</td>
<td><strong>Impact</strong>&lt;br&gt;The Ballot Measure open space requirements could decrease overall housing affordability and increase the difficulty of executing affordable housing projects (a key source of BMR production).</td>
</tr>
<tr>
<td>Housing Affordability &amp; BMR Production</td>
<td><strong>Impact</strong>&lt;br&gt;The Ballot Measure’s restrictions on office space may significantly alter the shape and state of pending development in the area. Passage of the Ballot Measure will likely (1) change the character of mixed-use development, (2) render major pending projects unfeasible as currently proposed, and (3) diminish advantages associated with the Stanford-owned property identified as an opportunity site in the ECR/D Specific Plan. (See Section 4.3.1 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Cap on Ballot Measure-defined Office Space Development</td>
<td><strong>Impact</strong>&lt;br&gt;Voter approval of the Ballot Measure could create a rush of applications for Office Space project entitlements. Increased competition driven by a cap placed below market demand could strengthen the City’s power to negotiate with developers and generate greater public benefits. However, the City currently does not have a mechanism in place to capture potential benefits from increased competition for entitlements (See Section 4.3.2 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Make-up of Pending Development</td>
<td><strong>Impact</strong>&lt;br&gt;The Ballot Measure’s restrictions on office space may significantly alter the shape and state of pending development in the area. Passage of the Ballot Measure will likely (1) change the character of mixed-use development, (2) render major pending projects unfeasible as currently proposed, and (3) diminish advantages associated with the Stanford-owned property identified as an opportunity site in the ECR/D Specific Plan. (See Section 4.3.1 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Competition for Entitlements</td>
<td><strong>Impact</strong>&lt;br&gt;Voter approval of the Ballot Measure could create a rush of applications for Office Space project entitlements. Increased competition driven by a cap placed below market demand could strengthen the City’s power to negotiate with developers and generate greater public benefits. However, the City currently does not have a mechanism in place to capture potential benefits from increased competition for entitlements (See Section 4.3.2 in this Report for further discussion.)</td>
</tr>
</tbody>
</table>
### Menlo Park Ballot Measure Impact Analysis

<table>
<thead>
<tr>
<th>Cost of Doing Business</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Voter approval of the Ballot Measure could lead to a supply/demand imbalance. The demand for office space may outpace the supply of office space, increasing the value of office space and corresponding rents. As a result, businesses may choose to relocate outside of the ECR/D Specific Plan area. (See Section 4.3.3 in this Report for further discussion.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monitoring Development Caps</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Ballot Measure will likely complicate the City’s process of monitoring development caps. Unintended consequences include (1) expending greater City resources, (2) diminishing clarity in the development entitlement process and enforcement policies, and (3) exposing the City to escalated disputes and litigation. (See Section 4.3.4 in this Report for further discussion.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Voter Controls</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty in the Entitlement Process</td>
<td>Approval of the Ballot Measure would create an “open-ended” political process of voter approval (once the development caps are met) that increases investment risk and would greatly reduce the overall feasibility and attractiveness of development projects in the ECR/D Specific Plan area. (See Section 4.4.1 in this Report for further discussion.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost to Developers</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of the Ballot Measure’s “voter approval” requirement will add development costs that go beyond conventional planning review (once the development caps are met) and will reduce the willingness of developers to risk capital investment. This will particularly impact small landowners or developers that would be put at a disadvantage because of the cost of elections. (See Section 4.4.2 in this Report for further discussion.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-friendliness</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>The lack of “voter approval” in competing markets could make Menlo Park’s ECR/D Specific Plan area less attractive to development (once the development caps are met). The result may be a dampening or complete stoppage of future non-residential development in the ECR/D Specific Plan area as developers invest elsewhere. (See Section 4.4.3 for further discussion.)</td>
<td></td>
</tr>
</tbody>
</table>
Fiscal Impacts (See Chapter 5)

<table>
<thead>
<tr>
<th>Fiscal Impacts</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Open Space Regulations</td>
<td><strong>No Impact</strong>&lt;br&gt;Adoption of the Ballot Measure’s Open Space regulations should not have a measurable fiscal impact on the City’s General Fund or Special Districts’ revenues. (See Chapter 5 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Cap on Ballot Measure-defined Office Space Development</td>
<td><strong>Impact</strong>&lt;br&gt;The ECR/D Specific Plan revenue is heavily dependent upon transient-occupancy tax (“TOT”). Without adequate non-residential square foot space to accommodate hotels/motels (i.e. office space consumes much of the development cap), the lack of TOT revenue would most likely result in negative fiscal impacts to the General Fund.&lt;br&gt;Special Districts are more dependent upon property tax revenue or are driven by the number of household residents. As a result, approval of the Ballot Measure should not have a substantial impact on Special Districts as compared to the ECR/D Specific Plan. (See Chapter 5 in this Report for further discussion.)</td>
</tr>
</tbody>
</table>
## Infrastructure Impacts (See Chapter 6)

<table>
<thead>
<tr>
<th>Infrastructure Impacts</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic</td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td></td>
<td>The Ballot Measure would not uniquely create more additional trips than the ECR/D Specific Plan Baseline scenario.</td>
</tr>
<tr>
<td></td>
<td>However, in that the Ballot Measure would preclude net new office build-out in excess of 240,820 square feet, the Ballot Measure would preclude some traffic scenarios that could entail fewer trips than the ECR/D Specific Plan Base scenario (because office uses produce lower trip generation rates than other uses such as retail, but more than uses such as hotels.) (See Section 6.2 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Greenhouse Gas Emissions</td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td></td>
<td>Approval of the Ballot Measure would not lead to substantial increases in GHG emissions as compared to the ECR/D Specific Plan. The City can provide mitigation options that offset GHG emissions to a developer during the entitlement process. (See Section 6.3 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Water Usage and Systems</td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td></td>
<td>Approval of the Ballot Measure should not increase water demand beyond the capacity of the existing water systems. (See Section 6.4 in this Report for further discussion.)</td>
</tr>
<tr>
<td>Funding for Future Projects</td>
<td><strong>No Impact</strong></td>
</tr>
<tr>
<td></td>
<td>The Ballot Measure would not affect the City’s ability to consider a range of infrastructure funding alternatives identified in the ECR/D Specific Plan. In the short and medium-term, the Ballot Measure office limitations may increase entitlements competition and increase developer contribution and Public Amenity Fund financing of infrastructure improvements.</td>
</tr>
<tr>
<td></td>
<td>In the long term, the impacts of the development caps and voter controls on City funding are difficult to estimate. For instance, to the extent that the Ballot Measure would not allow for an all-office non-residential build-out, as would be allowed under the ECR/D Specific Plan, the Ballot Measure could yield a greater debt capacity than the ECR/D Specific Plan. On the other hand, Ballot Measure caps limit future development and, consequently, the City’s revenue streams. (See Section 6.5 for further discussion.)</td>
</tr>
</tbody>
</table>

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Menlo Park Ballot Measure Impact Analysis

lisawiseconsulting.com | 58 Maiden Lane San Francisco, CA 94108
1.1 Background, Purpose, and Use of This Report

1.1.1 Background

In response to requests for site-specific General Plan and Zoning Ordinance amendments, the City undertook a comprehensive, long-range planning approach in the Menlo Park 2012 El Camino Real/Downtown Specific Plan ("ECR/D Specific Plan"). Through the ECR/D Specific Plan, the City proposed a deliberate and transparent process aimed at gathering community input and developing a community vision rather than planning on a transaction-by-transaction basis. The five-year ECR/D Specific Plan project included over 90 public meetings, was adopted by the City on June 12, 2012, and became effective July 12, 2012.

The ECR/D Specific Plan set a maximum allowable development limit at 680 units of residential uses and 474,000 square feet of non-residential uses (p. G16). Before the Plan’s adoption, a Final Environmental Review ("EIR") was certified on June 5, 2012. As prescribed by the California Environmental Quality Act ("CEQA"), the EIR studied the ECR/D Specific Plan’s environmental impacts and possible mitigation measures across a number of areas (CEQA Guidelines Section 15121(a)). The study was based on the ECR/D Specific Plan project description shown in Table 1-1 below.¹

<table>
<thead>
<tr>
<th>Table 1-1 ECR/D Specific Plan Project Description Studied in the Final EIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residences</td>
</tr>
<tr>
<td>Retail Space</td>
</tr>
<tr>
<td>Commercial Space</td>
</tr>
<tr>
<td>Hotel</td>
</tr>
<tr>
<td>Parking Spaces</td>
</tr>
<tr>
<td>Resident Population</td>
</tr>
<tr>
<td>Employment</td>
</tr>
</tbody>
</table>

¹ Aside from serving as the project description studied in the EIR, this build-out is also presented as an “Illustrative Plan” in the ECR/D Specific Plan document (p. C20). The Plan provides the following qualification for this build-out:

"It is important to emphasize that the Illustrative Plan indicates only one potential development concept and that the actual build-out will likely vary from the initial projection over 20 to 30 years” (p. C20).
Source: Menlo Park El Camino Real/Downtown Specific Plan, Figure A3.
Menlo Park Ballot Measure Impact Analysis

On February 19, 2014, the City received a Notice of Intent to place a measure on the ballot ("Ballot Measure" or "Measure") for voter consideration that would modify the ECR/D Specific Plan. Generally, the Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of items within the Plan.

As permitted by California Election Code Section 9212, the City Council requested a report on the impacts of the Ballot Measure. Under Section 9212(a), the City Council may refer a ballot measure to an agency for a report on any of the following:

- "Its effect on the internal consistency of the city’s general and specific plans...and zoning" (Section 9212(a)(2))
- "Its effect on the use of land, the impact on availability and location of housing, and the ability of the city to meet its regional housing needs" (Section 9212(a)(3))
- "Its impacts on uses of vacant parcels of land" (Section 9212(a)(6))
- "Its impacts on the community’s ability to attract and retain business and employment” (Section 9212(a)(5))
- "Its fiscal impacts” (Section 9212(a)(1))
- "Its impact on infrastructure of all types” (Section 9212(a)(4))
- "Any other matters the legislative body [here, the City Council] requests to be in the report” (Section 9212(a)(8))

1.1.2 Purpose

Within the scope prescribed by the City, the purpose of this Report is to provide a professional and objective analysis of the potential impacts of the Ballot Measure to the ECR/D Specific Plan and the City of Menlo Park. This Report answers the following three questions:

- What amendments to the ECR/D Specific Plan and other changes does the Measure propose?
- Is the Measure consistent with governing policy and important regional plans?
• If passed, how would the Measure impact the following in the ECR/D Specific Plan area: housing, vacant and underutilized land development, business and employment attraction and retention, fiscal matters, and infrastructure?

1.1.3 Use of this Report

This Report was developed to assess the Ballot Measure’s impacts as set forth by the City. The findings in this Report reflect the professional opinion of the Lisa Wise Consulting, Inc. based on information available at the time of drafting.

This Report is not an endorsement either for or against the Ballot Measure.

This Report is not a substitute for an Environmental Impact Report consistent with requirements under the California Environmental Quality Act (“CEQA”).

This Report is not a replacement of or supplement to any fiscal, market, or technical study conducted for the ECR/D Specific Plan. Further, no hypothetical scenario presented in this Report is intended to convey an opinion as to the actual or optimal market, fiscal, or infrastructure conditions in which the ECR/D Specific Plan may operate. As explained later, the build-out scenarios modeled in this Report were designed to represent the high and low ranges of possible outcomes.

1.2 The Proposed Ballot Measure

Per California Elections Code Section 9203, the City prepared the following title for the Ballot Measure:

“AN INITIATIVE MEASURE PROPOSING AMENDMENTS TO THE CITY OF MENLO PARK GENERAL PLAN AND MENLO PARK 2012 EL CAMINO REAL/DOU TOWN SPECIFIC PLAN LIMITING OFFICE DEVELOPMENT, MODIFYING OPEN SPACE REQUIREMENTS, AND REQUIRING VOTER APPROVAL FOR NEW NON-RESIDENTIAL PROJECTS THAT EXCEED SPECIFIED DEVELOPMENT LIMITS”

Generally, the Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of ECR/D Specific Plan components (“voter control”).

The Measure is organized into eight sections, three of which carry important relevance to assessing the Measure’s impact:
Menlo Park Ballot Measure Impact Analysis

- **Section 3. ECR/D SPECIFIC PLAN AREA VOTER-ADOPTED DEVELOPMENT DEFINITIONS AND STANDARDS:** Section 3 serves two key functions: First, it details the Measure’s amendments to the ECR/D Specific Plan. Second, it lists a number of provisions existing in the ECR/D Specific Plan that, while textually unchanged by the Measure, are to be “adopted by the voters” upon passage of the Measure. This second function is integral to understanding the extent of voter control established in Section 4.

- **Section 4. NO AMENDMENTS OR REPEAL WITHOUT VOTER APPROVAL:** Section 4 sets the parameters for which items under the Ballot Measure and the ECR/D Specific Plan will be subject to change only via voter approval, which include those expressly “adopted by the voters.”

- **Section 8. EXEMPTIONS FOR CERTAIN PROJECTS:** Section 8 establishes the conditions by which development projects will be exempt from the requirements established by the Measure. This section is discussed further in Chapter 4 of this Report.

Because key aspects of the Measure are interwoven throughout the following sections, the changes to the ECR/D Specific Plan proposed by the Measure are presented by type of change.

### 1.2.1 Change in Open Space Regulations

Section 3.2 of the Ballot Measure focuses on the definition and regulation of open space and is summarized in the table below. Additional detail follows.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Changes to the ECR/D Specific Plan (Reference to Ballot Measure Sections)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location of Open Space Counted toward Minimum Requirements</td>
<td>Unlike the ECR/D Specific Plan, the Ballot Measure prohibits Open Space located more than 4 feet above the ground floor from counting toward minimum open space requirements for proposed developments (Sections 3.2.1, 3.2.5, 3.2.6).</td>
</tr>
</tbody>
</table>

**As Adopted in the ECR/D Specific Plan**

The ECR/D Specific Plan’s glossary defines open space generally as quoted below. For purposes of this Report, the ECR/D Specific Plan’s definition of open space is composed...
of three parts—(Part 1) what form open space may take, (Part 2) where open space may be located, and (Part 3) other open space characteristics.

“Open Space (general): [Part 1:] The portion of the building site that is open, unobstructed and unoccupied, and otherwise preserved from development, and used for public or private use, including plazas, parks, walkways, landscaping, patios and balconies. It is inclusive of Common Outdoor Open Space, Private Open Space and Public Open Space . . . [Part 2:] It is typically located at ground level, though it includes open space atop a podium, if provided, and upper story balconies. [Part 3:] Open space is also land that is essentially unimproved and devoted to the conservation of natural resources” (p. H10).

Further, as stated in Part 1 of the definition above, the ECR/D Specific Plan identifies three subtypes of open space—common outdoor open space, private open space, and public open space. These definitions are stated in the ECR/D Specific Plan as:

- **Common Outdoor Open Space:** “Usable outdoor space commonly accessible to all residents and users of the building for the purpose of passive or active recreation” (p. H8).

- **Private Open Space:** “An area connected or immediately adjacent to a dwelling unit. The space can be a balcony, porch, ground or above grade patio or roof deck used exclusively by the occupants of the dwelling unit and their guests” (p. H11).

- **Public Open Space:** “The open space, both green space and paved civic space, to which there is public access on a constant or regular basis, or for designated daily periods” (p. H11).

**Amended by the Ballot Measure**

The Ballot Measure would amend the ECR/D Specific Plan’s definition of general open space by changing Part 2 from above—where open space may be located—to include a new regulatory provision. Whereas the ECR/D Specific Plan allows open space to be located “atop a podium” and “upper story balconies,” the Measure would limit such application to no higher than 4 feet above ground level when counted towards minimum open space requirements. Section 3.2.1 of the Measure reads:
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“Open space up to 4 feet in height associated with ground floor level development or atop a podium up to 4 feet high, if provided, shall count toward the minimum open space requirement for proposed development. Open space greater than 4 feet in height, whether associated with upper story balconies, patios or roof decks, or atop a podium, if provided, shall not count toward the minimum open space requirement for proposed development.”

The Ballot Measure would not textually change Parts 1 or 3 of the ECR/D Specific Plan open space definition shown above. As shown in the previous section, Part 1 states that open space is “inclusive of Common Outdoor Open Space, Private Open Space and Public Open Space [its three subtypes].” Since Part 1 remains textually unchanged, the Measure’s 4-foot height regulation would apply to general open space and its three subtypes.

Along with the above definition amendment, the Measure expressly makes the same change in open space application in two other parts of the ECR/D Specific Plan—Measure Section 3.2.5 amends the ECR/D Specific Plan’s residential open space requirement in Standard E.3.6.02 and Measure Section 3.2.6 amends Tables E6 through E15.

1.2.2 Cap on Ballot Measure-defined Office Space Development

Section 3.3 of the Ballot Measure focuses on the definition of office space and introduces regulations limiting “Office Space” uses within the Specific Plan area. Section 3.4 of the Ballot Measure focuses on limitations on the total amount of “Office Space” uses within the Specific Plan area. Measure Sections 3.3 and 3.4 are summarized in the table below. Additional detail follows.
Table 1-3 Ballot Measure Proposed Changes in Office Space Restrictions to the ECR/D Specific Plan

<table>
<thead>
<tr>
<th>Topic</th>
<th>Changes to the ECR/D Specific Plan (Reference to Ballot Measure Sections)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of Office Space</td>
<td>Whereas the ECR/D Specific Plan does not expressly define “Office Space,” the Ballot Measure defines “Office Space” by aggregating three commercial classifications found in the ECR/D Specific Plan’s appendix—“Offices, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions” (Sections 3.3.1, 3.3.2, 3.3.3, 3.3.4).</td>
</tr>
<tr>
<td>Cap on Office Space Per Project</td>
<td>The ECR/D Specific Plan restricts office development per development project by imposing three limitations—two Floor Area Ratio (“FAR”) limitations originally adopted in the ECR/D Specific Plan and one square foot limitation added by a City Council-directed change. The Ballot Measure places an additional 100,000 square foot cap on Ballot Measure-defined office space per individual development project (Section 3.3.5). The Measure considers all phases of a multi-phase project collectively as an individual project (Section 3.3.6).</td>
</tr>
<tr>
<td>Cap on Net New Office Space in the Plan Area</td>
<td>The ECR/D Specific Plan places maximum development caps for the Specific Plan area at 680 units of net new residential uses and 474,000 square feet of net new non-residential uses from the date it became effective on July 12, 2012, without a Specific Plan amendment (p. G16). The Ballot Measure introduces a cap of 240,820 square feet of net new office space effective from July 12, 2012 (Sections 3.4.2, 3.4.3). The Ballot Measure also introduces record keeping requirements associated with the new Office Cap (Section 3.4.3). The Ballot Measure requires voter approval to increase the allowable number of net new non-residential or office space development square feet, but not to increase the allowable number of net new residential units (Section 3.4.4). Please note that this is not the only provision subject to voter control under the Ballot Measure. See Table 1.4 and Section 1.2.3 in this Chapter for further discussion of voter control requirements under the Ballot Measure.</td>
</tr>
</tbody>
</table>

As Adopted in the ECR/D Specific Plan

The ECR/D Specific Plan establishes the following standards for maximum allowable development in its area (ECR/D Specific Plan p. G16):

- 680 units of net new residential uses; and

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2 The ECR/D Specific Plan limits the use category “Office, Business and Professional” to “no greater than one half the base or public benefit bonus FAR” (ECR/D Specific Plan p. E6). The ECR/D Specific Plan limits the use category “Office, Medical and Dental” to “no greater than one third the base or public benefit bonus FAR” (ECR/D Specific Plan p. E6). On November 19, 2013, the City Council amended the ECR/D Specific Plan to also include a 33,333 square foot per-project cap on the “Office, Medical and Dental” use in the El Camino Real Mixed Use and El Camino Real Mixed Use/Residential land use designations.
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- 474,000 square feet of net new non-residential uses (including retail, office, and hotel)

The ECR/D Specific Plan makes clear the purpose behind the delineation between residential and non-residential uses:

“The Specific Plan divides the maximum allowable development between residential and non-residential uses as shown, recognizing the particular impacts from residential development (e.g., on schools and parks) while otherwise allowing market forces to determine the final combination of development types over time” (ECR/D Specific Plan p. G16).

Although the ECR/D Specific Plan does not distinguish uses beyond residential and non-residential for purposes of the maximum development cap, it does classify commercial uses for definitional purposes. The ECR/D Specific Plan refers to “office space” at several points, but does not provide a direct definition of the term. It does define the following related uses:

- Offices, Business and Professional: “Offices of firms or organizations providing professional, executive, management, or administrative services, such as accounting, advertising, architectural, computer software design, engineering, graphic design, insurance, interior design, investment, and legal offices. This classification excludes hospitals, banks, and savings and loan associations” (ECR/D Specific Plan p. H5).

- Offices, Medical and Dental: “Offices for a physician, dentist, or chiropractor, including medical/dental laboratories incidental to the medical office use. This classification excludes medical marijuana dispensing facilities, as defined in the California Health and Safety Code” (ECR/D Specific Plan p. H5).

- Banks and Other Financial Institutions: “Financial institutions providing retail banking services. This classification includes only those institutions engaged in the on-site circulation of money, including credit unions” (ECR/D Specific Plan p. H4).

The ECR/D Specific Plan restricts Office development per development project by imposing three limitations—two Floor Area Ratio (“FAR”) limitations originally adopted in the ECR/D Specific Plan and one square foot limitation added by a City Council-directed change:
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• **Standard E.3.1.01:** “Business and Professional office (inclusive of medical and dental office) shall not exceed one half of the base FAR or public benefit bonus FAR, whichever is applicable” (p. E16).

• **Standard E.3.1.02:** “Medical and Dental office shall not exceed one third of the base FAR or public benefit bonus FAR, whichever is applicable” (p. E16).

• **Medical and Dental office** “is additionally limited to a absolute maximum of 33,333 square feet per development project.”

As provided in the ECR/D Specific Plan definitions, Business and Professional office excludes “hospitals, banks, and savings and loan associations” and Medical and Dental office excludes “medical marijuana dispensing facilities, as defined in the California Health and Safety Code.” The limitations above do not apply to these excluded uses.

**Amended by the Ballot Measure**

The Ballot Measure would amend the ECR/D Specific Plan’s maximum allowable development to include added restrictions for office space development. In setting these restrictions, the Measure (1) establishes its meaning of “office space,” (2) caps office space at 100,000 square feet per individual project, and (3) caps net new office space at 240,820 square feet for the ECR/D Specific Plan area.

The Definition of Office Space

Although the Measure does not add a new definition of office space to the text of the ECR/D Specific Plan, it does create and incorporate its own definition. There are two parts to this process. First, the Measure’s voters adopt the ECR/D Specific Plan’s above “Commercial Use Classifications” of “Offices, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions” (Measure Sections 3.3.1, 3.3.2, 3.3.3). Second, these “voter-adopted Commercial Use Classifications are hereby collectively referred to in this measure as ‘Office Space’” (Measure Section 3.3.4).

The Ballot-Measure definition of Office Space brings two additional changes: (1) inclusion of the “Banks and Other Financial Institutions” classification in the definition of Office Space and (2) a misalignment with the use classifications studied in the EIR.

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Inclusion of the “Banks and Other Financial Institutions”

The ECR/D Specific Plan expressly excludes “banks and savings and loan institutions” from its classification of Business and Professional office. The Ballot Measure would incorporate this classification of Business and Professional office, exclusions of banks and all, as well as the ECR/D Specific Plan’s classification of Banks and Other Financial Institutions into its new Office Space definition.

Misalignment of Use Classifications

As discussed in the next section, the Ballot Measure enacts two caps on Office development as described below—a cap on Office Space per project and a cap on net new Office Space in the ECR/D Specific Plan area. Concerning the second cap, the Ballot Measure implies equivalence between its definition of Office Space and the Commercial Space studied in the EIR. Section 3.4.2 of the Ballot Measure states:

“The Final Environmental Impact Report (EIR) for the ECR Specific Plan, as certified by the City on June 5 2012, at page 3-11, states that it conceptually analyzes net, new development of 240,820 square feet of Commercial Space. After this measure becomes effective, the maximum square footage of all net, new Office Space that may be approved, entitled, permitted, or otherwise authorized by the City in the aggregate within the ECR Specific Plan Area after the ECR Specific Plan’s adoption on July 12, 2012 shall not exceed the 240,820 square feet of Commercial Space disclosed and analyzed in the ECR Specific Plan EIR.”

However, Office Space as defined in the Ballot Measure is a subset of classifications comprising Commercial Space in the ECR/D Specific Plan. In addition to the three commercial use classifications above making up the Ballot Measure’s definition of Office Space, the ECR/D Specific Plan’s defines ten other commercial use classifications and seven use classifications under public, semipublic, and service. By exclusion, these 17 additional uses would be examples of non-office space under the Ballot Initiative (ECR/D Specific Plan p. H3-H6). Figure 1-2 below illustrates land use classifications defined in the ECR/D Specific Plan that constitute “Office Space” under the Ballot Measure and those that do not.
Figure 1-2 ECR/D Specific Plan Classifications Constituting Office Space under the Ballot Measure

Cap on Office Space per Project

If passed, the Measure would cap office space per individual project at 100,000 square feet. There are two elements to this cap—the cap itself and a related enforcement provision.
Concerning the cap itself, Ballot Measure Section 3.3.5 states:

"After this measure becomes effective, the maximum amount of office space that any individual development project proposal within the ECR/D Specific Plan area may contain is 100,000 square feet. No City elected or appointed official, or body, agency, staff member or officer may take, or permit to be taken, an action to permit any individual development project proposal located within the ECR/D Specific Plan Area that would exceed the foregoing limit."

The related enforcement provision pertains to the term “individual development project.” Section 3.3.6 of the Measure states that, for purposes of the per project office space cap, “all phases of a multi-phased project proposal shall be collectively considered an individual project.”

As discussed earlier, the ECR/D Specific Plan already applies three restrictions to office development per project. The Ballot Measures’ 100,000 square foot cap and inclusion of Banks and Other Financial Institutions in the definition of Office Space adds new considerations to per project restrictions as illustrated below:

**Figure 1-3 Caps on Office Development per Project Under ECR/D Specific Plan and the Ballot Measure**

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4 Should the Ballot Measure pass, the existing FAR and square foot per project restrictions in the ECR/D Specific Plan for office space would likely not apply to Banks and Other Financial Institutions for two reasons:

1. These limitations in the ECR/D Specific Plan expressly apply to Business and Professional office (which excludes Banks) and Medical and Dental office, not just office space generally.

2. The Ballot Measure adopts and does not change the definitions of Business and Professional office or Medical and Dental office.

However, it is possible that the Ballot Measure’s inclusion of Banks and Other Financial Institutions into its definition of Office Space could foster ambiguity concerning regulations applicable to the Bank and Other Financial Institutions classification.
Cap on Net New Office Space in the Plan Area

If passed, the measure would make three key changes to the limits under the ECR/D Specific Plan’s maximum allowable net new non-residential development—(1) establish a 240,820 square foot cap on net new office space, (2) change the statement concerning market forces to include the new square foot limitations, and (3) require the Planning Division to keep records of net new residential, non-residential, and office space development since the ECR/D Specific Plan effective date of July 12, 2012. These changes are made in Section 3.4.3 of the Measure.

First, Ballot Measure Section 3.4.3 amends the development caps on page G16 of the ECR/D Specific Plan to read:

“The Specific Plan establishes the maximum allowable net new development as follows:

Residential uses: 680 units; and

Non-residential uses including retail, office, and hotel: 474,000 Square Feet, with uses qualifying as Office Space under Section 3.3, above [referring to the Measure, and not the ECR/D Specific Plan], constituting no more than 240,820 Square Feet.”

As discussed earlier, the Measure does not amend the ECR/D Specific Plan to define “Office Space,” but does incorporate its own definition by referring to Measure Section 3.3. Figure 1-4 below illustrates how land use classifications defined in the ECR/D Specific Plan would apply to the development caps under both the Plan and the Ballot Measure, respectively.

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5 “The Specific Plan divides the maximum allowable development between residential and non-residential uses... recognizing the particular impacts from residential development (e.g., on schools and parks) while otherwise allowing market forces to determine the final combination of development types over time” (ECR/D Specific Plan p. G16).

6 The ECR/D Specific Plan does not explicitly require the City to record and track net new office space development in the Specific Plan Area. As will be discussed later in this Report, the defining and tracking of net new office space may pose certain challenges to the City.
According to Section 3.4.2 of the Measure, this office cap would be effective dating back to July 12, 2012 (the ECR/D Specific Plan was adopted on June 12, 2012 and became effective on July 12, 2012.)

Second, Measure Section 3.4.3 amends the ECR/D Specific Plan’s statement concerning market forces determining the make-up non-residential uses. The Measure
would add the following statement, emphasized below, referencing the net new office space cap:

“The Specific Plan divides the maximum allowable development between residential and non-residential uses as shown, recognizing the particular impacts from residential development (e.g., on schools and parks) while otherwise allowing market forces to determine the final combination of development types over time, subject to the Square Footage initiations stated above [emphasis added].”

Third, Measure Section 3.4.3 would require the Planning Division to “at all times maintain a publically available record” of items including the total number of residential units, non-residential square footage, and office space square footage approved for development since the ECR/D Specific Plan’s effective date of July 12, 2012, and the amount of room available under the cap.

As explained in the next section, the cap on net new Office Space, and other voter adoption provisions can only be changed by voter approval should the Ballot Measure pass.

1.2.3 Voter Controls

Under Section 4.1, a series of provisions of the Ballot Measure, if passed, could only be changed via voter approval. As will be explained in detail below, there are four categories of provisions related to voter control: (1) expressly exempted, (2) amended and voter-adopted, (3) unchanged and voter-adopted, (4) no statement of voter adoption.
### Table 1-4 Ballot Measure Proposed Voter Controls

<table>
<thead>
<tr>
<th>Category</th>
<th>Provisions (Reference to Ballot Measure Sections)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expressly Exempted</strong> (Not Subject to Voter Control)</td>
<td>The 680 units of net new residential uses cap under the ECR/D Specific Plan (Sections 3.4.4, 4.1).</td>
</tr>
<tr>
<td><strong>Amended and Voter-Adopted</strong> (Subject to Voter Control)</td>
<td>Open Space located more than 4 feet above the ground floor cannot count toward minimum open space requirements for proposed developments (Sections 3.2.1, 3.2.5, 3.2.6).</td>
</tr>
<tr>
<td></td>
<td>Definition of “Office Space,” created by aggregating three commercial classifications found in the ECR/D Specific Plan’s appendix—“Offices, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions” (Section 3.3.4).</td>
</tr>
<tr>
<td></td>
<td>Cap on Office Space per individual project at 100,000 square feet (Section 3.3.5).</td>
</tr>
<tr>
<td></td>
<td>Counting all phases of a multi-phase project collectively as an individual project (Section 3.3.6).</td>
</tr>
<tr>
<td></td>
<td>The cap on net new office space development at 240,820 square feet effective July 12, 2012, the change to the statement concerning market forces to include the new Office Space square foot limitations, and the modification of record keeping requirements associated with the new Office Cap (Sections 3.3.2, 3.3.4).</td>
</tr>
<tr>
<td></td>
<td>Requirement of voter approval to increase the allowable number of net new non-residential or office space development square feet, but not to increase the allowable number of net new residential units (Section 3.4.4).</td>
</tr>
<tr>
<td></td>
<td>The Ballot Measure adopts the Vision Plan Area Map on Page 2 of the 2008 El Camino Real/Downtown Vision Plan as the “ECR/D Specific Plan Area” (Section 3.1). This provision of the Ballot Measure that addresses the ECR/D SP Plan Area boundaries would be subject to voter control under the Ballot Measure.</td>
</tr>
<tr>
<td></td>
<td>Note that the 2008 map shown in the Ballot Measure precedes the 2012 ECR/D Specific Plan area map. The boundaries of the two maps appear similar.</td>
</tr>
<tr>
<td><strong>Unchanged and Voter-Adopted</strong> (Subject to Voter Control)</td>
<td>The definition of “Private Open Space” in the ECR/D Specific Plan’s appendix (Section 3.2.2).</td>
</tr>
<tr>
<td></td>
<td>The definition of “Common Outdoor Open Space” in the ECR/D Specific Plan’s appendix (Section 3.2.3).</td>
</tr>
<tr>
<td></td>
<td>ECR/D Specific Plan Standard E.3.6.01 setting open space requirements for residential and mixed-use developments (Section 3.2.4).</td>
</tr>
<tr>
<td></td>
<td>The Commercial Use Classification for “Offices, Business and Professional” in the ECR/D Specific Plan’s appendix (Section 3.3.1).</td>
</tr>
<tr>
<td></td>
<td>The Commercial Use Classification for “Offices, Medical and Dental” in the ECR/D Specific Plan’s appendix (Section 3.3.2).</td>
</tr>
<tr>
<td></td>
<td>The Commercial Use Classification for “Banks and Other Financial Institutions” in the ECR/D Specific Plan’s appendix (Section 3.3.3).</td>
</tr>
<tr>
<td><strong>No Statement of Voter Adoption</strong> (Likely Not Subject to Voter Control)</td>
<td>The Ballot Measure states that the 100,000 square foot cap on office space per project is in addition to “the applicable Floor Area Ratio (FAR) limitations, including Public Benefit Bonuses, which may apply to a proposed development” (Section 3.3.7). This is not expressly voter adopted.</td>
</tr>
</tbody>
</table>
As Adopted in the ECR/D Specific Plan

As adopted, the ECR/D Specific Plan does not require voter approval for amendments. The Plan does recommend that the City “conduct an ongoing review every two years after the initial review” and that these reviews should be performed by “both the Planning Commission and the City Council, and should incorporate public input” (ECR/D Specific Plan p. G16).

Amended by the Ballot Measure

If passed, the Ballot Measure would place a series of items related to the ECR/D Specific Plan under voter control, including those amended by the Measure and some that the Measure would not textually amend. Section 4.1 of the Measure sets the parameters for which items will be subject to voter control:

“Except for as provided in Section 3.4.4 above [the City’s ability to raise the 680 units of net new residential uses cap under the ECR/D Specific Plan], the voter-adopted development standards and definitions set forth in Section 3 [emphasis added], above, may be repealed or amended only by a majority vote of the electorate of the City of Menlo Park voting ‘YES’ on a ballot measure proposing such repeal or amendment at a regular or special election.”

A review of Ballot Measure Section 3 shows that the Measure took some definitions and standards from the ECR/D Specific Plan, printed them as adopted in the ECR/D Specific Plan, and then expressly stated that they are “hereby adopted by the voters.”

Based on parameters set in Measure Section 4.1 and language used in Measure Section 3, provisions in Measure Section 3 can be organized into four categories concerning voter control: (1) expressly exempted, (2) amended and voter-adopted, (3) unchanged and voter-adopted, (4) no statement of voter adoption.

7 For example, Section 3.2.2 adopts but does not change the definition of “Private Open Space:”

“As adopted on July 12, 2012, the ECR/D Specific Plan’s Appendix includes the following definition of ‘Private Open Space’: ‘An area connected or immediately adjacent to a dwelling unit. The space can be a balcony, porch, ground or above grade patio or roof deck used exclusively by the occupants of the dwelling unit and their guests.’ The foregoing definition is hereby adopted by the voters [emphasis added].”

Because the “Private Open Space” definition falls under Section 3 and is expressly “adopted by the voters,” Section 4.1 requires that it can be amended only by the voters.
Expressly Exempted

One provision is expressly exempted from the voter control requirement—ECR/D Specific Plan’s cap of 680 units of net new residential uses.

Measure Section 3.4.4 states that “[v]oter approval shall not be required to amend the Specific Plan to increase the number of net, new residential units allowed beyond the limit stated in this measure.” Measure Section 4.1 reinforces this exemption stating that its standard applies “[e]xcept as provided for at Section 3.4.4 above regarding the City’s ability to approve without ratification an amendment to the Specific plan to accommodate development proposals that would call for an increase in the allowable number of residential units under the Specific Plan.”

Amended and Voter-Adopted

Below are voter-adopted changes the Ballot Measure would make to the ECR/D Specific Plan. These changes include the open space regulations and office space restrictions discussed above. These provisions would be subject to voter control under Section 4.1:

- Section 3.2.1: Open Space located more than 4 feet above the ground floor cannot count toward minimum open space requirements for proposed developments.
- Section 3.3.4: Definition of “Office Space,” created by aggregating three commercial classifications found in the ECR/D Specific Plan’s appendix—“Offices, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions.”
- Section 3.3.5: Cap on office space per individual project at 100,000 square feet.
- Section 3.3.6: Counting all phases of a multi-phased project proposal collectively as an individual project for purposes of the 100,000 square feet per project office space cap.
- Section 3.4.2: Introducing a cap on net new office space development at 240,820 square feet effective from July 12, 2012 (the ECR/D Specific Plan was adopted on June 12, 2012 and became effective on July 12, 2012.)
- Section 3.4.3: Amending the ECR/D Specific Plan’s maximum allowable net new development to (1) include the 240,820 square foot cap on net new office
space, (2) change the statement concerning market forces to include the new square foot limitations, and (3) require the Planning Division to keep records of net new residential, non-residential, and office space development since the ECR/D Specific Plan’s effective date of July 12, 2012.

- Section 3.4.4: Amending the ECR/D Specific Plan to require voter approval to increase the allowable number of net new non-residential or office space development square feet, but not to increase the allowable number of net new residential units.

Along with the changes above, Section 3.1 of the Measure states the following concerning the area governed by ECR/D Specific Plan:

“When referring to the ‘ECR/D Specific Plan Area,’ this measure is referring to the bounded area within the Vision Plan Area Map located at Page 2, Figure I, of the El Camino Real/Downtown Vision Plan, accepted by the Menlo Park city [sic.] Council on July 15, 2008, which is attached as Exhibit 1 to this measure and hereby adopted by the voters as an integral part of this initiative measure [emphasis added].”

The ECR/D Specific Plan presents a Plan Area Map as Figure A3 on page A7. The Measure’s map and the ECR/D Specific Plan’s map appear similar. The provision does not appear to adopt changes to the Specific Plan boundaries, however adoption of the Ballot Measure boundary map that precedes the ECR/D Specific Plan Area Map constitutes a change in and of itself. By affixing the phrase “hereby adopted by the voters as an integral part of this initiative measure,” the area under the Specific Plan would likely be subject to voter control pursuant to Section 4.1 of the Ballot Measure.

Unchanged and Voter-Adopted

The following definitions and standards from the ECR/D Specific Plan addressed in Measure Section 3 were printed as adopted, but expressly “adopted by the voters” under the Measure. Accordingly, each of the following would be subject to voter control under Section 4.1:

- Section 3.2.2: Definition of “Private Open Space” in the ECR/D Specific Plan’s appendix.

- Section 3.2.3: Definition of “Common Outdoor Open Space” in the ECR/D Specific Plan’s appendix.
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- Section 3.2.4: ECR/D Specific Plan Standard E.3.6.01 setting open space requirements for residential and mixed-use developments.

- Section 3.3.1: Commercial Use Classification for “Offices, Business and Professional” in the ECR/D Specific Plan’s appendix.

- Section 3.3.2: Commercial Use Classification for “Offices, Medical and Dental” in the ECR/D Specific Plan’s appendix.

- Section 3.3.3: Commercial Use Classification for “Banks and Other Financial Institutions” in the ECR/D Specific Plan’s appendix.

No Statement of Voter Adoption

Section 3.3.7 of the Ballot Measure reads as follows:

“The foregoing limitation [capping office space per individual project at 100,000 square feet] is in addition to the applicable Floor Area Ratio (FAR) limitations, including Public Benefit Bonuses that may apply to a proposed development.”

Because this provision does not include a statement of voter adoption, it is likely that voter control does not apply to the mentioned “Floor Area Ratio (FAR) limitations” and “Public Benefit Bonuses.”

1.3 Structure and Methodology of Analysis

This Report proceeds by first presenting a policy consistency analysis of the Ballot Measure with other land use documents in Chapter 2. The impact of the Ballot Measure is discussed in Chapters 3 through 6 of this Report:

- Chapter 3. Housing Impacts
- Chapter 4. Impacts to Private Development and Business
- Chapter 5. Fiscal Impacts
- Chapter 6. Infrastructure Impacts

In evaluating the Ballot Measure’s potential impact in areas of interest to the City, two guiding principals were employed concerning (1) organization of the analysis and (2) quantitative methods.
1.3.1 Organization of Analysis

To the extent possible, the impact analysis for each area was organized according to the major changes to the ECR/D Specific Plan proposed by the Ballot Measure—open space regulations, office space restrictions, and voter control.

1.3.2 Quantitative Methods

In some areas, quantitative methods were used to demonstrate impacts from the Ballot Measure using two types of models—parcel and build-out. The parcel model concerns parcels’ physical dimensions and the build-out model concerns combinations of uses in the ECR/D Specific Plan Area. There are nearly an infinite number of models possible for each. A parcel can be of most any size and shape and the build-outs may consist of an array of arrangements of residential, office, retail, and hotel uses. In order to ensure the models are operable for purposes of this Report, the characteristics of the models were designed to show a range of high and low impacts should the Ballot Measure pass.

Parcel Models

As part of the housing and vacant land impact analyses, this Report constructed hypothetical parcel models to assess the possibility and feasibility of maximum development in the ECR/D Specific Plan area (680 units of net new residential, 474,000 square feet of net new non-residential) under the Ballot Measure’s open space regulations and office space restrictions. Generally, the parcel models constructed are 200-foot by 240-foot parcel (48,000 square feet) which other characteristics dependent on their application to districts in the ECR/D Specific Plan.8

Build-Out Model

For fiscal and infrastructure impact analysis, this Report constructed a build-out model to show a range of missed outcomes should the Ballot Measure pass (i.e. the Ballot Measure’s opportunity costs).9 The build-out model addresses the question “What is the

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8 This parcel model’s dimensions were determined through a review of existing parcels within the ECR/D Specific Plan area. This review showed that the size and shape of existing properties varied considerably across and within zones. For purposes of comparison, a parcel near in size to one acre with even-sided lengths was selected for clearer conceptualization of site area relative to the building masses presented across scenarios in this Report.

9 Several combinations of uses possible should the Ballot Measure pass are also possible should the Ballot Measure fail. For example, the ECR/D Specific Plan project description studied in the EIR is achievable under either the ECR/D Specific Plan or the Ballot Measure. Such combinations are less helpful in showing the impact of the Ballot Measure, as it would be a speculative exercise to credit the outcomes to either the
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City missing out on, for better or worse, should the Ballot Measure pass? To show a high and low range of impacts, the build-out model provides three categories of use combinations (i.e. the make-up of residential, office, retail, and hotel) to serve as data points—the Baseline; Scenarios 1, 2, and 3; and Scenarios 4, 5, and 6.

The Baseline: Derived from the EIR-studied ECR/D Specific Plan Project Description

The ECR/D Specific Plan project description studied in the EIR is used to form the Baseline for determining high and low ranges of impacts from a particular combination of residential, office, retail, and hotel uses. The Baseline reaches, but does not...
Menlo Park Ballot Measure Impact Analysis

exceed, the maximum net new development caps under the ECR/D Specific Plan and the Ballot Measure.

<table>
<thead>
<tr>
<th>Table 1-5 Baseline for Build-Out Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential</strong></td>
</tr>
<tr>
<td><strong>Residential</strong></td>
</tr>
<tr>
<td><strong>Units</strong></td>
</tr>
<tr>
<td>Baseline</td>
</tr>
</tbody>
</table>

Scenarios 1, 2, and 3: The Bookends

Scenarios 1, 2, and 3 serve as the model’s bookends—use combinations devised to mark high and low ranges of outcomes missed out on should the Ballot Measure pass.14

176, the City Council has approved two developments under the ECR/D Specific Plan—555 Glenwood Avenue and 727 El Camino Real—both hotel projects. As approved, the 555 Glenwood would convert an existing senior citizens retirement living center into a Residence Inn by Marriott (a limited-service, business-oriented hotel) with 138 rooms. The City calculated the net new non-residential square footage for the project by considering the net new vehicle trips associated with the conversion. Using this method, the City determined the project’s net new development was equivalent to a new hotel with 87 rooms accounting for 71,921 non-residential square feet (p. 13). As approved the 727 El Camino Real Project would renovate the existing Mermaid Inn, adding eight hotel rooms. The City determined the net new development for this project to be 3,497 square feet (p. 9). Together, the two projects would account for 95 new hotel rooms and 75,418 square feet of net new non-residential development, making the average hotel room 794 square feet with shared space. Applying these numbers to the 380 hotel rooms in the baseline, the space allotted for hotel use would be 301,672 net new square feet. With the other non-residential uses, this would exceed the cap by 160,292 square feet.

For purposes of this Report, the baseline will state that hotel square footage is “Not Applicable.” The bookends will use the SE FIA 2011 figures (528 square feet per hotel room with shared space). As explained in Chapter 3, the SE report applied its numbers to 380 hotel rooms in the context of full build-out under the ECR/D Specific Plan project description. The scenarios incorporate existing development (the two hotel projects above) and begin with the City’s net new development figures of 75,418 square feet across 95 net new hotel rooms. Any additional hotel use in the scenarios will default to the assumed hotel development figures from the SE FIA 2011 (528 square feet per hotel room with shared space).

14 As explained above, the bookends were developed to show the missed outcomes should the Ballot Measure pass. Other sets of use combinations would not serve the same purpose, including the following:

1. Single-use non-residential build-outs: Only one of the low bookends involves a combination with a total non-residential build-out of one use (office). Of the three non-residential uses, only a full-office
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The bookends are not intended to be reflective of the market or existing conditions, but to set potential ranges of impacts and opportunity costs dependent on the area of interest. The high-end combination includes 240,821 square feet of net new office (exceeding the Ballot Measure cap by 1 square foot\textsuperscript{15}) with the remaining 233,179 square feet under the net new non-residential cap allotted to hotel use\textsuperscript{16} for fiscal analysis in Scenario 1 (as the highest revenue generator) and retail for infrastructure analysis in Scenario 2 (the highest trip and water demand generator). Scenario 3, low-end combination for fiscal and infrastructure analysis, includes all office at 474,000 square feet.

<table>
<thead>
<tr>
<th>Table 1-6 Scenarios 1, 2, and 3: Bookends for Build-Out Model</th>
</tr>
</thead>
</table>

| Scenario 1 (High for Infrastructure) | 680 | 0 | 240,821 | 233,179 | 0 | 0 | 0 |
| Scenario 2 (High for Fiscal)         | 680 | 0 | 240,821 | 0        | 442 | 233,179 | 0 |
| Scenario 3 (Low)                     | 680 | 0 | 474,000 | 0        | 0   | 0   | 0 |

\textsuperscript{15} The 240,821 sq. ft. office figure is presented to illustrate cases not possible under the Ballot Measure. If the Ballot Measure caps office space at 240,821 sq. ft., then any scenario with a greater amount of office space would be precluded unless otherwise approved by voters.

\textsuperscript{16} See Footnote 13 for discussion on hotel use square footage.

2. EIR reduction alternatives: As required by CEQA, the EIR studied four alternatives to the ECR/D Specific Plan project description. These four alternatives included various levels of reductions of uses below the project description build-out (Vol. 2, p. 5-4). Like the full-hotel and full-retail build out, the four reduction alternatives are all possible under the ECR/D Specific Plan or the Ballot Measure. Further, these alternatives have already been fully evaluated under the EIR.
Scenarios 4, 5 and 6: Representation of Approved Net New Development

For the fiscal and infrastructure impact analysis, certain use combination scenarios were applied to the build-out model for illustrative purposes. Unlike Scenarios 1, 2, and 3, which represent the bookended extremes, Scenarios 4, 5, and 6 depict existing approved development under the ECR/D Specific Plan. The City Council has approved two developments under the ECR/D Specific Plan—555 Glenwood Avenue and 727 El Camino Real—both hotel projects. According to the Community Development Department’s Staff Report #13-176, the City has determined that these two projects will total 75,418 square feet of net new non-residential development across 95 net new hotel rooms.17 Also unlike the bookend scenarios 1-3, scenarios 4-6 are possible under the ECR/D Specific Plan or the Ballot Measure.18

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Residential</th>
<th>Non-Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units</td>
<td>Square Feet</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>680</td>
<td>240,820</td>
</tr>
<tr>
<td>Scenario 5</td>
<td>680</td>
<td>240,820</td>
</tr>
<tr>
<td>Scenario 6</td>
<td>680</td>
<td>0</td>
</tr>
</tbody>
</table>

(a) As explained in Footnote 13, the scenarios incorporate existing development (the two hotel projects) and begin with the City’s net new development figures of 75,418 square feet across 95 net new hotel rooms. Any additional hotel use in the scenarios will default to the assumed hotel development figures from the SE report (528 square feet per hotel room with shared space).

(b) Using methods explained in the comment above, Scenario 5 includes 394 hotel rooms for 233,179 square feet. The first 75,418 square feet amounts to 95 hotel rooms (793 square feet per room with shared space) under the City’s net new development figures for the two approved projects. For the next 157,761 square feet, SE’s figure of 528 square feet per room with shared space was used, which amounts to 299 hotel rooms.

17 See Footnote 13 for discussion of hotel use square footage.
18 See Footnote 9 for discussion of the relative helpfulness of use combinations possible under the ECR/D Specific Plan or the Ballot Measure.
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Build-Out Model Diagramed

Figure 1-5 shows how the Baseline and Scenarios 1, 2, and 3 (the bookends) provide a context for analysis. The impact of the Ballot Measure is studied in the area above the Baseline. Use combinations under the ECR/D Specific Plan and the Ballot Measure, like Scenarios 4, 5, and 6, fall in the area below the Baseline. However, it is unclear exactly where Scenarios 4, 5, and 6 fall below the Baseline. Use combinations possible under the ECR/D Specific Plan, but not possible under the Ballot Measure lie in the area above the baseline. This area represents the missed outcomes of the ECR/D Specific Plan should the Ballot Measure pass that are the focus of analysis under the build-out model.

![Figure 1-5 Diagram of Build-Out Model](image-url)
In conducting an impact analysis of the Ballot Measure, a separate market study was not performed. Much technical, design, financial, and economic analysis was completed to support the extensive process of drafting and adopting the ECR/D Specific Plan. The ECR/D Specific Plan and associated support analyses represent a snapshot of a given property market(s) at a specific point in time. The real estate markets of the ECR/D Specific Plan have changed since ECR/D Specific Plan adoption, and will continue to change throughout time and across property sectors. The Ballot Measure Impacts Analysis uses the ECR/D Specific Plan and related support analyses as the basis for conclusions on impacts of the Ballot Measure while acknowledging that area real estate markets have changed and will continue to change.

For further information on the cyclical nature of real estate markets and development projects in the ECR/D Specific Plan Area, please see Appendices 1 and 2.

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19 There typically exist separate property markets within a single area. For instance, the Menlo Park residential market would be considered separate from the Menlo Park office market. As the section “Cyclical Nature of Real Estate Markets” relays, dynamics of the housing market in Menlo Park could be related to dynamics of the office market in Menlo Park.
Chapter 2
Policy Consistency Analysis

2.1 Purpose of the Policy Consistency Analysis

Generally, the proposed Ballot Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of ECR/D Specific Plan components. Please see Chapter 1 for a more detailed explanation of the issues and implications of the three proposed changes.

This Chapter addresses the consistency of the Ballot Measure with existing policies and land use regulations in the General Plan, Zoning Ordinance (Municipal Code Title 16), and relevant regional planning documents. (Please see Chapter 3 for a more detailed review of the Housing Element.)

The Ballot Measure’s consistency with the policies and plans was considered:

- The Menlo Park General Plan
- The Menlo Park Zoning Ordinance (Municipal Code Title 16)
- Important regional plans, including Plan Bay Area and the Grand Boulevard Initiative

2.2 The Menlo Park General Plan

2.2.1 General Plan Incorporation of the ECR/D Specific Plan

Per Government Code Section 65454, no Specific Plan may be adopted or amended unless the proposed plan or amendment is consistent with the general plan. As discussed below, the General Plan was amended to accommodate the ECR/D Specific Plan and, by effect, certain amendments to the ECR/D Specific Plan.

According to the staff report for a City Council meeting on April 30, 2012, the ECR/D Specific Plan was designed to be an “all-inclusive” document,” meaning that it was tailored to suit the following purpose:

“[A] property owner wishing to develop a piece of property would use the Specific Plan to understand the goals, standards, guidelines, and other regulations that apply, and would not need to also frequently cross-reference the Zoning Ordinance, General Plan, or other City document. Similarly, anyone wanting to understand how a particular public improvement would be implemented would primarily consult the Specific Plan” (p. 3).
In order for the ECR/D Specific Plan to serve as an “all-inclusive” document and satisfy state law concerning consistency with the General Plan, the City amended its General Plan to adopt the ECR/D Specific Plan as a new land use designation and changed the corresponding area parcels to that designation. In the General Plan’s Land Use and Circulation Element, the “El Camino Real/Downtown Specific Plan” designation is established as follows:

“This designation provides for a variety of retail, office, residential, personal services, and public and semipublic uses, as specified in detail in the El Camino Real/Downtown Specific Plan. The maximum FAR shall be in the range of 85 percent to 200 percent (base-level maximum) or 100 percent to 225 percent (public benefit bonus-level maximum). Office (inclusive of medical and dental offices) FAR is limited to one-half of the appropriate total FAR, and medical and dental office FAR is limited to one-third of the appropriate total FAR. Residential intensity shall be in the range of between 18.5 to 50 units per net acre (base-level maximum) or 25 to 60 units per net acre (public benefit bonus-level maximum)” (p. II-3).

The General Plan defers to the ECR/D Specific Plan to set standards within its area, except as to the FAR and residential intensity limits described above. Therefore, an amendment to the ECR/D Specific Plan is likely consistent with the General Plan so long as it is limited to the area governed by the ECR/D Specific Plan and does not change the above-stated FAR or residential intensity limits.

Given the City’s amendments to the General Plan and Zoning Code to accommodate the ECR/D Specific Plan, and that the Ballot Measure does not alter the General Plan’s FAR or residential intensity limits, the changes proposed by the Ballot measure are consistent with the General Plan.¹

2.2.2 General Plan Consistency Detail

Table 2-1 below select General Plan goals and policies relevant to amendments to the ECR/D Specific Plan proposed by the Ballot Measure. The table is based on the General Plan consistency analysis presented in Table G1 in the ECR/D Specific Plan.²

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¹ As discussed later in this Executive Summary and further in Chapters 1 and 2, the Ballot Measure adopts the Vision Plan Area Map on Page 2 of the 2008 El Camino Real/Downtown Vision Plan as the “ECR/D Specific Plan Area” (Section 3.1). Although the 2008 map shown in the Ballot Measure precedes the 2012 ECR/D Specific Plan area map, the boundaries of the two maps appear similar and are considered consistent for the purposes of this analysis.

² Since the adoption of the ECR/D SP on June 12, 2012, the City has updated the Housing and Open Space & Conservation elements to its General Plan (All Elements adopted May 21, 2013). To remain consistent with the analysis performed for the ECR/D SP, this Chapter assessed the General Plan Elements prior to the 2013 update.
Table 2-1 Ballot Measure-General Plan Consistency

<table>
<thead>
<tr>
<th>GP Policy</th>
<th>Description</th>
<th>Ballot Measure Consistency with General Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal A</strong></td>
<td><strong>To maintain and improve the character and stability of Menlo Park’s existing residential neighborhoods while providing for the development of a variety of housing types. The preservation of open space shall be encouraged.</strong></td>
<td></td>
</tr>
<tr>
<td>I-A-3</td>
<td>Quality design and usable open space shall be encouraged in the design of all new residential developments.</td>
<td>See Chapter 4 “Impacts to Private Development and Business”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>I-A-4</td>
<td>Residential uses may be combined with commercial uses in a mixed-use project, if the project is designed to avoid conflicts between the uses, such as traffic, parking, noise, dust and odors.</td>
<td>See Section 4.3.1 “Make-up of Pending Development” in this Report.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>I-A-5</td>
<td>Development of housing, including housing for smaller households, is encouraged in commercially-zoned areas in and near Downtown. (Downtown is defined as the area bounded by Alma Street, Ravenswood Avenue / Menlo Avenue, University Drive and Oak Grove Avenue.) Provisions for adequate off-street parking must be assured.</td>
<td>The Ballot Measure does not directly address development of housing in commercially-zoned areas in and near Downtown or off-street parking provisions for such housing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td><strong>Goal B</strong></td>
<td><strong>To strengthen Downtown as a vital and competitive shopping area while encouraging the preservation and enhancement of Downtown’s historic atmosphere and character.</strong></td>
<td></td>
</tr>
<tr>
<td>I-B-5</td>
<td>New development with offices as the sole use that is located outside of the boundary of the downtown area along the south side of Menlo Avenue and the north side of Oak Grove Avenue shall not create a traffic impact that would exceed that of a housing project on the same site.</td>
<td>Though the Ballot Measure further restricts Office Space in the ECR/D Specific Plan area, it does not directly address the trade off between a project that is solely office versus a residential project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td><strong>Goal C</strong></td>
<td><strong>To encourage creativity in development of the El Camino Real Corridor</strong></td>
<td></td>
</tr>
<tr>
<td>I-C-1</td>
<td>New and upgraded retail development shall be encouraged along El Camino Real near downtown, especially stores that will complement the retail mix of Downtown. Adequate parking must be provided and the density, location, and site design must not aggravate traffic at congested intersections. The livability of adjacent residential areas east and west of El Camino Real and north and south of Downtown must be projected.</td>
<td>By maintaining the ECR/D Specific Plan’s cap on net new non-residential uses at 474,000 square feet while adding a cap on the net new Office Space at 240,820 square feet, the Ballot Measure allows for new and upgraded retail development in the ECR/D Specific Plan area. Ballot Measure language does not address specific location of retail along ECR.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>GP Policy</td>
<td>Description</td>
<td>Ballot Measure Consistency with General Plan</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>I-C-2</td>
<td>Small-scale offices shall be allowed along most of El Camino Real in a balanced pattern with residential or retail development.</td>
<td>See Section 4.3.1 “Make-up of Pending Development” in this Report. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>Goal E</td>
<td>To promote the development and retention of commercial uses, which provide significant revenue to the City and/or goods and services needed by the community and which have low environmental and traffic impacts.</td>
<td></td>
</tr>
<tr>
<td>I-E-1</td>
<td>All proposed commercial development shall be evaluated for its fiscal impact on the City as well as its potential to provide goods or services needed by the community.</td>
<td>See Chapter 3 “Fiscal Impacts” for an analysis of the potential fiscal impacts of the Ballot Measure. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>I-E-4</td>
<td>Any new or expanded office use must include provisions for adequate off-street parking, mitigating traffic impacts, and developing effective alternatives to auto commuting, must adhere to acceptable architectural standards, and must protect adjacent residential uses from adverse impacts.</td>
<td>Though the Ballot Measure introduces a cap on net new Office Space in the ECR/D Specific Plan area, it would not amend off-street parking, traffic impact mitigations, auto commuting alternatives, or architectural standards of new or expanded office uses. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>I-E-5</td>
<td>The City shall consider attaching performance standards to projects requiring conditional use permits.</td>
<td>The Ballot Measure does not address performance standards in context of projects that would require conditional use permits. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>Goal G</td>
<td>To promote the preservation of open-space lands for recreation, protection of natural resources, the production of managed resources, protection of health and safety, and/or the enhancement of scenic qualities.</td>
<td></td>
</tr>
<tr>
<td>I-G-1</td>
<td>The City shall develop and maintain a parks and recreation system that provides areas and facilities conveniently located and properly designed to serve the recreation needs of all Menlo Park residents.</td>
<td>The Ballot Measure addresses changes to Open Space in such a way that could add to public realm amenities, but does not directly address parks and recreation systems. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>I-G-2</td>
<td>The community should contain an ample supply of specialized open space in the form of squares, greens, and parks whose frequent use is encouraged through placement and design.</td>
<td>The Ballot Measure addresses changes to Open Space in such a way that could add to public realm amenities, but does not directly address parks and recreation systems. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>I-G-3</td>
<td>Public spaces should be designed to encourage the attention and presence of people at all hours of the day and appropriate hours of the night.</td>
<td>See Section 4.3.1 “Make-up of Pending Development” in this Report. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
<tr>
<td>GP Policy</td>
<td>Description</td>
<td>Ballot Measure Consistency with General Plan</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>I-G-4</td>
<td>Dedication of land, or payment of fees in lieu thereof, for park and recreation purposes shall be required of all new residential development.</td>
<td>The Ballot Measure addresses changes to Open Space, but does not directly address dedication of land, or payment of fees in lieu thereof, for park and recreation purposes. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain.</td>
</tr>
</tbody>
</table>

**Goal III-A** To promote the development of a balanced range of housing types and densities for all economic segments and all geographic areas of the community.

| III-A-5 | The City will promote development of mixed medium or high-density residential and commercial projects in the Central Business District and along El Camino Real as a means of providing more housing on job sites to help offset the impact of new employment on the regional housing market. | See Chapter 3 “Housing Impacts.” Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain. |
| III-A-11 | The City will promote the distribution of new, higher-density residential developments throughout the city, taking into consideration compatibility with surrounding existing residential uses, particularly near public transit and major transportation corridors in the city. | The Ballot Measure does not directly address high-density residential development. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain. |

1973 Open Space and Conservation Policies (Included in the General Plan)

| Policy 3 | Require dedication of improved land, or payment of fee in lieu of, for park and recreation land for all residential uses involving five or more dwelling units. | The Ballot Measure does not address dedication of improved land, or payment of fee in lieu of, for park and recreation land for residential subdivision uses involving five or more dwelling units. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain. |
| Policy 12 | Provide a program of incentives and rewards to encourage provision of additional open space. | The Ballot Measure changes the location of open space that can be counted towards minimum requirements. See Chapter 4 “Impacts to Private Development and Business.” The ECR/D Specific Plan would achieve Quimby Act implementing ordinance and policy goals of the General Plan whether the Ballot Measure passes or fails. See “Quimby Act Consistency” in Section 2.2.1 below. Should the Ballot Measure pass, ECR/D Specific Plan-General Plan consistency in this matter would remain. |
The Quimby Act

Another context in which to analyze Ballot Measure changes to the Open Space standards is consistency with the Quimby Act (See Table 2-1, General Plan Policies: I-G-1, I-G-4, and Policy 3). The State of California adopted the “Quimby Act” in 1965, as Section 66477 of the California Government Code. The Quimby Act sets forth provisions for the dedication of parkland, or the payment of fees in lieu of dedication of land, as a condition of approval of residential subdivisions. The underlying principle of the Quimby Act was that new residents would strain an existing, limited network of parks and open space, thus it was reasonable to seek resources to mitigate population growth impacts from development projects.

In defining its Quimby Act implementing ordinances and policies, the City of Menlo Park set forth in its General Plan a goal of five acres of developed parkland per 1,000 residents. Based on 219.66 acres of City parkland (ECR/D Specific Plan, Table 4.12-2) and an estimated 32,185 City residents in 2010 (ECR/D Specific Plan, page 4.11-2), the City currently exceeds this goal by providing 6.8 acres of parkland per 1,000 residents. The estimated ECR/D Specific Plan-related residential population growth at build-out would reduce this ratio to 6.5 acres per 1,000 residents (assuming no additional parks related to ECR/D Specific Plan development), still well above the General Plan goal of 5 acres of parks per 1,000 residents. The ECR/D Specific Plan promotes new pocket parks, a Santa Cruz Avenue Central Plaza, and Chestnut Street Paseo in downtown. While exact measurements of these spaces will not be available until precise designs are completed, the conceptual diagrams in the ECR/D Specific Plan indicate that approximately two acres of new public parks, plazas, and other open spaces could be added. The 2030 City population forecast of 36,980 results in a parks-to-resident ratio of 6.0 acres per 1,000 residents, well above the General Plan goal. As the ECR/D Specific Plan would likely result in a build-out program that well exceeds the City’s parkland goals, there is no immediate need to require additional ground-level Open Space (4 feet or lower in height) as put forth in the Ballot Measure.

2.3 Ballot Measure Consistency with the Menlo Park Zoning Ordinance (Title 16)

Chapter 16.58 of the Menlo Park Zoning Ordinance (Zoning Ordinance) addresses the SP-ECR/D EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN zoning category. This zoning category applies to the ECR Specific Plan area.

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3 Assumes 14.9% growth from 2010 to 2030 for City of Menlo Park (ECR/D Specific Plan EIR, Table 4.11-1). Forecasted growth rate applied to California Department of Finance population data estimates that the City of Menlo Park’s jurisdictional population was 32,185 in January 2010.

4 Assumes only ECR/D Specific Plan proposed parks are added to the City. Does not assume development of additional parks related to future development.
Chapter 16.58 Section 010, “Purpose”, of the Menlo Park Zoning Ordinance states:

The purpose and intent of the El Camino Real/Downtown Specific Plan District is to preserve and enhance community life, character and vitality though public space improvements, mixed use infill projects sensitive to the small-town character of Menlo Park and improved connectivity. (Ord. 979 § 6 (part), 2012).

Chapter 16.58 Section 020, “El Camino Real/Downtown Specific Plan”, of the Menlo Park Zoning Ordinance puts forth:

Uses, development regulations, guidelines, definitions, off-street parking requirements, and other parameters for public and private development are established through the El Camino Real/Downtown Specific Plan. All modifications to this chapter or to the ECR/D Specific Plan require review and recommendation by the Planning Commission and review and approval by the City Council through public hearings in accordance with Chapter 16.88 and applicable law. (Ord. 979 § 6 (part), 2012).

As the Zoning Ordinance references uses, development regulations, guidelines, definitions, off-street parking requirements, and other development parameters set forth in the ECR/D Specific Plan, any modifications made to the ECR/D Specific Plan by the Ballot Measure and in accordance with Chapter 16.58 would remain consistent with the Zoning Ordinance.

### 2.4 Ballot Measure Consistency with Important Regional Plans

This Section discusses two regional plans that are relevant to the Ballot Measure: the Plan Bay Area Plan and the Grand Boulevard Plan.

#### 2.4.1 Plan Bay Area

On April 22, 2010, the San Francisco Bay Area’s four regional government agencies—the Association of Bay Area Governments (ABAG), the Bay Area Air Quality Management District (BAAQMD), the Bay Conservation and Development Commission (BCDC) and the Metropolitan Transportation Commission (MTC)—launched One Bay Area to address issues such as transportation infrastructure, housing, and clean air, among others. One Bay Area aims to “coordinate efforts among the Bay Area’s nine counties and 101 towns and cities to create a more sustainable future,” (http://www.onebayarea.org.) In July 2013, One Bay Area adopted Plan Bay Area, a “long-range integrated transportation and land-use/housing strategy through 2040 for the San Francisco Bay Area” (http://www.onebayarea.org). Designed to meet the goals of the California Sustainable Communities and Climate Protection Act of 2008 (SB
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Plan Bay Area identifies areas for focused, intensified development surrounding transportation corridors and employment hubs among other variables.

Plan Bay Area identifies Menlo Park as an area that is “medium” in relative strength of locations for knowledge-sector job growth (Plan Bay Area, Map 4, Chapter 3, “Where We Live, Where We Work”). Such growth could potentially produce demand for new office space. As the Ballot Measure would further limit office development from the ECR Specific Plan scenario, demand for office space that cannot be met within the ECR Specific Plan area would likely move to nearby areas or jurisdictions. Future planning efforts would need to consider ways in which the unmet demand for office development in the ECR/D Specific Plan area could be met, possibly resulting in shifts in transportation patterns and daytime-nighttime use balance among other impacts.

2.4.2 Grand Boulevard Initiative

Adopted in 1996, the Grand Boulevard Initiative (GBI) presents a collaborative effort among local and regional Bay Area agencies and the 19 cities in which the El Camino Real Corridor is found. Guiding Principles within the GBI are relevant to land use objectives and development standards found in the ECR/D Specific Plan and are potentially affected by the Ballot Measure. They include:

- Target housing and job growth in strategic areas along the El Camino Real Corridor
- Encourage compact mixed-use development and high-quality urban design and construction
- Create a pedestrian-oriented environment and improve streetscapes, ensuring full access to and between public areas and private developments
- Provide vibrant public spaces and gathering places
- Strengthen pedestrian and bicycle connections with the El Camino Real Corridor

The GBI characterizes Palo Alto/Menlo Park as an employment center, with the majority of jobs falling within one half mile of El Camino Real. As discussed in the context of One Bay Area, a significant portion of job growth along the corridor will likely be fueled by demand for office space. The limitation on office space introduced by the Ballot Measure could influence job growth moving to other areas, on or off the ECR corridor or to other jurisdictions. Impacts from potential resulting shifts in transportation patterns and the daytime-nighttime use balance should be considered.

The majority of projects that have been built or approved in cities across the El Camino Real Corridor since 2007 are single-use or mixed-use residential, with the exception of...
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several smaller commercial, smaller hotel projects, and the planned Kaiser Medical Center in Redwood City (885,000 square feet). While, one of the GBI’s Guiding Principles is to encourage more compact development, a clear definition of what constitutes compact development is lacking. This lack of conclusion allows for a wide range of project types and sizes.

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3.1 Purpose of the Housing Analysis

Generally, the proposed Ballot Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of ECR/D Specific Plan components. Please see Chapter 1 for a more detailed explanation of the issues and implications of the three proposed changes.

The Ballot Measure would not directly impact housing either through development limitations, zoning, or application of a revised definition of open space. Therefore, the analysis in this Chapter is focused on the indirect impacts that the Ballot Measure may have on residential development. Specifically, this Chapter addresses the impact of the Measure on residential development feasibility, the jobs and housing balance, and existing policies in the City’s Housing Element. Impact of the Ballot Measure on housing affordability and below market rate (“BMR”) production is discussed in context of project feasibility in Chapter 4 “Impacts to Private Development and Business.”

The Chapter is organized as follows:

- Housing Impacts: Change in Open Space Regulations
- Housing Impacts: Cap on Ballot Measure-defined Office Space Development
  - Jobs to Housing Ratio
  - Household Affordability
- Housing Impacts: Voter Controls
- Ballot Measure Consistency with Housing Element

3.2 Housing Impacts: Change in Open Space Regulations

The Ballot Measure would call for the minimum Open Space required to be located at ground level or within four feet of ground level, as outlined further in Chapter 1. This Section discusses whether the change in Open Space regulations would limit the ability of a site in the ECR/D Specific Plan boundary to maximize the number of dwelling units allowed in the ECR/D Specific Plan.

The proposed revisions could produce ground-level open space that, if well designed and placed, would constitute a pedestrian amenity. However, ground level open
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space would compete with other ground-level uses such as parking. Reducing at-grade area available for parking could increase overall project hard costs, which in turn could place upward pressure on project revenues (e.g., residential rents or sale values) or downward pressure on acquisition costs (i.e., land costs) if an acceptable project financial return is to be maintained. Project feasibility is discussed further in Chapter 4, “Impacts to Private Development and Businesses.”

Residential build-out scenarios were developed and analyzed for two ECR/D Specific Plan zoning districts (ECR NE-L and SA-W). As these two districts represent the lowest and highest intensity zoning districts in the ECR/D Specific Plan, the scenarios illustrate the potential range of outcomes resulting from the Ballot Measure’s proposed Open Space language.

The number of possible build-out scenarios is unlimited, and it is not possible to analyze all such scenarios. The purpose of these analyses is only to determine whether a possible scenario exists in which the developer could maximize residential unit build-out while meeting Ballot Measure Open Space requirements.

3.2.1 ECR-NE-L (Low Density Mixed-Use) Zoning District

Consider a sample 200-foot by 240-foot (48,000 square feet) site located in the low intensity ECR-NE-L (mixed-use) zoning district. Minimum setbacks and the maximum building envelope are shown and described in Figure 3-1 and Table 3-1 below.

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1 Setbacks vary per zoning district. Setbacks shown in Figure 3-1 are specific to the ECR-NE-L zoning district.
### Table 3-1 Sample ECR-NE-L Site: Maximum Build-out Analysis

<table>
<thead>
<tr>
<th>Unit/Description</th>
<th>ECR/D SP Standard</th>
<th>Amount (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parcel Size</td>
<td></td>
<td>200' x 240'</td>
</tr>
<tr>
<td>2. Max Development (Line 1 x .75)</td>
<td>Floor Area Ratio</td>
<td>0.75 (w/o public benefit bonus)</td>
</tr>
<tr>
<td>3. Ground-floor Non-Residential Square Feet (retail assumed)</td>
<td>% of Square Feet (33% assumed)</td>
<td>11,880</td>
</tr>
<tr>
<td>4. Residential Square Feet (spread across two floors)</td>
<td>% of Square Feet (67% assumed)</td>
<td>24,120</td>
</tr>
<tr>
<td>5. Square Feet / Unit @ Maximum Permissible Residential Unit Count (Line 4 / 22 Units)</td>
<td>Total Residential Units</td>
<td>20 max per acre</td>
</tr>
<tr>
<td><strong>Open Space</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Residential Open Space-Common (22 units x 100)</td>
<td>Square Feet/Unit</td>
<td>100</td>
</tr>
<tr>
<td>7. Residential Open Space-Private (22 units x 80)</td>
<td>Square Feet/Unit</td>
<td>80</td>
</tr>
<tr>
<td>8. Open Space Required (30%xLine 1)</td>
<td>% of Square Feet</td>
<td>30</td>
</tr>
<tr>
<td>9. Total Required Open Space within 4ft.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Min. Off Street Residential Parking Required (22 units x 1.85)</td>
<td>per Unit</td>
<td>1.85</td>
</tr>
<tr>
<td>11. Min. Non-Residential (assumes retail) Parking Spaces Required (Line 3 +1000 x 4)</td>
<td>per 1000 Square Feet Gross Leasable Area</td>
<td>4</td>
</tr>
<tr>
<td>12. Total Parking Spaces Required (Line 10+Line 11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Total Parking Square Footage Required (Line 12 x 250)</td>
<td>per Space</td>
<td>250</td>
</tr>
<tr>
<td><strong>14. Total Square Feet - Building, Open Space, &amp; Parking (Line 2 + Line 9 + Line 13)</strong></td>
<td>Square Feet</td>
<td>72,650</td>
</tr>
<tr>
<td><strong>15. Total Square Feet at Ground Level - Building, Open Space &amp; Parking (Line 3+Line 9+Line 13)</strong></td>
<td>Square Feet</td>
<td>48,530</td>
</tr>
</tbody>
</table>

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2 The maximum stories allowed for a building in the ECR-NE-L zoning designation is 3. This scenario assumes one level of non-residential with two levels of residential uses above.

3 A 48,000 sq. ft. site equals 1.1 acres (48,000 / 43,560 = 1.1). If 20 residential units are allowed per acre, the site may yield up to 22 units (1.1 x 20 = 22).

4 The project has the option to provide either 2,200 sq. ft. of common open space or 1,760 sq. ft. of private open space. Residential Open Space is treated as a sub-set of Total Required Open Space (Line 9).

5 Includes internal circulation.

6 Line 14 (Total Square Feet = 72,650 sq. ft.) is larger than Line 2 (Max. Development = 36,000 sq. ft.) Line 14 may exceed Line 2 because FAR excludes covered parking as defined in 16.04.325 of the Menlo Park Zoning Ordinance: "(3) All areas devoted to covered parking and related circulation for automobiles and bicycles, including garages, carports, below grade parking structures, and above grade parking structures;" (Note: The Specific Plan uses the FAR definition in Section 16.04.325 (p. E 13.).)

7 Line 15 highlights the fact that ground floor open space competes with parking in such a way that increased use of structured or underground parking may be required. In other words, if the open space requirement and building footprint are subtracted from the lot size, some but not all parking will fit on site: Lot Size (48,000 sq. ft.) - Open Space (14,400 sq. ft.) - Building Footprint (11,880 sq. ft.) = 21,720 sq. ft. (not enough space to accommodate 22,250 sq. ft. of parking). As discussed further in Chapter 4, an increase in structured or underground parking would increase hard costs which in turn has implications for project feasibility.
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The scenario illustrated in Table 3-1 assumes ground floor non-residential space with residential above. (No public benefit was considered and the scenario assumes intensity below that threshold.) The scenario also assumes a developer would maximize the permitted residential unit count. The building square footage per unit (including circulation) is adequate (approx. 1,096 square feet) to accommodate a legal residential unit. While a developer could opt to reduce the square footage of non-residential space and increase the size of residential units, a maximum of twenty units per acre is allowed according to the ECR/D Specific Plan. The analysis shows that there exists a possible scenario where maximum residential build-out can be achieved.

Under the ECR/D Specific Plan, the 14,400 square feet of required open space could be provided on a roof deck or other above-ground structure (See Table 3.1) in addition to at ground floor. The Ballot Measure would no longer allow provision of the open space above four feet, leading to competing demands for ground floor uses, such as parking. Absent a parking reduction, as might be present in a mixed-use shared-parking scheme, it is likely that developments would need to increasingly incorporate underground or structured parking to meet the parking requirements. This may or may not be feasible given other variables impacting project viability.

### 3.2.2 SA-W Zoning District

A second site development scenario, following the same assumptions and standards as presented in the ECR NE-L scenario (Section 3.2.1 above), was developed for the SA-W zoning designation. In contrast to the ECR NE-L scenario, the SA-W scenario assumes provision of a public benefit. The SA-W zoning designation under the public benefit scenario illustrates the highest intensity build-out scenario allowed in the ECR/D Specific Plan area.

As shown in Table 3.2, assuming the developer would maximize the permitted residential unit count, the building square footage per unit (including circulation) would be considered adequate (approx. 1,227 square feet) to accommodate the allowed maximum residential density. As previously stated, there exist any number of possible build-out scenarios, and a developer could choose to increase non-residential square footage at the expense of residential square footage or vice versa.

The analysis in Table 3-2 illustrates it is possible to maximize residential unit build-out while meeting Ballot Measure open space requirements in the highest intensity ECR/D Specific Plan area zoning designation (SA-W). However, as stated above, requiring

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8 Project feasibility is discussed in greater detail in Chapter 4 “Impacts to Private Development and Businesses.”
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open space at or near ground level (i.e., 4 feet or below) competes with other potential ground floor uses, including parking.

Table 3-2 Sample SA-W Site: Maximum Build-out Analysis

<table>
<thead>
<tr>
<th>Unit/Description</th>
<th>ECR/D SP Standard</th>
<th>Amount (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcel Size</td>
<td>200' x 240'</td>
<td>48,000</td>
</tr>
<tr>
<td>Max Development</td>
<td>Floor Area Ratio</td>
<td>108,000</td>
</tr>
<tr>
<td>Ground-floor Non-Residential Square Feet (retail assumed)</td>
<td>% of Square Feet (25% assumed)</td>
<td>27,000</td>
</tr>
<tr>
<td>Residential Square Feet (spread across 3 floors)</td>
<td>% of Square Feet (75% assumed)</td>
<td>81,000</td>
</tr>
<tr>
<td>Square Feet / Unit @ Maximum Permissible Residential Unit Count (Line 4 / 66 Units))</td>
<td>Total Residential Units 60 max per acre</td>
<td>1,227</td>
</tr>
<tr>
<td>Open Space</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Res. Open Space - Common (66 units x 100)</td>
<td>Square Feet / Unit</td>
<td>100</td>
</tr>
<tr>
<td>Residential Open Space - Private (66 units x 80)</td>
<td>Square Feet / Unit</td>
<td>80</td>
</tr>
<tr>
<td>Open Space Required</td>
<td>% of Square Feet</td>
<td>0%</td>
</tr>
<tr>
<td>Total Required Open Space within 4ft. Ground Level</td>
<td>Pub Residential + Non Residential</td>
<td>NA</td>
</tr>
<tr>
<td>Parking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off Street Res. Parking Required (66 units x 1.5%)</td>
<td>per Unit 1.5 (max)</td>
<td>99 (spaces)</td>
</tr>
<tr>
<td>Min. Non-Residential (assume retail) Parking Spaces Required (Line 3 + 1000 x 4)</td>
<td>per 1000 SF Gross Leasable Area</td>
<td>4</td>
</tr>
<tr>
<td>Total Parking Spaces Required (Line 10 +Line 11)</td>
<td></td>
<td>207 (spaces)</td>
</tr>
<tr>
<td>Total Parking Required (Line 12 x 250)</td>
<td>per Space 250</td>
<td>51,750</td>
</tr>
<tr>
<td>Total Square Feet - Building, Open Space, &amp; Parking (Line 12 + Line 9 + Line 13)</td>
<td>Square Feet</td>
<td>166,350</td>
</tr>
<tr>
<td>Total Square Feet at Ground Level - Building, Open Space &amp; Parking (Line 3 + Line 9 + Line 13)</td>
<td>Square Feet</td>
<td>85,350</td>
</tr>
</tbody>
</table>

9 The maximum stories allowed for a building in the ECR-SA-W zoning designation is 4. This scenario assumes one floor of non-residential uses with three stories of residential uses above.

10 A 48,000 sq. ft. site equals 1.1 acres (48,000 / 43,560 = 1.1). If 60 residential units are allowed per acre, the site may yield up to 66 units (1.1 x 60 = 66).

11 The project has the option to provide either 6,600 sq. ft. of common open space or 5,280 sq. ft. of private open space. There is no requirement for open space in the SA-W zone, except for residential uses. ECR/D Specific Plan Guideline E.3.6.05 states, “For residential developments, private open space should be designed as an extension of the indoor living area, providing an area that is usable and has some degree of privacy” (ECR/D Specific Plan, p. E35). This guideline implies private open space may need to accommodate direct access to the residential units. Therefore, the Ballot Measure requirement to locate open space at or near ground level makes provision of private open space impractical for all but ground-floor units. This analysis takes a conservative approach and assumes the larger square footage associated with residential common open space will be provided across the development.

12 Required parking “Rates for residential developments in the Station Area reflect MTC recommendations with a minimum rate of 1.0 space per unit and a maximum rate of 1.5 spaces per unit.” (ECR/D Specific Plan, p. F18). This analysis takes a conservative approach and assumes 1.5 spaces per unit.

13 The ECR-SA-W zone is in the Downtown Shared/Unbundled Parking Area. Downtown parking standards in the ECR/D Specific Plan allow required parking for the first 1.0 FAR to be accommodated in public parking plazas. This analysis took a conservative approach and assumes all required parking will be on-site.

14 Please see Footnote 6.

15 Please see Footnote 7.
Conclusion: Adoption of the Ballot Measure’s Open Space requirements does not preclude the possibility to develop the maximum residential density allowed in both the highest intensity (ECR SA-W) and lowest (ECR NE-L) ECR/D Specific Plan area zoning designations.

Adoption of the Ballot Measure’s Open Space requirements may reduce the likelihood that residential development occurs in zoning districts that have open space requirements only for residential uses (such as the SA-W district analyzed in Table 3-2 above). For these zoning districts, the Ballot Measure requirement to locate open space within four feet of ground level further increases competition for ground floor uses (such as parking) for projects that contain residential components. This increases the need for structured parking, which in turn increases project hard costs and reduce financial feasibility of such projects in such zones. See Chapter 4 “Impacts to Private Development and Businesses” for added discussion on project feasibility.

Adoption of the Ballot Measure’s Open Space requirements may reduce provision of private open space in residential developments. ECR/D Specific Plan Guideline E.3.6.05 states, “For residential developments, private open space should be designed as an extension of the indoor living area, providing an area that is usable and has some degree of privacy” (p. E35). This guideline implies private open space may need to accommodate direct access to the residential units. Therefore, the Ballot Measure requirement to locate open space at or near ground level makes provision of private open space impractical for all but ground-floor units.

3.3 Housing Impacts: Cap on Ballot Measure-defined Office Space Development

In this Section the Ballot Measure’s office development restrictions on housing are analyzed using: (1) a jobs to housing ratio, and (2) housing affordability.

3.3.1 Jobs-to-Housing Ratio

The Jobs to Housing ratio (“Jobs: Housing”) expresses quantitatively the relationship between where people work (the “jobs” side) and where they live (the “housing” side). An excess of the number of jobs (housing demand) without sufficient housing stock (housing supply) can lead to an increase in housing costs and housing cost burden for lower-income residents. Alternatively, excess housing without adequate local job supply can lead to residents commuting outside of the City for work; impacting regional traffic, air quality, and residents’ quality of life.
Menlo Park Ballot Measure Impact Analysis

For the ECR/D Specific Plan, the Jobs:Housing ratio is measured based on the number of jobs per resident employee. This measure counts the employed residents (i.e., those in the labor force who are currently working) as a substitute for households or housing units in the denominator of the ratio. This analysis is isolated to the ECR/D Specific Plan area, and it is assumed the maximum number of allowable housing units, as identified in the ECR/D Specific Plan at build-out (i.e., 680 units), would be developed.

The following assumptions, as provided in ECR/D Specific Plan’s Final Environmental Impact Report (“EIR”) and Strategic Economics’ ECR/D Draft Specific Plan Fiscal Impact Analysis dated August 31, 2011 (“SE FIA 2011”) were used to determine the Jobs:Housing balance.

**Table 3-3: Jobs: Housing Assumptions**

<table>
<thead>
<tr>
<th>Residential Use</th>
<th>Units</th>
<th>Employed Residents per Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>680</td>
<td>1.28</td>
</tr>
<tr>
<td>Non-residential Use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>91,800 Square Feet</td>
<td>400 Square Feet/retail job</td>
</tr>
<tr>
<td>Commercial</td>
<td>240,820 Square Feet</td>
<td>300 Square Feet/commercial (office) job</td>
</tr>
<tr>
<td>Hotel (380 rooms)</td>
<td>141,380 Square Feet</td>
<td>1.25 employees/hotel room</td>
</tr>
<tr>
<td>Total</td>
<td>474,000 Square Feet</td>
<td>1,357 jobs</td>
</tr>
<tr>
<td>Source: ESA, 2011; Strategic Economics, 2011</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A build-out assumption of 1,357 new jobs and 870 new employed residents, leads to a Jobs:Housing ratio of 1.56 jobs per employed resident.

The Ballot Measure does not change the 680 residential unit cap or total net new non-residential square footage of 474,000 square feet allowed by the ECR/D Specific Plan. The scenario analyzed in the EIR and SE FIA 2011 assumed a commercial build-out of 240,820 square feet. As stated earlier, the Ballot Measure establishes this as a cap on Office Space (240,820 square feet), which can only be increased through voter approval.

Described in greater detail in Chapter 1, Ballot Measure-defined Office Space is a subset of commercial (one type of non-residential land uses). However, there is no impact of this differentiation between office and commercial land use types, as both generate an equal number of employees (under the assumption the employee per square foot is the same). As a result, the Ballot Measure does not have a direct impact on the number of net new jobs.
Conclusion: Because the number of jobs the ECR/D Specific Plan area is anticipated to produce under the Ballot Measure does not differ from the ECR/D Specific Plan scenario, and because the Ballot Measure does not amend the maximum 680 residential unit cap of the ECR/D Specific Plan, the Ballot Measure poses no impact to the ECR/D Specific Plan area Jobs:Housing ratio. There does remain the possibility that Ballot Measure voter approval requirements stymies future development. If this were to occur, the Jobs:Housing ratio could be impacted.

Jobs: Housing Balance: EIR Interpretation

As required by the California Environmental Quality Act (“CEQA”), the EIR for the ECR/D Specific Plan analyzed the impact of the proposed project (i.e., ECR/D Specific Plan) on population and housing. In the EIR, the following impacts were analyzed:

- Impact POP-2: The project would not induce substantial population growth, either directly by proposing new housing, or indirectly through infrastructure improvements and job growth.

- Impact POP-3: Implementation of the Menlo Park El Camino Real/Downtown Specific Plan, in combination with other past, present, and reasonably foreseeable future plans and projects would not result in cumulatively considerable impacts to population and housing.

The EIR determined there was a less than significant impact for both POP-2 and POP-3.

Conclusion: Adoption of the Ballot Measure would likely not result in any additional CEQA impacts to housing within the ECR/D Specific Plan boundary.

3.4 Housing Impacts: Voter Controls

The Ballot Measure does not require voter approval of an ECR Specific Plan Amendment to increase the number of housing units above the 680 units.

Conclusion: Adoption of the Ballot Measure’s “voter control” language would not lead to inconsistencies with the ECR/D Specific Plan in regard to housing development beyond the ECR/D Specific Plan residential cap.

3.5 Consistency with the Housing Element

The Ballot Measure does not reduce potential housing development and maintains ECR/D Specific Plan zoning densities, which meet and/or exceed the State Department
Menlo Park Ballot Measure Impact Analysis of Housing and Community Development requirements for affordable housing (minimum 30 du/ac).

**Conclusion:** Adoption of the Ballot Measure language would not cause inconsistency with the City’s Housing Element or General Plan Land Use policies.
4.1 Purpose of the Impacts to Private Development and Businesses Analysis

Generally, the proposed Ballot Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of ECR/D Specific Plan components. Please see Chapter 1 for a more detailed explanation of the issues and implications of the three proposed changes.

This Chapter addresses the Ballot Measure’s impact on the viability of private development of vacant and underutilized land within the ECR/D Specific Plan area, and the City’s ability to attract and retain businesses.

The Chapter is organized as follows:

- Private Development Impacts: Change in Open Space Regulations
- Private Development Impacts: Cap on Ballot Measure-defined Office Space Development
- Private Development Impacts: Voter Controls

4.2 Private Development Impacts: Changes in Open Space Regulations

The Ballot Measure language related to open space impacts two key areas, presented in detail below, in the context of vacant and underutilized land and employment: maximum development build-out and development financial feasibility.

4.2.1 Achieving Maximum Build-out

As identified in Chapter 1, the Ballot Measure would mandate the required minimum open space be located at or within four feet of ground level. This Section discusses whether or not the Ballot Measure’s change in open space regulations would limit the ability of a site in the ECR/D Specific Plan area to produce the maximum non-residential build-out allowed under the current ECR/D Specific Plan. The analysis presents two build-out scenarios, one in the low intensity ECR-NE-L zone and one in the high intensity SA-W zone areas in the ECR/D Specific Plan. These two zones were selected in order to present possible bookend development scenarios (low and high). It is not possible to present and analyze all possible development scenarios; this analysis is intended to
illustrate a scenario where maximum build-out is feasible while still meeting Ballot Measure open space requirements, and from which one may infer the parameters affecting other potential developments.

As with the mixed-use residential scenarios discussed in Chapter 3, the following analysis shows that maximum non-residential build-out is not likely hindered by the Ballot Measure’s change in open space requirements. Similarly, the proposed revisions could produce ground-level open space that could constitute a pedestrian amenity, though the type of open space typically provided for non-residential projects could differ from that of other mixed-use residential projects and vary significantly according to individual designs. Still, ground level open space would compete with other ground-level uses, namely parking, which could increase overall project hard costs.

The two scenarios assume the same prototype, 200-foot by 240-foot (48,000 square feet) site presented in Chapter 3. Minimum setbacks and the maximum building envelope for the ECR-NE-L zone are shown and described in Figure 4-1 and Table 4-1 below. There are no ground level setback requirements in the SA-W zone, as discussed further below.

---

Figure 4-1 Sample ECR-NE-L Site: Maximum Building Envelope Analysis

---

1 As design standards largely do not address design of the required open space, it is not possible to assume open space will be designed in such a way as to constitute a pedestrian amenity.
### ECR-NE-L Low Density Office Zoning District

#### Table 4-1 Sample ECR-NE-L Site: Maximum Building Envelope Analysis

<table>
<thead>
<tr>
<th>Unit/ Description</th>
<th>ECR SP Development Standard</th>
<th>Amount (Square Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parcel Size</td>
<td>Square Feet</td>
<td>200’ X 240’</td>
</tr>
<tr>
<td>2. Max Development (Line 1 x .75)²</td>
<td>Floor Area Ratio</td>
<td>0.75</td>
</tr>
<tr>
<td>3. Setback Area Based on Minimum Requirements (See setback on Fig. 4-1)³</td>
<td>Square Feet</td>
<td></td>
</tr>
<tr>
<td>4. Max Allowed Building Footprint (Line 1 - Line 3)</td>
<td>Square Feet</td>
<td></td>
</tr>
<tr>
<td>5. Ground Floor Square Feet</td>
<td>Square Feet</td>
<td></td>
</tr>
<tr>
<td>6. Second Floor Square Feet</td>
<td>Square Feet</td>
<td></td>
</tr>
<tr>
<td>7. Third Floor Square Feet (Maximum 3 stories allowed)</td>
<td>SF less 45° Setback @ Front and Rear</td>
<td></td>
</tr>
<tr>
<td>8. Open Space Required (Line 1 x 30%)</td>
<td>% of Parcel Size</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Parking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Min. Off Street Non-Residential Parking Required (Assumed Retail and Personal Service) (Line 2 ÷ 1000 x 4)</td>
<td>Per 1,000 SF Gross Floor Area</td>
<td>4.0</td>
</tr>
<tr>
<td>10. Total Parking Square Footage Required (144 spaces x 250 sf)</td>
<td>Per space</td>
<td>250</td>
</tr>
<tr>
<td>11. Total Square Feet at Ground Level - Building, Open Space, and Parking (Line 5 + Line 8 + Line 10)</td>
<td>Square Feet</td>
<td></td>
</tr>
</tbody>
</table>

---

² No additional public benefit FAR allowance was assumed in order to present the lowest possible intensity.

³ Setback requirements vary per zoning district.

⁴ Accommodates a building break of approximately 400 sq. ft.

⁵ Line 11 (Total Square Feet = 64,000 sq. ft.) is larger than Line 4 (Max. Development = 36,000 sq. ft.) Line 11 may exceed Line 4 because FAR excludes covered parking as defined in 16.04.325 of the Menlo Park Zoning Ordinance. Also, Line 11 highlights the fact that ground floor open space competes with parking in such a way that increased use of structured or underground parking may be required. In other words, if the open space requirement and building footprint are subtracted from the lot size, some but not all parking will fit on site at ground level: Lot Size (48,000 sq. ft.) - Open Space (14,400 sq. ft.) - Building Footprint (13,600 sq. ft.) = 20,000 sq. ft. (not enough space to accommodate 36,000 sq. ft. of parking). As discussed further in Section 4.2.2 of this Chapter, an increase in structured or underground parking would increase hard costs which in turn has implications on project feasibility.
Menlo Park Ballot Measure Impact Analysis

The amount of open space required is 14,400 square feet, and can fit at the ground level adjacent to an assumed 13,600 square foot building footprint. As there would only be 20,000 square feet of parcel remaining (48,000 - 13,600 - 14,400), a portion of the 36,000 square feet of parking required in this example would need to be accommodated via underground/structured parking or other shared parking agreement with the City.

A two story non-residential development that reaches the full build-out potential is also feasible. Assuming each story would be half of the total allowed 36,000 square feet, an 18,000 square foot building footprint plus 14,400 square feet of open space at ground level is also possible in this scenario. Still, less space would be available for parking, additional underground parking would likely be necessary. This would impact the feasibility of a given project.

A one story development that allows maximum build-out is not feasible with ground floor open space, as the building footprint and open space would exceed the parcel size.

**SA-W High Density Office Zoning District**

In the context of the bookend impact analysis approach (providing the high- and low-end impacts to inform how all other innumerable scenarios may come forward) the SA-W zoning category presents the highest development intensity designation allowed in the ECR/D Specific Plan. As no open space is required for non-residential uses in the SA-W zone, the Ballot Measure would not impact enabling a non-residential project to maximize allowable FAR on a given SA-W site.

**Conclusion:** While the maximum allowed non-residential development could be achieved, the Ballot Measure’s open space regulations increase competition among ground floor uses such as open space and parking, and increase the need for structured parking. Increases in structured parking would increase project hard costs, which in turn could impact project financial feasibility as discussed in Section 4.2.2 of this Chapter. The Ballot Measure’s open space regulations also lessen the ability of a project to maximize the allowed build-out in a reduced-story structure (e.g.: constructing the maximum FAR a site will permit in one or two stories when three stories are allowed).

---

6 Refer to Chapter 1 “Introduction” for added detail on the bookend impact analysis approach.
4.2.2 Financial Feasibility of Development

This Section addresses how development feasibility may be affected by Ballot Measure language related to open space. Developers often use a feasibility analysis in determining whether or not to go forward (the “go decision”) with a given development. A summary of components used in feasibility analysis is outlined to provide better understanding of the “go decision”.

A development feasibility analysis produces a return measure, and can be broken into several general categories: acquisition costs, hard costs, soft costs, financing and other costs, and revenue. Acquisition costs generally include land costs. Hard costs generally include construction costs. Soft costs generally include design, environmental review, permitting, and other costs related to project entitlements. Financing and other costs incorporate cost of capital (debt and equity and associated interest, fees, etc.) to fund the project (through pre-development, construction, and beyond, if applicable) in addition to legal, sales, and project marketing costs among others. Revenue, in the simplest terms, takes the form of rent, sales values, and ancillary income such as parking, storage, signage, etc. Total revenues offset total costs to produce a project return.

A sample feasibility analysis is shown in Table 4-2 on following page for illustrative purposes only. The figures shown are not related to any specific site, project, or market condition and are provided only to illustrate the relationship among analysis components. The sample feasibility analysis is simplistic in that it does not account for multiple capital sources\(^7\) or time value of money\(^8\), and though the minimum return required to go forward with a project varies\(^9\), the returns shown in Table 4-2 are held constant to demonstrate relationship among other feasibility analysis components.

---

\(^7\) Capital sources include debt and equity. Debt could take the form of a short- or long-term loan. Equity could take the form of out-of-pocket cash from the developer. Other sources and types of debt and equity exist.

\(^8\) Time value of money is the basic concept that value of a dollar today is different than value of a dollar in the future. The concept is important in context of a development feasibility analysis because development project costs and revenues are spread across time.

\(^9\) A required return reflects risk of the project and developer goals, among other variables.
Table 4-2 Illustrative Feasibility Analysis

<table>
<thead>
<tr>
<th></th>
<th>Base Case</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Revenues</td>
<td>$10,200,000</td>
<td>$10,780,000</td>
</tr>
<tr>
<td>2</td>
<td>Less: Acquisition Costs</td>
<td>$2,200,000</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>3</td>
<td>Less: Hard Costs</td>
<td>$4,700,000</td>
<td>$5,200,000</td>
</tr>
<tr>
<td>4</td>
<td>Less: Soft Costs</td>
<td>$800,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>5</td>
<td>Less: Financing and Other Costs</td>
<td>$1,100,000</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>6</td>
<td>Total Costs</td>
<td>$9,300,000</td>
<td>$9,300,000</td>
</tr>
<tr>
<td>7</td>
<td>Potential Net Profit (Project Revenues - Total Costs)</td>
<td>$1,480,000</td>
<td>$1,480,000</td>
</tr>
<tr>
<td>8</td>
<td>Return on Total Costs (Potential Net Profit ÷ Total Costs)</td>
<td>15.9%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

By requiring open space to occur within four (4) feet of ground level, the Ballot Measure creates a competition between open space and other ground floor uses such as parking and structures (see Section 4.2.1 above for a discussion of potential build out). For example, reducing the ground floor space available for parking could require added use of underground or structured parking to enable a development to comply with ECR/D Specific Plan parking standards. At grade parking costs less to build than structured or underground parking. Therefore, increasing the amount of non-at-grade parking increases the cost of construction, or hard cost, of a project. If a given project return is to be maintained, project revenues (rent, sales prices, and ancillary income) would need to increase (see “Alternative 1” Table 4-2) or project costs would need to decrease (see “Alternative 2” Table 4-2). Soft costs and financing (and other) costs generally increase or remain constant (until the development caps are met and the voter controls kick in); therefore, the most likely cost category to decrease would be acquisition (land) costs in Alternative 2.

The market may not bear the higher rents or sales prices (or increases in parking or other ancillary fees) the project would need to command to maintain feasibility, and, as a result, businesses would locate elsewhere. Another potential outcome is that land...
Menlo Park Ballot Measure Impact Analysis

owners may decide against selling property to the developer at the lower land price point supported by the project.

**Conclusion:** By requiring open space to occur within four (4) feet of ground level, the Ballot Measure creates a competition between open space and other ground floor uses, such as parking, and puts pressure on the project pro forma (by increasing costs associated with structured parking) to maintain financial feasibility and a required project return measure.

**4.2.3 Housing Affordability & BMR Production**

Section 4.2.2 above discusses project level increases in hard costs that would result from an increased use of structured parking that would likely result from the Ballot Measure open space requirements. The Section also relays that project revenues would need to increase if project costs cannot be reduced/controlled to maintain a minimum return that would incentivize a developer to move forward. In the context of a housing project, the required project revenue increase (referred to in section 4.2.2 above) would produce higher home rents or sale prices. If the market proves it would bear the increase in home pricing, overall home affordability in the ECR/D Specific Plan would be reduced.

In terms of Below Market Rate residential unit (“BMR”) production, it is helpful to consider two ways in which BMR’s are produced: (1) incorporated into a larger market rate housing project in accordance with requirements of Chapter 16.96 “Below Market Rate Housing Program” of the City’s Zoning Ordinance, and (2) through stand-alone affordable housing projects. As discussed in Chapter 3 “Housing Impacts,” overall housing production in the ECR/D Specific Plan area is likely not hindered by the Ballot Measure. Therefore the number of BMR units produced as part of larger market rate projects would not be affected by the Ballot Measure. (However, in zones that do not require open space for nonresidential uses (e.g. SA-W) developers may choose to forgo a residential component because of the difficulty of accommodating residential open space at/near ground level.)

The Ballot Measure open space requirements could however make development of BMR’s in stand-alone affordable housing projects more difficult to execute. As discussed in the sections above, the Ballot Measure would likely increase project hard costs by increasing the amount of structured parking that would be required. Affordable housing projects are typically funded through a combination of traditional and specialized funding (such as grants and tax credit equity). The increase in project hard costs resulting from an increased use of structured parking would increase the “gap” that
specialized funding would need to fill to maintain a financially feasible project. Specialized funding is often distributed through competition and can be difficult to attain. While increased project hard costs attributed to more structured parking may not render an affordable housing project infeasible, they would exacerbate the challenge of piecing together specialized funding to execute the project.

**Conclusion:** The Ballot Measure open space requirements could decrease overall housing affordability and increase the difficulty of executing affordable housing projects (a key source of BMR production).

### 4.3 Private Development Impacts: Cap on Ballot Measure-defined Office Space Development

As outlined in the Introduction, the Ballot Measure would restrict the amount of office space that could be developed in the ECR/D Specific Plan area. This Section looks at the following potential outcomes that could result, if the measure is passed:

- Make-up of pending development could change
- Increased competition for entitlements
- Increased cost of doing business
- Greater complexity monitoring development caps

#### 4.3.1 Make-up of Pending Development

The Ballot Measure’s restrictions on office space may significantly alter the shape and state of pending development in the area. Passage of the Ballot Measure will likely (1) change the character of mixed-use development, and (2) render major pending projects unfeasible as currently proposed.

#### Change in Character of Mixed-use Development

According to the ECR/D Specific Plan, “[v]ibrancy is achieved by a rich mix of uses, including residential and public amenities, arranged in a compact manner, in close proximity to transit” (p. B11). Presently, unless the ECR/D Specific Plan is amended, the Plan limits net new development in its jurisdiction to 680 residential units and 474,000 square feet of non-residential uses (p. G16). The ECR/D Specific Plan explains that these development limits are not further delineated beyond residential and non-residential so as to allow “market forces to determine the final combination of development types over time” (p. G16).
Unlike the ECR/D Specific Plan, which calls for market forces to determine the composition of uses (i.e., office, retail, hotel) within the 474,000 square feet of net new non-residential allotment, the Ballot Measure caps net new office space at 240,820 square feet total and 100,000 per individual development.

The degree to which the character would be different under the Ballot Measure turns on the Ballot Measure’s definition of Office Space. As discussed in Chapter 1, the Ballot Measure’s definition of Office Space is an aggregate of the “Office, Business and Professional;” “Offices, Medical and Dental;” and “Banks and Other Financial Institutions” as defined in the ECR/D Specific Plan. Accordingly, the other 10 commercial classifications defined in the ECR/D Specific Plan would not constitute Office Space under the Measure. Figure 4-2 on the following page shows the land use classifications in the Plan in comparison to the office uses that would be regulated under the Ballot Measure.

While the Ballot Measure impacts the flexibility of the Plan to react to market demands, it may not significantly alter the make-up of mixed-use development as the Plan provides for a wide range of uses. (Additionally, the ECR/D Specific Plan already places FAR and square footage limits on office development per project. See Section 1.2.2 of this Report for further discussion.)
Pending Projects

The Ballot Measure’s potential impact on the character of development can be illustrated by its application to existing proposed projects. Presently two pending development projects are within the ECR/D Specific Plan area—Stanford University’s at 500 El Camino Real and Greenheart Land Company’s at 1300 El Camino Real. As proposed, both projects would likely be rendered infeasible by passage of the Measure. (For more information on the background and history of these projects, see...
Appendix 2: Approved and Pending Development Projects Under the ECR/D Specific Plan.

If approved in their current form, these two projects would consist of uses as shown in Table 4-3 below:

<table>
<thead>
<tr>
<th>Table 4-3 Make-up of Pending Projects under the ECR/D Specific Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Units</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Stanford 500 El Camino Real</td>
</tr>
<tr>
<td>Greenheart 1300 El Camino Real</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

(a) In a staff report for a November 19, 2013 City Council meeting, the square footage counted towards the ECR/D Specific Plan’s 474,000 square foot cap on net new non-residential development was presented for the 500 El Camino Real Project and the 1300 El Camino Real Project, respectively.

(b) The City did not distinguish uses in the accounting of net new non-residential square feet for the projects. As proposed, office space constitutes more than 90% of net new non-residential for both projects (95.23% for 500 El Camino Real and 92.38% for 1300 El Camino Real). Given this proportion of office space in each project, an estimate for net new office space was calculated by multiplying the percentage of total office in total non-residential by the net new non-residential. Other methods of calculating net new square footage may be used. For example, the City has recently used trip generation as the basis for establishing net new square footage for a project (555 Glenwood) in the ECR/SP area. The calculation method of net new square feet in and of itself provides uncertainty to a project developer in the ECR/D Specific Plan area.

Sources:


Both projects exceed the Ballot Measure’s cap of 100,000 square feet of office space per project. Together, and depending on net new square feet calculation methods, the two projects’ estimated combined 274,562 square feet of net new Office Space would also exceed the Ballot Measure’s cap of 240,820 net new square feet.

4.3.2 Competition for Entitlements

As mentioned in Chapter 1 and discussed further in Appendix 1, demand for different sectors of the real estate market (i.e. office, retail, hotel) do not move in concert. Accordingly, as discussed in this Chapter, the ECR/D Specific Plan does not delineate among uses in its cap of net new non-residential square feet, instead allowing for the market to determine the combination of uses over time. Given the cyclical nature of real estate markets, the demand for net new office space could exceed the 240,820 square foot cap under the Ballot Measure.

This dynamic could create a rush of applications for Office Space project entitlements, where developers compete for space under the cap by offering the City more public benefits attached to their projects. Projects with the most public amenities would presumably be selected for entitlement under the office cap while those projects with fewer amenities would be pushed out. While the Ballot Measure may cost the City certain public benefits, such as the Stanford’s pedestrian and bicycle linkage, the increased competition driven by a cap placed below market demand could strengthen the City’s power to negotiate with developers and generate greater public benefits.

However, the City currently does not have a mechanism in place to capture potential benefits from increased competition for entitlements.

Conclusion: If the Ballot Measure passes and the market for office space exceeds the Measure’s 240,820 square foot cap of net new office development, the resulting increased competition for entitlements could strengthen the City’s power to negotiate with developers and generate greater public benefits, should the City adopt a mechanism to capture the benefits.
4.3.3 Cost of Doing Business

Passage of the Ballot Measure could bring increased costs of doing business in Menlo Park, in particular for businesses leasing office space in the ECR/D Specific Plan area. As discussed above, the demand for net new office space may exceed the cap set in the Measure. If this situation, in which demand for office space outpaces supply of office space, were to occur, the value of office space would likely increase, allowing owners of existing and newly constructed office space to charge more for rent. Such increased costs of doing business could in turn create headwinds for Menlo Park’s economic development efforts in the Plan area.

**Conclusion:** If the Ballot Measure passes and demand for office space outpaces supply of office space, the value of office space would likely increase, allowing owners of existing and newly constructed office space to charge more for rent.

4.3.4 Monitoring Development Caps

The Ballot Measure will likely complicate the City’s enforcement of development standards under the ECR/D Specific Plan. Along with the per-project and total net-new office space caps, Section 3.3.6 of the Measure states that, for purposes of per-project net new office space cap, “all phases of a multi-phased project proposal shall be collectively considered an individual project.” These provisions likely carry with them a number of unintended consequences, including (1) expending greater City resources, (2) diminishing clarity in enforcement policies, and (3) exposing the City to escalated disputes and litigation.

**Expenditure of City Resources**

Given that the Ballot Measure adds a new cap on net new office development, the City will be required to expend additional resources for each development proposal that involves office space. With each application, the City would have to conduct an accounting of net-new office space, and as discussed further below, may have to regularly monitor use of built and occupied space post-project approval.

**Diminished Clarity in Enforcement Policy**

The Ballot Measure’s office space restrictions will likely present two enforcement challenges for the City—(1) the net new office space cap may create timeframe inconsistencies, and (2) the Ballot Measure’s definition of office space is difficult to operationalize for purposes of the per-project office space cap.
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Timeframe Inconsistencies

Because the ECR/D Specific Plan was adopted in July 2012 and the Measure would take effect when passed by the voters, the City could be saddled with enforcing two interdependent development caps—the cap on net-new non-residential and the cap on net-new office space—based on two different time frames.

The Ballot Measure does provide some clarification on this matter. First, Section 3.4.2 of the Measure states that the net new office space restriction will be effective retroactively dating back to July 12, 2012 when the ECR/D Specific Plan became effective. Second, Section 8.1 of the Measure explains that development projects that obtained vested rights after adoption of the ECR/D Specific Plan, but prior to the passage of the Measure, will not be subject to the Ballot Measure’s provisions conflicting with those vested rights. However, Ballot Measure Section 8.1 also states that the net new square footage from such projects will still be counted toward the Measure’s cap of 248,820 square feet of net new office space for consideration of future projects.

Operationalizing the Definition of Office Space

As discussed in Chapter 1, the Ballot Measure creates its own definition of office space, without directly amending the text of the ECR/D Specific Plan. As expressed in Sections 3.3.1 through 3.3.4, the Measure’s definition of office space is comprised of three commercial use classifications found in the ECR/D Specific Plan’s appendix:

- Offices, Business and Professional
- Offices, Medical and Dental
- Banks and Other Financial Institutions

However, as illustrated earlier in this Chapter, the ECR/D Specific Plan also classifies a number of other commercial uses that, while similar to office uses above, would not constitute office space under the Ballot Measure. Among these uses are:

- Business Services: “Establishments that primarily provide goods and services to other businesses on a fee or contract basis, including printing and copying, blueprint services, advertising and mailing, office equipment rental and leasing, office security, photo finishing, and model building” (ECR/D Specific Plan, p. H4).
- Personal Improvement Services: “Provision of instructional services or related facilities, including photography, fine arts, crafts, dance, or music studios; driving
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schools; and diet centers, reducing salons, spas, and single-purpose fitness studios, such as yoga studios or aerobics studios. This classification is intended for more small-scale storefront locations and is distinguishable from small-scale commercial recreation uses that tend to occupy larger sites and generate more noise” (ECR/D Specific Plan, p. H5).

This presents two problems particular to enforcement of allowable land use within the ECR/D Specific Plan land use designations—(1) identifying Office Space uses under the Ballot Measure, and (2) obtaining the requisite information to make such determinations from development project proposals.

As to the first problem, consider as an example the relatively similar office space uses of a graphic design firm and an advertising firm. Based on the similarity of work product, a firm might be able to claim its use as graphic design or advertising. Graphic Design is expressly “Office, Business and Professional” under the ECR/D Specific Plan definition and is therefore counted as Office Space according to the Ballot Measure. An advertising firm is expressly “Business Services” under the ECR/D Specific Plan definition, which is a category not counted as Office Space under the Ballot Measure. A graphic design firm may conduct business in a space similar to an advertising firm (i.e., similar uses of desks, cubicles, conference rooms, etc.), but the graphic design would count towards the Ballot Measure’s office space restrictions and the advertising firm would not.

As to the second problem, developers do not always know precise uses when submitting project proposals (e.g., professional office versus business support services). Unless the developer has pre-leased/sold 100% of the available space prior to project submittal, the proposal cannot fully define the exact nature of business conducted throughout the project. It will be increasingly difficult for the City to enforce the 100,000 square foot cap on office space per project proposal allowing for market variability. Using the first example: Once a City approves a proposal as meeting the per project office space cap, it will by necessity be required to regularly monitor the built-space to ensure that space set to be occupied by an advertising firm is not instead leased by a graphic design firm in excess of the office cap.

**Exposure to Disputes and Litigation**

The uncertainty arising from the application of the Ballot Measure’s Office Space definition along with the phased development enforcement provision may also invite increased disputes and litigation in two ways:
First, prospective developers whose proposals are charged with exceeding the cap may challenge the City’s definition and application of the terms “office,” “phases,” and “multi-phased project.” A developer looking to avoid the Ballot Measure’s office space restrictions may argue that their project falls under one of the many commercial classifications in the ECR/D Specific Plan not considered Office Space under the Measure.

Second, developers with projects advancing through the approval process that could be rendered infeasible by the Ballot Measure may seek declaration that their rights in the project vested before passage of the Ballot Measure. This may further complicate the City’s tracking of the development caps.

**Conclusion:** The office space restrictions will likely carry with them a number of unintended consequences, including limiting transparency in the development process, expending greater City resources, diminishing clarity in enforcement policies, and exposing the City to escalated disputes and litigation.

**4.4 Private Development Impacts: Voter Controls**

As outlined in Chapter 1, the Ballot Measure would require that a series of items in the ECR/D Specific plan be changed only by voter approval. This mechanism for decision-making is commonly referred to as “Ballot Box Planning” or “Ballot Box Zoning”—“subjecting land use decisions to a popular vote, usually at the local level” (Staley, 2001, p. 26). As described below, ballot box planning can add levels of uncertainty in the development process that can discourage investment, increase development costs, and create perceptions that Menlo Park is unfriendly to business. The Ballot Measure language related to voter approval requirements will most likely discourage developer investment beyond the non-residential cap thresholds and ultimately stifle economic growth in the ECR/D Specific Plan area.

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11 Sources for this section include:


4.4.1 Uncertainty in the Entitlement Process

There is inherent risk and uncertainty in the land development process. Regulations define the expectations and obligations of the involved parties (i.e., developers and the municipality) and thereby reduce the level of uncertainty. A well-defined regulatory process can facilitate development while mitigating unintended consequences of the market. However, if the regulatory process imposes additional obstacles and costs without improving the quality, the impacts can be negative (Staley, 2001).

The ECR/D Specific Plan sets caps on net, new residential and non-residential development. The caps can be exceeded following a formalized regulatory process. The ECR/D Specific Plan states:

“Any development proposal that would result in either more residences or more commercial development than permitted by the [ECR/D] Specific Plan would be required to apply for an amendment to the [ECR/D] Specific Plan and complete the necessary environmental review” (p. G16).

Under the Specific Plan, a developer will incur additional time and costs to amend the ECR/D Specific Plan and perform the corresponding environmental review (i.e., CEQA). While the amendment alone may increase the financial risk to development (e.g., reduce the return on investment), it does not necessarily introduce uncertainty in the approval process.

The Ballot Measure increases entitlement uncertainty by requiring voter approval to amend the ECR/D Specific Plan and, as outlined in Chapter 1 “Introduction”, to approve any project that deviates from the many voter-adopted components of the ECR/D Specific Plan. The Ballot Measure essentially proposes an open-ended political process of voter approval that increases investment risk and could reduce the overall feasibility and attractiveness of development projects in the ECR/D Specific Plan area.

Conclusion: Should the Ballot Measure pass, its voter control provisions would increase uncertainty in the entitlement process for developers.

4.4.2 Cost to Developers

The Ballot Measure’s “voter approval process” will increase costs for developers and reduce incentives to build non-residential projects in the ECR/D Specific Plan area beyond the caps currently stated or to build projects that require deviation from the voter-adopted components of the ECR/D Specific Plan. Developers will have to invest more money in the form of ballot campaigns to promote their projects and gain public
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support (Badger, 2014). These increased costs will come in the form of marketing, advertising, and public outreach events. Even with ballot campaigns, there is no guarantee of approval of the project by the public.

In strong markets, developers may be willing to subject their projects to lengthy (i.e., costly) reviews by a planning board because higher market demand may allow them to recover costs through higher prices (Staley, 2001). However, the Ballot Measure’s “voter approval” requirement will add development costs that go beyond conventional planning review and may reduce the willingness of developers to risk capital investment. This will particularly impact small landowners or developers who may be put at a disadvantage because of the cost of elections (Fulton, et al, 2002).

**Conclusion:** The Ballot Measure’s voter controls would add costs to development beyond the conventional planning process. Developers looking to develop beyond the cap would have to finance a voter-outreach effort to amend the ECR/D Specific Plan.

### 4.4.3 Business-friendliness

Voter approval requirements for increases in development or for individual projects can hinder the ability of the ECR/D Specific Plan to:

“Increase downtown activity, foot traffic and transit use through enhanced public spaces, mixed-use infill projects (including residential uses) and higher intensities of development near the commuter rail station” (ECR/D Specific Plan, pg. A2).

If Menlo Park voters restrict development inside the ECR/D Specific Plan boundary, they will reduce the attractiveness of Menlo Park to new businesses or existing firms looking to expand, that rely on a mix of uses to support their development (e.g., small retail relies on local offices to support daytime demand). As a result, Menlo Park’s ECR/D Specific Plan area may appear less amenable to development than other areas in the city or surrounding jurisdictions. New growth may leapfrog over the ECR/D Specific Plan boundary to different parts of Menlo Park or to another jurisdiction altogether (Fulton, et al, 2002).

To provide a context for Menlo Park’s competitive climate, a brief summary of nearby-jurisdiction land regulation approaches is here presented. Cities adjacent to Menlo Park with downtown comprehensive plans do not have maximum allowable development limits or do not require voter approval of comprehensive plan amendments if the maximum limit is attained. For example:
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- The City of Mountain View’s Downtown Precise Plan (2004) does not set maximum allowable development limits (i.e., maximum total square footage of development by land use).

- Redwood City’s Downtown Precise Plan (2011) sets a Maximum Allowable Development (MAD) limit. Similar to Menlo Park, when the MAD is reached in any category (expressed either in housing units or square footage) “no further development in that category may be permitted without an amendment to the MAD provisions of the Precise Plan by the City Council” (pg. 29)

- The City of San Mateo’s Downtown Area Plan (2009) does not set maximum allowable development limits (i.e., maximum total square footage of development by land use).

The lack of voter approval could make areas outside of the Menlo Park ECR/D Specific Plan more attractive to development. For Menlo Park, the result may be a dampening or complete stoppage of future non-residential development in the ECR/D Specific Plan area as developers invest elsewhere.

**Conclusion:** If the voter controls of the Ballot Measure are adopted, Menlo Park may be considered less attractive to developers than neighboring cities without such requirements.
Chapter 5  Fiscal Impacts

5.1 Purpose of the Fiscal Impact Analysis

Generally, the proposed Ballot Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on office space development, and require voter approval to change a series of ECR/D Specific Plan components ("voter control"). This Chapter addresses the fiscal impacts resulting from approval of the Ballot Measure and the amendment of language within the ECR/D Specific Plan. The purpose of the analysis is to illustrate possible gains or losses to Menlo Park’s General Fund and Special Districts’ revenues and expenditures, as a direct result of the proposed Ballot Measure.

As discussed in Chapter 1, the ECR/D Specific Plan project description studied in the EIR was used to create a baseline for this Report’s build-out model. The purpose of the build-out model is to illustrate the missed outcomes, positive or negative, should the Ballot Measure pass. See Section 1.3.2 in Chapter 1 for a detailed explanation of the build-out model. For this Chapter’s fiscal impact analysis, the following use combinations were developed as Scenarios to illustrate high and low “Bookends” for comparison to the Baseline:
Table 5-1 Baseline and Bookends for Fiscal Impact Build-Out Model

<table>
<thead>
<tr>
<th></th>
<th>Residential</th>
<th></th>
<th>Non-Residential</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Residential Cap Room Remaining</td>
<td>Office</td>
<td>Retail</td>
</tr>
<tr>
<td></td>
<td>Units</td>
<td>Units</td>
<td>Square Feet</td>
<td>Square Feet</td>
</tr>
<tr>
<td>Baseline (Derived from the EIR)</td>
<td>680</td>
<td>0</td>
<td>240,821</td>
<td>91,800</td>
</tr>
<tr>
<td>Scenario 1 (High Bookend for Infrastructure)</td>
<td>680</td>
<td>0</td>
<td>240,821</td>
<td>233,179</td>
</tr>
<tr>
<td>Scenario 2 (High Bookend for Fiscal)</td>
<td>680</td>
<td>0</td>
<td>240,821</td>
<td>442(a)</td>
</tr>
<tr>
<td>Scenario 3 (Low Bookend)</td>
<td>680</td>
<td>0</td>
<td>474,000</td>
<td>0</td>
</tr>
</tbody>
</table>

(a) Using hotel square footage figures from the Strategic Economics for the ECR/D Draft Specific Plan Fiscal Impact Analysis dated August 31, 2011 (“SE FIA 2011”) (528 square feet per room with shared space), 233,179 square feet of hotel use amounts to 442 hotel rooms. See Footnote 13 in Chapter 1 for discussion.

A fiscal impact analysis was also conducted using a second set of land use combinations—Scenarios 4, 5, and 6—also described in Chapter 1. The results for the second set of analyses can be found in Appendix 3.

For the fiscal impact analyses, these were used in the build-out models to illustrate:

- The direct fiscal impacts to the General Fund and Special Districts from adoption of the Ballot Measure, and
- The financial opportunity costs of amending (e.g., applying development constraints) to the ECR/D Specific Plan.

5.2 Fiscal Impacts: General Fund Revenue and Expenses

This FIA General Fund analysis follows the methodology and assumptions developed by Strategic Economics for the ECR/D Draft Specific Plan Fiscal Impact Analysis dated
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August 31, 2011 (“SE FIA 2011”). Appendix 3 contains three additional case studies illustrating possible scenarios under current development conditions.

5.2.1 Methodology and Assumptions

The SE FIA 2011 for the Draft ECR/D Specific Plan estimated the annual Menlo Park General Fund expenses and revenues that could be generated by build-out of the plan’s selected development program over time (“Baseline”). The SE FIA 2011 was a dynamic fiscal impact analysis (i.e., reported annual gains and losses) that considered the annual fiscal impact throughout the period in which new development is expected to occur, with assumed build-out of the ECR/D Specific Plan occurring by 2030.

Following the methodology outlined in the SE FIA 2011 report, a fiscal impact model was developed with the intent of first replicating the SE FIA 2011 results, then applying new values corresponding with the Scenarios described in Chapter 1. This FIA model followed the SE FIA 2011 dynamic model where possible and a static model where necessary. Where information was not available, assumptions were applied following standard fiscal impact analytical approaches. Outputs and methodologies inconsistent with the SE FIA 2011 have been noted in Section A3-5 in the Appendix 3.

Note: This assessment is not intended as a peer review of the SE FIA 2011. The intent is to evaluate the impact of the proposed Ballot Measure.

5.2.2 Fiscal Impacts: Change in Open Space Regulations

Changes to the definition of Open Space resulting from adoption of the Ballot Measure should not have a measurable fiscal impact on the City’s General Fund revenues.

5.2.3 Fiscal Impacts: Cap on Ballot Measure-defined Office Space Development

The following Sections describe the results of the analysis for the Bookends in contrast to the Baseline. As previously stated, the Bookends were developed following the methodology and assumptions provided within the SE FIA 2011. Please see the SE FIA 2011 for a detailed description of model constraints and assumptions.

Table 5-1 summarizes the net fiscal impact to the City General Fund on an annual basis for the Baseline (Derived from the EIR) and the Bookends. As shown below, the primary revenue generators for the City’s General Fund come from property tax (residential and non-residential properties), Sales Tax (from retail sales), Transient-occupancy tax (visitors staying in hotels), and per capita fees paid by residents and businesses (utility use, franchise fees, etc.) This analysis did not incorporate revenues generated by Development Impact Fees (e.g., Menlo Park’s Transportation Impact Fee), as they were
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not specifically assessed in the SE FIA 2011 document. The primary General Fund expenditures relate to per capita costs (municipal administrative costs, library operations, general community services, and community development personnel) and public works (public parking structures and parks). The three largest revenue generators for the General Fund are property tax, transient-occupancy tax, and per capita revenue.

<table>
<thead>
<tr>
<th></th>
<th>Baseline (Derived from the BIR)</th>
<th>Scenario 1 (High Bookend for Infrastructure)</th>
<th>Scenario 2 (High Bookend for Fiscal)</th>
<th>Scenario 3 (Low Bookend)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax (b)</td>
<td>$741,000</td>
<td>$754,000</td>
<td>$696,000</td>
<td>$775,000</td>
</tr>
<tr>
<td>Sales Tax (d)</td>
<td>$133,000</td>
<td>$332,000</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>$2,337,000</td>
<td>$-</td>
<td>$2,721,000</td>
<td>$-</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>$47,000</td>
<td>$47,000</td>
<td>$42,000</td>
<td>$47,000</td>
</tr>
<tr>
<td>Vehicle License Fee (d)</td>
<td>$151,000</td>
<td>$156,000</td>
<td>$145,000</td>
<td>$160,000</td>
</tr>
<tr>
<td>Per Capita Revenue</td>
<td>$477,000</td>
<td>$456,000</td>
<td>$453,000</td>
<td>$475,000</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$3,886,000</td>
<td>$1,746,000</td>
<td>$4,057,000</td>
<td>$1,458,000</td>
</tr>
<tr>
<td>Per Capita Operating Expenditures</td>
<td>$(973,000)</td>
<td>$(963,00)</td>
<td>$(961,000)</td>
<td>$(979,000)</td>
</tr>
<tr>
<td>Public Works Operating Expenditures (e)</td>
<td>$(760,000)</td>
<td>$(760,000)</td>
<td>$(760,000)</td>
<td>$(760,000)</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$(1,733,000)</td>
<td>$(1,723,00)</td>
<td>$(1,721,000)</td>
<td>$(1,739,000)</td>
</tr>
<tr>
<td><strong>Net Impact on General Fund</strong></td>
<td>$2,153,000</td>
<td>$23,000</td>
<td>$2,337,000</td>
<td>$(282,000)</td>
</tr>
</tbody>
</table>

Source: SE FIA 2011; LWC 2014

(a) Totals may not equal due to rounding.

(b) Property Tax Revenues for all Scenarios assume full build-out of the 680 residential units.

(c) Consistent with the SE FIA 2011, this analysis assumes a one percent sales tax. According to the State Board of Equalization ("SBOE"), the City receives sales tax revenues equal to 0.95 percent of local taxable expenditures that occur within the City limits.

(d) Vehicle License Fees calculations are highly dependent on property values. Please see Section A3-5 in Appendix 3 for issues regarding property tax calculations.

(e) Public Works expenditures were assumed to remain constant regardless of scenario. Please see SE FIA 2011 for further detail.
5.2.4 Fiscal Impacts: General Fund Summary

Of the three scenarios presented in Table 5-1 (excluding the EIR Baseline) two may have potential for positive fiscal impacts to the City's General Fund: Scenario 1 (the Office/Retail development mix) and Scenario 2 (the Office/Hotel Mix). One scenario has potential for negative fiscal impacts to the City's General Fund: Scenario 3 (all Office development).

As shown in Figure 5-1, because office uses produce lower revenue generation rates to the City than other uses (i.e., hotel or retail), as office space increases, the revenue generation potential decreases compared to all other development use combinations. At a certain point, a developed build out scenario that includes large amounts of office could have a negative fiscal impact on the General Fund. As illustrated in Figure 5-1, the fiscal impacts are closely tied to the inclusion of TOT and Sales Tax revenue.

![Figure 5-1 Net New Office Space Impacts on Revenue](image-url)
Conclusion: This analysis confirms the original SE FIA 2011 findings: The ECR/D Specific Plan is heavily dependent upon transient-occupancy tax; and to a lesser degree, retail sales tax. As a result, the ECR/D Specific Plan could result in a negative impact to the General Fund without the inclusion of a hotel and/or a large amount of retail development. The Ballot Measure’s constraint on Office Space development could hedge the possibility of negative fiscal impacts to the General Fund by limiting the Office Development. The Ballot Measure should not lead to a negative fiscal impact on the ECR/D Specific Plan as long as there is market demand for a non-residential development mix that is revenue generating positive.

5.3 Fiscal Impact: Special Districts

The Special Districts fiscal impact analysis follows the methodology and assumptions developed by BAE Urban Economics for the ECR/D Specific Plan Special Districts Fiscal Impact Analysis dated August 16, 2011 (“BAE FIA 2011”). This Section evaluates the potential impact on revenues and expenses of Special Districts that provide services to residents and businesses within Menlo Park, resulting from passage of the Ballot Measure. Special Districts impacts illustrated in this analysis, consistent with the BAE definition, are local governmental entities independent of the City of Menlo Park, with their own sources of revenue (including a share of property taxes paid by Menlo Park property owners), and with responsibility for providing services pursuant to the legislation that authorized their creation.

5.3.1 Methodology and Assumptions

The BAE FIA 2011 for the Draft ECR/D Specific Plan estimated the annual Special District expenses and revenues that could be generated by build-out of the plan’s selected development program over time (“Baseline Scenario”). The BAE FIA 2011 assumed build out of the ECR/D Specific Plan occurring by 2030. Consistent with the BAE FIA 2011, all dollar amounts are in 2011 dollars.

Following the methodology outlined in the BAE FIA 2011 report, a fiscal impact model was developed with the intent of first replicating the results, then applying new values corresponding with the Scenarios described in Chapter 1. While every attempt was made to follow the methodology as provided in the BAE FIA 2011, where information was not available, assumptions were applied following standard fiscal impact analytical approaches. Outputs inconsistent with the BAE FIA 2011 are noted in Section A3-5 in the full analysis located in Appendix 3.
5.3.2 Fiscal Impacts: Change in Open Space Regulations

Changes to the definition of Open Space resulting from adoption of the Ballot Measure should not have a measurable fiscal impact on the City’s Special Districts’ revenues.

5.3.3 Fiscal Impacts: Cap on Ballot Measure-defined Office Space Development

The build out scenarios analyzed for the Special Districts fiscal impacts are the same as those described in Table 5-1.

The distribution of property taxes varies by Tax Rate Area ("TRA"). The TRA for Menlo Park is a combination of Special Districts as well as other assessments, bonded indebtedness, or obligations that are paid from surcharges in addition to the base one percent property tax. The ECR/D Specific Plan area falls within the City of Menlo Park’s 08-001 TRA. The San Mateo County Auditor-Controller calculates the distribution of the one-percent base property tax revenue allocation, identifying the amount that each of the Special Districts receive after accounting distributions to education ("ERA F").

Applying the TRA distribution to the projected new assessed value gives the Bookends property tax revenues by Special District. Table 5-3 shows the projected property tax revenue distributions by City, County, and Special District for each scenario.
## Table 5-3 Projected Property Tax Revenues

<table>
<thead>
<tr>
<th>Estimated Assessed Value</th>
<th>Baseline (Derived from the EIR)</th>
<th>Scenario 1 (High Bookend for Infrastructure)</th>
<th>Scenario 2 (High Bookend for Fiscal)</th>
<th>Scenario 3 (Low Bookend)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net New Assessed Value</td>
<td>$744,800,800</td>
<td>$761,923,800</td>
<td>$703,517,000</td>
<td>$782,910,000</td>
</tr>
<tr>
<td>1% Basic Property Tax</td>
<td>$7,448,000</td>
<td>$7,619,200</td>
<td>$7,035,200</td>
<td>$7,829,100</td>
</tr>
</tbody>
</table>

### Base 1.0% Tax (Post-BRAF Distribution)

- **City of Menlo Park**<sup>(a)</sup> | $756,000 | $773,400 | $714,000 | $794,700
- **San Mateo County** | $1,079,200 | $1,104,000 | $1,019,400 | $1,134,400
- **Menlo Park City Elementary District** | $1,263,900 | $1,293,000 | $1,193,900 | $1,328,600
- **Sequoia High School** | $1,182,000 | $1,209,200 | $1,116,500 | $1,242,500
- **San Mateo Community College District** | $513,200 | $525,000 | $484,700 | $539,400
- **Menlo Park Fire District** | $1,059,900 | $1,084,200 | $1,001,100 | $1,114,100
- **San Francisquito Creek Flood Zone 2** | $14,900 | $15,200 | $14,000 | $15,700
- **Midpeninsula Regional Open Space District** | $139,300 | $142,500 | $131,600 | $146,400
- **Bay Area Air Quality Management District** | $15,600 | $16,000 | $14,800 | $16,400
- **County Harbor District** | $20,900 | $21,300 | $19,700 | $21,900
- **Mosquito Abatement** | $11,900 | $12,200 | $11,300 | $12,500
- **Sequoia Healthcare District** | $111,000 | $113,500 | $104,900 | $116,700
- **County Office of Education** | $267,400 | $273,500 | $252,600 | $281,100

### Basic Property Tax Revenues

- **Menlo Park** | $6,434,600 | $6,583,000 | $6,078,400 | $6,764,400

### Supplemental Taxes

- **Menlo Park & Recreation Board** | $1,300 | $1,300 | $1,200 | $1,300
- **Menlo Park City Elementary School Bonds** | $3,000 | $3,100 | $2,900 | $3,200
- **Sequoia High School Bonds** | $2,300 | $2,400 | $2,200 | $2,400
- **San Mateo Community College Bonds** | $1,400 | $1,400 | $1,300 | $1,500

### Supplemental Property Tax Revenue

- **$8,100 | $8,200 | $7,600 | $8,500

Source: BAE FIA 2011; LWC 2014

(a) The BAE FIA 2011 used a distribution rate of 10.15% for Menlo Park. The SE FIA 2011 used a distribution rate of 9.9%.
Menlo Park Ballot Measure Impact Analysis

Scenarios 1 and 2 are estimated to have total property tax revenues greater than those projected for the ECR/D Specific Plan. Scenario 3, lacking TOT or sales tax revenue, is estimated to have property tax revenues lower than those projected for the ECR/D Specific Plan.

The following sections provide a brief summary of the significant fiscal impacts to Special Districts previously analyzed in the BAE FIA 2011 report. For a more detailed analysis, please see the Appendix 3.

Menlo Park Fire Protection District

As noted in the BAE FIA 2011 report, the Menlo Park Fire District will review the service standard including cost estimates for future services. This work needs to be completed before it is possible to fully estimate the expenditures that would result from the ECR/D Specific Plan. This means that it is not possible at this time to estimate the net impact on the Fire District from the Ballot Measure beyond calculating a range of service revenues. However, based on the initial results, the fiscal impact of implementation of the Ballot Measure should not substantially impact Menlo Park Fire District as compared with the ECR/D Specific Plan scenario.

School Districts

School district enrollment, and corresponding expenditures, is driven by residential development. As the Ballot Measure language does not make changes to residential development, it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for the school districts.

Water and Sanitary Districts

Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for the Water and Sanitary Districts.

San Mateo Community College District

School enrollment, and corresponding expenditures, is driven by residential development. As the Ballot Measure language does not make changes to residential development, it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for SMCCCD.
Menlo Park Ballot Measure Impact Analysis

County Office of Education

School enrollment, and corresponding expenditures, is driven by residential development. As the Ballot Measure language does not make changes to residential development, it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for the County Office of Education.

Midpeninsula Regional Open Space District

While the service population could increase or decrease based on different development scenarios, the Midpeninsula Open Space District anticipates similar revenue under all Bookends. As a result, approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan.

Sequoia Healthcare District

As the Ballot Measure language does not make changes to residential development; it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for Sequoia Healthcare District.

5.3.4 Fiscal Impacts: Special Districts Summary

The scenarios do not deviate broadly from the Baseline Scenario (ECR/D Specific Plan). Two cases—Scenario 2 and Scenario 4 (shown in Appendix 3)—result in an increase to property tax and service charge revenues. Overall, none of the three illustrative scenarios show a substantial fiscal impact on Special Districts. This is especially true for school districts that account for expenditures based upon the number of residents, not employees. The Ballot Measure should have less than substantial fiscal impacts on the revenues and expenditures for Special Districts.
6.1 Purpose of Infrastructure Impact Analysis

Generally, the proposed Ballot Measure would amend the ECR/D Specific Plan to change open space regulations, introduce restrictions on Office Space development, and require voter approval to change a series of ECR/D Specific Plan components (“voter control”). Please see Chapter 1 for a more detailed explanation of the issues and implications of the three proposed changes.

This Chapter assesses the impact the Ballot Measure may have on physical infrastructure and the environment within the ECR/D Specific Plan area. Unlike Chapters 3 and 4, which are each organized by the Ballot Measure’s key amendments, this Chapter organizes the impact analysis by the following elements of infrastructure and the environment potentially affected by the Ballot Measure:

- Traffic
- Greenhouse gas emissions
- Water usage and systems
- Funding for future projects

The ECR/D Specific Plan’s final Environmental Impact Review (“EIR”) (certified June 5, 2012) serves as the basis for the Ballot Measure infrastructure impact analysis. As prescribed by the California Environmental Quality Act (“CEQA”), the EIR studied the ECR/D Specific Plan’s environmental impacts across a number of areas, identified measures to mitigate significant impacts, and considered reasonable alternatives (CEQA Guidelines Section 15121(a)). This Chapter reviews only a subset (listed above) of the EIR’s environmental analyses as many impact areas will be unaffected by the proposed Ballot Measure (e.g., cultural) or are covered elsewhere in this Impact Analysis (e.g., population and housing is in Chapter 3: “Housing Impacts”).

As discussed in Chapter 1, the ECR/D Specific Plan project description studied in the EIR was used to create a baseline for this Report’s build-out model.¹ The purpose of the build-out model is to illustrate the missed outcomes², positive or negative, should the Ballot Measure pass. See Section 1.3.2 in Chapter 1 for a detailed explanation of the

¹ See Section 1.3.2 and Footnotes 2-5 in Chapter 1 for a detailed explanation of the build-out model.
² The key missed outcome in terms of use and square footage is provision of office space above the 240,820 sq. ft. cap proposed by the Ballot Measure.
Menlo Park Ballot Measure Impact Analysis

build-out model. For this Chapter’s infrastructure impact analysis, the following use combinations were developed as Scenarios to illustrate high and low “Bookends” for comparison to the Baseline:

| Table 6-1 Baseline and Bookends for Infrastructure Impact Build-Out Model |
|---|---|---|---|---|---|
| **Residential** | **Cap Room Remaining** | **Office** | **Retail** | **Hotel** | **Cap Room Remaining** |
| **Non-Residential** | | **Residential** | **Cap Room Remaining** | **Square Feet** | **Square Feet** | **Rooms** | **Square Feet** |
| **Units** | **Units** | **Square Feet** | **Square Feet** | **Rooms** | **Square Feet** |
| Baseline (Derived from the EIR) | 680 | 0 | 240,821 | 91,800 | 380 | N/A | N/A |
| Scenario 1 (High Bookend for Infrastructure) | 680 | 0 | 240,821 | 233,179 | 0 | 0 | 0 |
| Scenario 2 (High Bookend for Fiscal) | 680 | 0 | 240,821 | 442\(^{(a)}\) | 233,179 | 0 |
| Scenario 3 (Low Bookend) | 680 | 0 | 474,000 | 0 | 0 | 0 | 0 |

\(^{(a)}\) Using hotel square footage figures from the Strategic Economics for the ECR/D Draft Specific Plan Fiscal Impact Analysis dated August 31, 2011 (“SE FIA 2011”) (528 square feet per room with shared space), 233,179 square feet of hotel use amounts to 442 hotel rooms. See Footnote 13 in Chapter 1 for discussion.

An infrastructure impact analysis specific to traffic was also conducted using a second set of use combinations, Scenarios 4, 5 and 6, that represent approved net new hotel development, and that are described in Chapter 1. The results for the second set of analyses can be found in Appendix 4.

This Chapter employs some data, models, and standards presented in the EIR to assess the Ballot Measure’s impact on infrastructure development and funding. This Chapter is not intended to serve as a substitute for an Environmental Impact analysis consistent with requirements under the California Environmental Quality Act (“CEQA”).
6.2 Traffic

Under the bookend use combinations, Scenarios 1, 2 and 3, in Table 6-1, there is a range of possible additional vehicle trips that could occur under the Ballot Measure. For this study, a trip is generated if it originated from or reached its destination within the ECR/D Specific Plan area. Given the Baseline build-out, the EIR calculated that the ECR/D Specific Plan would generate an additional 13,385 vehicle trips (p. 4.13-38). To derive this number, the EIR employed three key factors in modeling trip generation:

- By Use: Trip generation by use (residential, office, retail, and hotel) was calculated using rates and equations from Institute of Transportation Engineer ("ITE") Trip Generation.

- Mixed-Use Reduction: A trip reduction factor of 10% associated with mixed-use development was used in the EIR calculations. This reduction is based on the concept of internal capture - that mixed-use development promotes biking, walking, and other non-vehicular travel within a development. For example, an office-worker can walk to nearby retail or to home in residential units above.

- Transit Reductions: Trip reductions that reflect use of public transit were factored into the calculations. Similar to the EIR, this Chapter accounts for this reduction by use: 5% for residential, 3% for office, 1% for retail, and 1% for hotel. This reduction is based on the assumption that people will at times use public transit in place of cars if public transit options are available.

Using these factors, Table 6-2 shows the total trips estimated for baseline and bookend use combinations. Since this build-out occurs on properties that have a use that already generates trips (3,326), these existing trips are backed out of the total trips. Table 6-3 shows the net new trip generation per scenario after subtracting the trips generated by existing conditions from the total trip generation.

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3 Please see Appendix 4 for a detailed report on traffic analysis.
4 As explained in Appendix 4, the EIR used the 8th edition of this manual, which was determined to be substantially similar to the more recent 9th edition. The models for bookends relied on the 8th edition for purposes of consistency.
5 Appendix 4 suggests that a 10% reduction from mixed-use is conservative and a greater reduction could have still produced valid estimates. The analysis in Appendix 4 and in this chapter assumes a 10% reduction factor for purposes of consistency.
6 The EIR calculated transit reduction in vehicle trips on a parcel-by-parcel basis. Because the EIR did not publish the data used in this calculation on a parcel-by-parcel level, the analysis in this Chapter uses the overall transit reduction per use calculated in the EIR across the ECR/D Specific Plan area.
7 The EIR calculated 3,326 trips associated with ECR/D Specific Plan existing conditions.
Table 6-2 Total Trip Generation using Build-out Model Bookends

<table>
<thead>
<tr>
<th></th>
<th>Residential Units</th>
<th>Office Square Feet</th>
<th>Retail Square Feet</th>
<th>Hotel Rooms</th>
<th>Avg. Daily Trips</th>
<th>Mixed-use Reduction</th>
<th>Transit Reduction</th>
<th>Total Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline (Derived from the EIR)</td>
<td>680</td>
<td>240,820</td>
<td>91,800</td>
<td>380</td>
<td>NA(a)</td>
<td>NA(a)</td>
<td>NA(a)</td>
<td>16,771</td>
</tr>
<tr>
<td>Scenario 1</td>
<td>680</td>
<td>240,821</td>
<td>233,199</td>
<td>0</td>
<td>19,034</td>
<td>-851</td>
<td>-85</td>
<td>18,098</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>680</td>
<td>240,821</td>
<td>0</td>
<td>442</td>
<td>10,842</td>
<td>-274</td>
<td>-79</td>
<td>10,490</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>680</td>
<td>474,000</td>
<td>0</td>
<td>0</td>
<td>9,758</td>
<td>-250</td>
<td>-75</td>
<td>9,433</td>
</tr>
</tbody>
</table>

(a) These individual values were not published as part of the EIR. (However, as stated above they were taken into account in the traffic modeling.)

Source: See Appendix 4 for a detailed explanation of calculations.

Table 6-3 Net New Trip Generation per Baseline and Bookend

<table>
<thead>
<tr>
<th></th>
<th>Total Trips</th>
<th>Less Trips from Existing Uses</th>
<th>Net New Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline (Derived from the EIR)</td>
<td>16,771</td>
<td>-3,326</td>
<td>13,385</td>
</tr>
<tr>
<td>Scenario 1</td>
<td>18,098</td>
<td>-3,326</td>
<td>14,772</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>10,490</td>
<td>-3,326</td>
<td>7,164</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>9,433</td>
<td>-3,326</td>
<td>6,107</td>
</tr>
</tbody>
</table>

Source: See Appendix 4 for a detailed explanation of calculations.

Of the non-residential uses, retail is the greatest generator of trips, followed by office and hotel, respectively. Accordingly, Scenario 1 (High Bookend for Infrastructure: office and retail) generated the most net new trips at 14,772, followed by the High Bookend for Fiscal (office and hotel) at 7,164, and Scenario 3 (Low Bookend: all office) at 6,107.

**Conclusion:** Passage of the Ballot Measure potentially could impact traffic. However, the Ballot Measure would not uniquely create more additional trips than the ECR/D Specific Plan Baseline scenario. Although, in that the Ballot Measure would preclude net new office build-out in excess of 240,820 square feet, the Ballot Measure would...
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preclude some traffic scenarios that could entail fewer trips than the ECR/D Specific Plan Base scenario (because office uses produce lower trip generation rates than other uses such as retail, but more than uses such as hotels.)

6.3 Greenhouse Gas Emissions

Greenhouse Gas Emissions (“GHG”) are studied in detail in the ECR/D Specific Plan EIR. The Ballot Measure would not increase development intensity beyond that put forth in the ECR/D Specific Plan, or significantly change the make-up of development project types envisioned in the ECR/D Specific Plan. The Ballot Measure voter control measures could in fact have the effect of stymieing development beyond what has already been approved since ECR/D Specific Plan adoption (see Chapter 4 for added detail.) The Ballot Measure therefore has a low likelihood of resulting in GHG emission levels beyond those anticipated for the ECR/D Specific Plan. The City would retain the right to require GHG emissions mitigation measures for individual developments under the ECR/D Specific Plan and the Ballot Measure.

Conclusion: As the Ballot Measure could have the effect of stymieing private development, it is unknown whether approval of the Ballot Measure would lead to increases in GHG emissions as compared to the ECR/D Specific Plan. However, the City can provide GHG emissions mitigation measures to a developer during the entitlement process.

6.4 Water Usage and Systems

The Ballot Measure would not appear to add to the water demand in a manner that overburdens existing water systems. The EIR modeled additional water demand under the Baseline by using the following factors:

<table>
<thead>
<tr>
<th>Land Uses</th>
<th>Units</th>
<th>Water Demand Factor (Gallons per Day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Dwelling Units</td>
<td>112.00</td>
</tr>
<tr>
<td>Retail</td>
<td>Square Feet</td>
<td>0.53</td>
</tr>
<tr>
<td>Office</td>
<td>Square Feet</td>
<td>0.10</td>
</tr>
<tr>
<td>Hotel</td>
<td>Rooms</td>
<td>130.00</td>
</tr>
</tbody>
</table>

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The water demand factors used by the EIR were applied to the build-out model as shown in Table 6-5 below:

<table>
<thead>
<tr>
<th></th>
<th>Res. Units (112)</th>
<th>Office SF (0.1)</th>
<th>Retail SF (0.53)</th>
<th>Hotel Rooms (130)</th>
<th>Net New Demand</th>
<th>Million Gallons per Day (MGD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>76,160</td>
<td>24,082</td>
<td>48,654</td>
<td>49,400</td>
<td>198,296</td>
<td>0.20</td>
</tr>
<tr>
<td>Scenario 1</td>
<td>76,160</td>
<td>24,082</td>
<td>123,585</td>
<td>0</td>
<td>223,827</td>
<td>0.22</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>76,160</td>
<td>24,082</td>
<td>0</td>
<td>57,460</td>
<td>157,702</td>
<td>0.16</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>76,160</td>
<td>47,400</td>
<td>0</td>
<td>0</td>
<td>123,560</td>
<td>0.12</td>
</tr>
</tbody>
</table>


Based on the two particular standards discussed in the EIR, Scenario 1 above would not exceed the City’s capacity to distribute or maintain its water supply. First, the EIR presents the following range for expected additional water demand:

- Low: 0.20 mgd, from the ECR/D Specific Plan’s estimated build-out (“Baseline”)
- High: 0.34 mgd, from the Association of Bay Area Government’s (“ABAG”) maximum density projection (p. 4.12-34)

Second, the EIR explains that this range of additional water demand can be satisfied by the San Francisco Public Utility Commission’s (“SFPUC”) water treatment plant, which is a major regional source of water. According to the EIR, this source can “reliably deliver 655 mgd, which is well in excess of [regional water] demands” (p. 4.12-34).

**Conclusion:** It is unlikely that the Ballot Measure passing or failing would lead to a level of water demand beyond the City’s and region’s capacity for supply.

### 6.5 Funding for Future Projects

The ECR/D Specific Plan discusses two primary approaches in funding public improvements and infrastructure: pay-as-you-go and debt financing. Both funding approaches, along with additional, specific funding sources identified in the ECR/D Specific Plan are discussed below in context of Ballot Measure changes to the ECR/D Specific Plan.
Menlo Park Ballot Measure Impact Analysis

6.5.1 Pay-As-You-Go

The pay-as-you-go approach depends on development to fund infrastructure improvements. The ECR/D Specific Plan puts forth, “the improvement would only be made once a sufficient amount of revenue is collected to fund the improvement. For example, the City currently collects development impact fees that are used to make improvements to infrastructure such as recreation, transportation and other public facilities” (ECR/D Specific Plan, p. G20).

As discussed in Chapter 4 of this Report, “Impacts to Private Development and Business,” the Ballot Measure’s office thresholds may create an entitlements competition among developers that results in an influx of applications for Office space projects and a corresponding increase in public amenity or infrastructure contributions. Developers would be in the position of having to increasingly compete for room under the Ballot Measure office caps by offering the City greater public amenities or infrastructure contributions. The projects with the greatest amount of contributions would presumably be pushed forward for approval. However, the City currently does not have a mechanism in place to capture potential benefits from increased competition for entitlements. (See Section 4.3.2 in this Report for further discussion.)

**Conclusion:** The entitlements competition that may result from Ballot Measure office limitations could increase pay-as-you-go infrastructure funds in the short term. However, in the long term the voter controls will put a drag on new development and slow or stop this funding source.

6.5.2 Debt Financing

The debt financing approach to infrastructure funding is less reliant on direct developer contributions, as in the pay-as-you-go approach, and more reliant on City revenues that could be produced from a single large development or collective developments in a given area. “Under the debt financing approach, the money for an improvement is borrowed now through a financing method such as issuing bonds; the improvement is made now, and is paid for over time by revenue collected (such as taxes or fees).” (ECR/D Specific Plan, p. G20). The amount of debt funding that can be supported is tied to the amount of revenue that can be collected. As discussed in Chapter 5, “Fiscal Impacts” revenue collected under the Ballot Measure could be less than or greater than revenue collected under the ECR/D Specific Plan depending on a given build-out scenario. The Ballot Measure maximum debt capacity may therefore be less or greater than the ECR/D Specific Plan maximum debt capacity.
### Conclusion:

To the extent that the Ballot Measure would not allow for an all-office non-residential build-out, as would be allowed under the ECR/D Specific Plan, the Ballot Measure could yield a greater debt capacity than the ECR/D Specific Plan. (Note: Due to the uncertainty of the voter controls on future revenue streams, municipal bond underwriters limit the potential revenue streams to the caps set in the Ballot Measure, if it passes. Thus, the total bond amount to fund infrastructure would be reduced.)

### 6.5.3 Specific Financing Sources

The ECR/D Specific Plan outlines several specific funding sources that could be considered for infrastructure improvement implementation: benefit assessment districts; Mello-Roos community facilities districts; development impact and in-lieu parking fees; parking fees; grants; developer contributions, public benefits and public amenity fund; private use of publicly-owned properties; general capital improvement project (“CIP”) fund; and shuttle funding (p. G.20). These funding sources are discussed below in context of the Ballot Measure changes to the ECR/D Specific Plan. Funding sources are dynamic in nature and number. For purposes of consistency, this analysis focuses on funding sources that were presented in the ECR/D Specific Plan. The Ballot Measure has no component that would open the ECR/D Specific Plan area to a funding source that would be unique to provisions of the Ballot Measure in and of itself.

- **Benefit Assessment Districts:** No component of the Ballot Measure would prohibit formation of a benefit assessment district.

- **Mello-Roos Community Facilities Districts:** No component of the Ballot Measure would prohibit formation of a Mello-Roos community facilities district.

- **Development Impact and In-Lieu Parking Fees:** No component of the Ballot Measure would prohibit the City from establishing development impact fees allowed under the Mitigation Fee Act or in-lieu parking fees.

- **Parking Fees:** No component of the Ballot Measure would prohibit the City from establishing parking fees.

- **Grants:** No component of the Ballot Measure would limit ability of the City or ECR/D Specific Plan area developers to seek grant funding.

- **Developer Contributions, Public Benefits and Public Amenity Fund:** The ECR/D Specific Plan “establishes an individual developer negotiation approach for

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9 See Chapter 5, “Fiscal Impacts”, Section 5.2.4 “Fiscal Impacts using Scenarios.”
obtaining public benefits from increased development above the base intensity” (ECR/D Specific Plan, p. G24). To achieve a public benefit bonus (increased FAR or height limits as outlined in ECR/D Specific Plan Chapter E.3.1) developers could also propose contributions be made to a ‘public amenity fund’ that could be used to fund public improvements (ECR/D Specific Plan, p. G24). As addressed in Chapter 4, “Impacts to Private Development and Business,” the Ballot Measure would likely not hinder a developer from achieving the maximum build-out permissible with granting of public benefit FAR and height bonuses. The Ballot Measure therefore keeps open the possibility of using developer contributions, public benefits and a public amenity fund to pay for infrastructure improvements. Furthermore, as outlined in section 6.5.1 above, in creating a reduced supply of office space entitlements, the Ballot Measure may result in an entitlements competition that would incentivize developers to propose projects with maximum public benefits or financial contributions. However, as developers bump up against the Ballot Measure caps on individual projects and the overall cap, developer contributions to public amenities would be impacted. Furthermore, the City currently does not have a mechanism in place to capture potential benefits from increased competition for entitlements (See Section 4.3.2 in this Report for further discussion.)

- Private Use of Publicly-Owned Properties: No component of the Ballot Measure would limit the City’s ability to allow private use of publicly-owned properties or to use revenue from such uses to fund infrastructure improvements.

- General Capital Improvement Project (“CIP”) Fund: No component of the Ballot Measure would limit the City’s ability to use General Fund revenue to fund infrastructure improvements10.

- Shuttle Funding: The City currently assesses an annual shuttle fee of 10.5 cents per square foot on new development to help fund the shuttle program. No component of the Ballot Measure would prohibit the City from continuing or revising the shuttle fee. However, as developers bump up against the Ballot Measure caps on individual projects and the overall cap, collection of these fees would be impacted.

**Conclusion:** The Ballot Measure would not affect the City’s ability to consider a range of infrastructure funding alternatives identified in the ECR/D Specific Plan. In the short and medium-term, the Ballot Measure office limitations may increase entitlements competition and increase developer contribution and Public Amenity Fund financing of

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10 See Chapter 5, “Fiscal Impacts” for detail on Ballot Measure impacts to the City’s General Fund.
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infrastructure improvements. However, as stated above, Ballot Measure caps could impact developer contributions to public amenities and reduce collections of shuttle fees in the longer term.
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Appendix 1. Cyclical Nature of Real Estate Markets

This appendix outlines how and why real estate markets rise and fall over time. As explained in Chapter 1, much technical, design, financial, and economic analysis was completed to support the extensive process of drafting and adopting the ECR/D Specific Plan. The ECR/D Specific Plan and associated support analyses represent a snapshot of a given property market(s) at a specific point in time. The real estate markets of the ECR/D Specific Plan have changed since ECR/D Specific Plan adoption, and will continue to change throughout time and across property sectors. The Ballot Measure Impacts Analysis uses the ECR/D Specific Plan and related support analyses as the basis for present conclusions on impacts of the Ballot Measure while acknowledging that area real estate markets have changed and will continue to change.

Historically, real estate markets rise and fall over time across geography and property sectors (retail, industrial, hotel, residential, etc.). Cycles among property types and locations do not rise and fall in parallel. While the office sector may be strong at one point in time, a different property sector (such as retail, industrial, hotel, residential, etc.) may be weak at that same point in time. The housing market in one area may be strong while the housing market in another area may be weak at any given point in time.

The real estate market is understood to be cyclical, meaning it has certain characteristics and events that will repeat over given periods of time (Grover & Grover, 2013; Lee, 2013). At the same time, the real estate market is also understood to consist of seemingly unending interdependencies making it difficult to identify or predict where one cycle ends and another begins (Lee 2013). Two elements of the real estate market, in particular complicate forecasting demand for development: First, the real estate market has several sectors—residential, office, retail, hotels, industrial, etc.—with their own cycles that do not necessarily act in concert with each other (Wheaton, 1999). Second, the real estate market has many different drivers that contribute to its growth and turning points (Grover & Grover, 2013).

1 There typically exist separate property markets within a single area. For instance, the Menlo Park residential market would be considered separate from the Menlo Park office market. As the section “Cyclical Nature of Real Estate Markets” relays, dynamics of the housing market in Menlo Park could be related to dynamics of the office market in Menlo Park.
Menlo Park Ballot Measure Impact Analysis

When the real estate market is booming, the boom isn’t likely across all types of real estate in all locations. The same is true during times of downturn. Different types of real estate respond differently to changes in the economy. For example, historically the markets for residential and industrial property have grown and collapsed with increases and decreases in national employment numbers, while the office and retail space markets were less sensitive (Wheaton, 1999). This also means that if one city experiences more unemployment than another, the two cities might have varying demand levels for different types of real estate. One city could experience heightened demand for housing while another faces a downturn.

Beyond employment trends, the real estate market has many other drivers that have varied in source and impact over time (Grover & Grover, 2013; Lee, 2013). Turning points in the real estate cycle—transitioning from prosperity, to recession, to depression, to recovery, and back to prosperity—can be caused and accelerated by a series of outside factors such as natural disasters, shifts in national or local economic policy, and changes in demand for investment and consumer goods (Grover & Grover, 2013). Over the last 30 years, growth in the real estate market was spurred by, among other things, capital surplus in the 1980s, technological innovation in the 1990s, readily available low-cost debt in the 2000s, and generational shifts in the 2010s (Lee, 2013, pp. 9-10).

Given that demand in each sector of the real estate market may move up or down at different times, at different rates, and in different locations as well as the myriad of outside factors that may help or hurt the market, forecasting the what, when, and where of real estate demand is difficult.

Sources


APPENDIX 2

APPROVED AND PENDING DEVELOPMENT PROJECTS UNDER THE ECR/D SPECIFIC PLAN
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Appendix 2. Approved and Pending Development Projects Under the ECR/D Specific Plan

The following is a review of approved and pending development projects within the area covered by the Menlo Park El Camino Real/Downtown Specific Plan (Specific Plan). The City has approved two projects under the ECR/D Specific Plan—555 Glenwood Avenue and 727 El Camino Real—and is considering two proposals for major projects that would be governed by the ECR/D Specific Plan—500 El Camino Real and 1300 El Camino Real.

Approved Projects

The projects discussed below have been approved under the ECR/D Specific Plan.

555 Glenwood Avenue

The 555 Glenwood Avenue Project, proposed by Sand Hill Property Company, will convert an existing senior citizens retirement living center into a limited-service, business-oriented hotel with 138 suites. As approved by the City Council on March 26, 2013, the project includes a Public Benefit Bonus for a Floor Area Ratio (FAR) of 1.16. According to the Community Development Department’s Staff Report #13-176, the project is expected to account for 71,921 net new non-residential square feet towards the ECR/D Specific Plan’s 474,000 square foot cap on net new non-residential development. The report explains that this figure was calculated by considering net new vehicle trips associated with the conversion:

“The 555 Glenwood Avenue proposal would not create any new square footage in order to convert the existing senior citizens retirement living center into a new 138-room hotel. However, the net new vehicle trips associated with the conversion, which is of direct relevance to traffic analysis and affects other impact categories (e.g., air quality and noise), can be considered equivalent to a new 87-room hotel, which can be approximated as a net increase of 71,921 square feet of commercial square footage. As such, the 555 Glenwood Avenue proposal would
represent 15 percent of the non-residential uses for the overall Specific Plan (note: per Section G.3, the non-residential development is not segmented by use). If the project is approved and implemented, this amount would be deducted from the Maximum Allowable Development in the Plan area” (p. 13-14).

727 El Camino Real

In September 2013, the Planning Commission approved the renovation of the Mermaid Inn at 727 El Camino Real. The project is will add eight new hotel rooms and is expected to add 3,497 net new non-residential square feet.

Pending Projects

The two proposed major projects discussed below—Stanford University’s 500 El Camino Real Project and Greenheart Land Company’s 1300 El Camino Real Project—are still pending approval from the City. Consequently, these projects could be shaped by enforcement of the ECR/D Specific Plan and passing of the Ballot Measure.

500 El Camino Real

Located at the southeastern portion of the El Camino Real Corridor, the 500 El Camino Real Project encompasses an 8.43-acre site, which includes the parcels addressed 300 El Camino Real through 550 El Camino Real and two adjacent unaddressed parcels. In November 2012, Stanford University submitted a project application to the City of Menlo Park to develop this site. Stanford’s initial proposal was revised and the City Council has approved the scope of work for the project’s traffic analysis, but the final project has yet to be ratified.

Existing structures on the site would be replaced with a mixed-use development consisting of offices, housing, and retail. Two five-story residential buildings, containing retail spaces, would border the north end of development while office space would occupy the middle and southern sections of the development. Both the residential structures and office buildings will be equipped with underground as well as at-grade parking.

Section B.3 of the ECR/D Specific Plan identified this site as an opportunity for Menlo Park, describing it as “suitable multi-family residential, commercial and mixed-use development” (ECR/D Specific Plan, p. B10). Further the Specific Plan explains that Stanford’s “single ownership allows for a comprehensive approach to this portion of El Camino Real, which is currently underutilized” (ECR/D Specific Plan, p. B10). According to the Community Development Department’s Staff Report #13-066, Stanford University...
regularly participated in public meetings during development of the Specific Plan and openly expressed its intent to submit a comprehensive mixed-use redevelopment proposal for the site (p. 130). However, as stated in a city staff report, neither the Planning Commission nor the City Council determined their own actions in adopting the Specific Plan to be “based on any particular assumption of what the applicant [Stanford University] might propose on this site” (p. 130).

As submitted to the City on January 18, 2013, the proposed mixed-use development is to be comprised of the following:

<table>
<thead>
<tr>
<th>Uses</th>
<th>Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>413,200 to 459,013</td>
</tr>
<tr>
<td>Residential (170 units)</td>
<td>203,700 to 249,513</td>
</tr>
<tr>
<td>Non-Residential Office</td>
<td>209,500</td>
</tr>
<tr>
<td>Office</td>
<td>199,500</td>
</tr>
<tr>
<td>Non-Medical</td>
<td>174,500</td>
</tr>
<tr>
<td>Medical/Non-Medical Flex</td>
<td>25,000</td>
</tr>
<tr>
<td>Retail</td>
<td>10,000</td>
</tr>
</tbody>
</table>

The project proposed by Stanford is expected to add 170 net new residential units and 181,568 net new non-residential square feet. Further, as stated on the City’s webpage describing the project, Stanford “would also be required to provide a 120-foot-wide, publicly accessible frontage break at Middle Avenue. This ‘Burgess Park Linkage / Open Space Plaza’ would lead to a future grade-separated pedestrian/bicycle crossing of the Caltrain tracks.”

**1300 El Camino Real**

Greenheart Land Company’s presently proposed project for 1300 El Camino Real is not the first for the site. On October 9, 2009, the City Council approved a proposal from Sand Hill Property Company to develop 3.37 acres at 1300 El Camino Real. As approved, the project would construct 110,065 square feet of commercial space composed of a grocery store with alcohol sales (51,365 square feet) and non-medical
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office space (58,700 square feet). On November 9, 2009, an unincorporated group known as the Concerned Citizens of Menlo Park (Plaintiffs) filed a lawsuit seeking an injunction against continuation of the project. The Plaintiffs claimed that the City Council relied on erroneous environmental reviews and failed to consider consistency with the general plan when approving the project.

On July 20, 2010, the City Council entered into a settlement with the Plaintiffs specific to the 1300 El Camino Real project site that included the following agreements:

- The project site may include one grocery store up to 32,000 square feet of net rentable floor area.

- In addition to the one grocery store, no other tenant may dedicate more than 15% of its retail sales floor space to the sale of non-taxable food or other non-taxable items. This limitation does not apply to small-scale, food retail stores dedicated to selling prepared non-alcoholic beverages or bakery items.

- Self-checkout of alcohol sales shall be prohibited.

Greenheart submitted its proposal after it purchased Sand Hill’s property and the neighboring property that included the Derry Mixed-Use Project. Greenheart’s proposal covers 6.4 acres on the site and includes 210,000 square feet of residential space (216 units) and 210,000 square feet of non-residential space.

As proposed, the Greenheart’s project would be composed of the following:

<table>
<thead>
<tr>
<th>Uses</th>
<th>Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>410,000</td>
</tr>
<tr>
<td>Residential (216 units)</td>
<td>210,000</td>
</tr>
<tr>
<td>Office</td>
<td>194,000</td>
</tr>
<tr>
<td>Potential Retail</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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Given that the City Council granted approval for Sand Hill's project in 2009 prior to the adoption of the Specific Plan in 2012, not all of Greenheart's proposed non-residential square footage will count towards the Specific Plan's cap. As the City's webpage for the 1300 El Camino Real Project explains:

“The project site encompasses an earlier development proposal that was fully approved by the City Council for 110,065 new square feet of commercial uses. As a result, the current proposal would result in 110,046 (=210,000 - 110,065) net new square feet of non-residential uses. The project site does not currently contain any existing or approved dwelling units, so all of the project's proposed 216 dwelling units would be net new residences. As a result, the project as currently proposed is projected to account for the following shares of the Specific Plan's Maximum Allowable Development cap:

Residential uses: 31.8% (=216/680)
Non-residential uses: 23.2% (=110,046/474,000)”

Other Proposed Projects

Aside from the two major projects discussed above, there are other projects proposed for development under the ECR/D Specific Plan. According to information provided by the City, these other projects include:

- 612 College Avenue
- 840 Menlo Avenue
- 1295 El Camino Real

Sources


City of Menlo Park Community Development Department (2013). Consider a request for Architectural Control, License Agreement and Encroachment Permit, and Heritage Tree Removal Permits for a Proposed Limited-Service, Business-Oriented Hotel at 555...
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City of Menlo Park Community Development Department (2013). Consideration of a mixed-use development proposal at 500 El Camino Real, including options for the project review process (Staff Report #13-066, Council Meeting April 16, 2013). Retrieved from http://menlopark.org/DocumentCenter/Home/View/595


Appendix 3. Detailed Fiscal Impact Analysis

A3-1 Purpose of the Fiscal Impact Analysis

This Chapter addresses the fiscal impacts resulting from approval of the Ballot Measure ("Ballot Measure") and the amendment of language within the ECR/D Specific Plan. The purpose of the analysis is to illustrate possible gains or losses to Menlo Park’s General Fund and Special Districts’ revenues and expenditures, as a direct result of the proposed Ballot Measure.

As discussed in Chapter 1, the ECR/D Specific Plan project description studied in the EIR was used to create a baseline for this Report’s build-out model. The purpose of the build-out model is to illustrate the missed outcomes, positive or negative, should the Ballot Measure pass. See Section 1.3.2 in Chapter 1 for a detailed explanation of the build-out model.

Two different analyses are performed: The first only evaluates net new potential development opportunities lost resulting from passage of the Ballot Measure. The second evaluates new potential development and also considers existing proposed and approved projects in the ECR/D Specific Plan area. Potential impacts are measured through the assessment of the development scenarios. The theoretical scenarios were designed to illustrate:

- The direct fiscal impacts to the General Fund and Special Districts from adoption of the Ballot Measure, and
- The financial opportunity costs of amending (e.g., applying development constraints) the ECR/D Specific Plan.

Viewed in aggregate, the scenarios illustrate a range of impacts through a “sliding scale” approach. The scenarios are intended to illustrate the opportunity cost of the Ballot Measure passing. Or, put differently, the scenarios show what cannot be attained if the Ballot Measure is approved. Please see Chapter 1: Introduction for a description of the different scenarios.
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A3-1.1 Scenario Assumptions

The first three scenarios assume: 1) Full residential build out (i.e., 680 units) and 2) Only two of three possible non-residential types are developed at build out: Office, Retail, and/or Hotel. All scenarios assume the full build out of non-residential development up to the 474,000 square foot limit as provided in the ECR/D Specific Plan. By assuming maximum possible build out for each non-residential development type, the introduction of assumptions and/or biases necessary to select other non-residential build out mixes is reduced. In addition, the assumption of maximum build out with limited development types will help to illustrate the total possible impacts from “smallest” to “greatest”. There is no assumption made regarding the timing of development. Actual build out will likely vary based on market conditions.

Please see Section A3-4 for a more detailed description of the alternative development scenarios.

A3-2 Fiscal Impact: General Fund Revenue and Expenses

This FIA General Fund analysis follows the methodology and assumptions developed by Strategic Economics for the ECR/D Draft Specific Plan Fiscal Impact Analysis dated August 31, 2011 (“SE FIA 2011”). See Section 1.3.2 in Chapter 1 for a detailed explanation of the build-out model.

A3-2.1 Methodology and Assumptions

The SE FIA 2011 for the Draft ECR/D Specific Plan estimated the annual Menlo Park General Fund expenses and revenues that could be generated by build-out of the plan’s selected development program over time (“Baseline Scenario”). The SE FIA 2011 was a dynamic fiscal impact analysis that considered the annual fiscal impact throughout the period in which new development is expected to occur, with assumed build-out of the ECR/D Specific Plan occurring by 2030.

Following the methodology outlined in the SE FIA 2011 report, a fiscal impact model was developed with the intent of first replicating the SE FIA 2011 results, then applying new values corresponding with the Scenarios described in Chapter 1. This FIA model followed the SE FIA 2011 dynamic model were possible and a static model where necessary. Where information was not available, assumptions were applied following standard fiscal impact analytical approaches. Outputs and methodologies inconsistent with the SE FIA 2011 have been noted in Section A3-5.

Note: This assessment is not intended as a peer review of the SE FIA 2011. The intent is to evaluate the impact of the proposed Ballot Measure.
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A3-2.3 Fiscal Impacts: Change in Open Space Regulations

The Ballot Measure’s Open Space definition would require non-vested development to design projects with greater amounts of open space. The City’s General Fund revenues could be reduced if the reallocation of square footage from structure to open space leads to a loss in the value (e.g., reduced sales price), thereby reducing property taxes.

**Conclusion:** Changes to the definition of Open Space resulting from approval of the Ballot Measure should not have a measurable fiscal impact on the City’s General Fund revenues.

A3-2.4 Fiscal Impacts: Cap on Ballot Measure-defined Office Space Development

The following sections describe the results of the analysis for the three illustrative scenarios in contrast to the Baseline Scenario. As previously stated, the three scenarios were developed following the methodology and assumptions provided within the SE FIA 2011. Please see the SE FIA 2011 for a detailed description of model constraints and assumptions.

Table 1 summarizes the net fiscal impact to the City General Fund on an annual basis for the Baseline Scenario (ECR/D Specific Plan) and the three illustrative scenarios. As shown below, the primary revenue generators for the City’s General Fund come from property tax (9.9% of the one percent property tax for residential and non-residential properties), Sales Tax (one percent from retail sales), Transient-occupancy tax (10 percent of visitor spending revenue), and per capita fees paid by residents and businesses (utility use, franchise fees, etc.). This analysis did not incorporate revenues generated by Development Impact Fees (e.g., Menlo Park’s Transportation Impact Fee) as they were not specifically assessed in the SE FIA 2011 document. The primary General Fund expenditures relate to per capita costs (municipal administrative costs, library operations, general community services, and community development personnel) and public works (public parking structures and parks). The three largest revenue generators for the General Fund are property tax, transient-occupancy tax, and per capita revenue.
Table A3-1 Fiscal Impacts of Scenarios on General Fund Revenues and Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Baseline (Derived from the EIR)</th>
<th>Scenario #1 (High Bookend for Infrastructure)</th>
<th>Scenario #2 (High Bookend for Fiscal)</th>
<th>Scenario #3 (Low Bookend)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax (b)</td>
<td>$741,000</td>
<td>$754,000</td>
<td>$696,000</td>
<td>$775,000</td>
</tr>
<tr>
<td>Sales Tax (c)</td>
<td>$133,000</td>
<td>$332,000</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Transient Occupancy Tax (d)</td>
<td>$2,337,000</td>
<td>$-</td>
<td>$2,721,000</td>
<td>$-</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>$47,000</td>
<td>$47,000</td>
<td>$42,000</td>
<td>$47,000</td>
</tr>
<tr>
<td>Vehicle License Fee (e)</td>
<td>$151,000</td>
<td>$156,000</td>
<td>$145,000</td>
<td>$160,000</td>
</tr>
<tr>
<td>Per Capita Revenue</td>
<td>$477,000</td>
<td>$456,000</td>
<td>$453,000</td>
<td>$475,000</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$3,886,000</td>
<td>$1,746,000</td>
<td>$4,057,000</td>
<td>$1,458,000</td>
</tr>
<tr>
<td>Per Capita Operating Expenditures</td>
<td>$(973,000)</td>
<td>$(963,000)</td>
<td>$(961,000)</td>
<td>$(979,00)</td>
</tr>
<tr>
<td>Public Works Operating Expenditures (f)</td>
<td>$(760,000)</td>
<td>$(760,000)</td>
<td>$(760,000)</td>
<td>$(760,000)</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$(1,733,000)</td>
<td>$(1,723,000)</td>
<td>$(1,721,000)</td>
<td>$(1,739,000)</td>
</tr>
<tr>
<td>Net Impact on General Fund</td>
<td>$2,153,000</td>
<td>$23,000</td>
<td>$2,337,000</td>
<td>$(282,000)</td>
</tr>
</tbody>
</table>

Source: SE FIA 2011; LWC 2014

(a) Totals may not equal due to rounding.
(b) Property Tax Revenues for all Scenarios assume full build-out of the 680 residential units.
(c) Consistent with the SE FIA 2011, this analysis assumes a one percent sales tax. According to the State Board of Equalization (“SBOE”), the City receives sales tax revenues equal to 0.95 percent of local taxable expenditures that occur within the City limits.
(d) Vehicle License Fees calculations are highly dependent on property values. Please see Section A3-5 for issues regarding property tax calculations.
(e) Public Works expenditures were assumed to remain constant regardless of scenario. Please see SE FIA 2011 for further detail.

Scenario #1: Exceed Ballot Measure’s Maximum Office Build Out/ Remaining Non-Residential Square Footage is Retail Only

Passage of the Ballot Measure would limit Office Space development to 240,820 square feet. Scenario #1 assumes build out of Office Space up to one square foot beyond the Ballot Measure cap with all remaining available non-residential allocated for Retail development. The intent of Scenario #1 is to illustrate the fiscal impact to the City of increased revenues from sales tax (Retail uses), without any transient occupancy tax.
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revenue (Hotel uses). It should be noted that Scenario #1 is a possible development under the current ECR/D Specific Plan, but not under the Ballot Measure.

Theoretical development of Scenario #1 would result in a positive fiscal impact to the City’s General Fund. Annual City General Fund revenues would be increased by $1,746,000, approximately 4.7 percent over the City’s 2009-2010 Budget. Annual City General Fund expenditures would be increased by $1,723,00 approximately 4.7 percent over the City’s 2009-2010 Budget.

Under Scenario #1, revenues would be more than 18 percent greater than expenses, resulting in an increase of $23,000 of new General Fund net revenue on an annual basis.

Compared to the ECR/D Specific Plan, the Scenario #1 revenues gained are sales tax ($332,000) and property tax ($13,000). The Scenario #1 reductions in revenue are from transient occupancy tax (-$2,337,000) and per capita revenue (-$21,000). Total revenue lost compared to possible development under the ECR/D Specific Plan is estimated at $2,130,000.

The ECR/D Specific Plan General Fund revenue is heavily dependent upon transient-occupancy tax (TOT). Scenario #1, even lacking TOT revenue could result in small positive impacts to the General Fund.

Scenario #2: Exceed Ballot Measure’s Maximum Office Build Out/ Remaining Non-Residential Square Footage is Hotel Only

Passage of the Ballot Measure would limit Office Space development to 240,820 square feet. Scenario #2 assumes build out of Office Space up to one square foot beyond the Ballot Measure cap with all remaining available non-residential allocated for Hotel development. The intent of Scenario #2 is to illustrate the fiscal impact to the City of gains in only transient occupancy tax (Hotel uses), without the inclusion of sales tax (Retail). It should be noted that Scenario #2 is a possible development under the current ECR/D Specific Plan.

Theoretical development of Scenario #2 would result in a positive fiscal impact to the City’s General Fund. Annual City General Fund revenues would be increased by $4,057,000, approximately 11 percent over the City’s 2009-2010 Budget. Annual City General Fund expenditures would be increased by $1,721,000, approximately 4.7 percent over the City’s 2009-2010 Budget.

Under Scenario #1, expenses would be approximately 43 percent of revenues, resulting in an increase of $2,337,000 of new General Fund net revenue on an annual basis.
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Compared to the ECR/D Specific Plan, the Scenario #2 revenues increases occur from the larger impact of transient occupancy tax ($384,000). Scenario #1 loses revenues from sales tax (-$133,000), property tax (-$45,000), per capita revenue (-$24,000), vehicle license fee (-$6,000) and property transfer tax (-$5,000). Total revenues gained compared to the ECR/D Specific Plan is estimated at $184,000.

The ECR/D Specific Plan revenue is heavily dependent upon transient-occupancy tax ("TOT"). Scenario #2, relying heavily on TOT revenue could lead to large positive fiscal impacts to the General Fund.

Scenario #3: ECR/D Specific Plan Maximum Allowable Office Build Out

Passage of the Ballot Measure would limit Office Space development to 240,820 square feet. Scenario #3 assumes full build out of Office Space up to the non-residential cap (474,000 square feet) as illustrated in the ECR/D Specific Plan. The intent of Scenario #3 is to illustrate the fiscal impact to the City of allowing full Office Space development, up to the 474,000 square foot cap. It should be noted that Scenario #3 is a possible development under the current ECR/D Specific Plan.

Theoretical development of Scenario #3 would result in a negative fiscal impact to the City’s General Fund. Annual City General Fund revenues would be increased by $1,458,000, approximately 3.9 percent over the City’s 2009-2010 Budget. Annual City General Fund expenditures would be increased by $1,739,000, approximately 4.7 percent over the City’s 2009-2010 Budget.

Under Scenario #3, revenues would be 84 percent of expenses, resulting in the addition of $282,000 net new General Fund expenses on an annual basis. The model projects that the ECR/D Specific Plan will be fiscally negative starting in 2015 and continuing to build out.

Compared to the ECR/D Specific Plan, the Scenario #3 reductions in revenues occur from transient occupancy tax (-$2,337,000) and sales tax (-$133,000). Scenario #3 would lose revenue in property tax (-$34,000) and vehicle license fee (-$9,000). Total revenues lost compared to the ECR/D Specific Plan is estimated at $2,435,000.

The ECR/D Specific Plan revenue is heavily dependent upon transient-occupancy tax ("TOT"). Scenario #3, lacking TOT revenue and sales tax revenue (from retail) would result in negative fiscal impacts to the General Fund.
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A3-2.5 Voter Controls

As discussed previously in Chapter 4, ballot box planning can add levels of uncertainty in the development process that can discourage investment, increase development costs, and create perceptions that Menlo Park is unfriendly to business. If there is an increased demand for Office Space beyond the Ballot Measures’ proposed square foot threshold (i.e., 240,820) instead of other non-residential development types, then any amount of the remaining non-residential square footage available for development under the cap (i.e., 233,180 square feet) could go undeveloped. Under this scenario, implementation of voter controls could cause the City to lose out on potential revenues associated with gains in property tax and vehicle license fees.

A3-2.6 Fiscal Impacts: General Fund Summary

Of the three scenarios presented in Table 5-1 in Chapter 5 (excluding the EIR Baseline), two may have potential for positive fiscal impacts to the City’s General Fund: Scenario #1, the Office/Retail development mix and Scenario #2, the Office/Hotel Mix. One scenario has potential for negative fiscal impacts to the City’s General Fund: Scenario #3, the all Office development.

As shown in Figure A3-1, because office uses produce lower revenue generation rates to the City than other uses (i.e., hotel or retail), as office space increases, the revenue generation potential decreases—compared to all other development use combinations. At a certain point, a developed build out scenario that includes large amounts of office could have a negative fiscal impact on the General Fund. As illustrated in Figure A3-1, the fiscal impacts are closely tied to the inclusion of TOT and Sales Tax revenue.
Conclusion: This analysis confirms the original SE FIA 2011 findings: The ECR/D Specific Plan is heavily dependent upon transient-occupancy tax; and to a lesser degree, retail sales tax. As a result, the ECR/D Specific Plan could result in a negative impact to the General Fund without the inclusion of a hotel and/or a large amount of retail development. The Ballot Measure’s constraint on Office Space development could hedge the possibility of negative fiscal impacts to the General Fund by limiting the Office Development. Therefore, passage of the Ballot Measure should not lead to a negative fiscal impact on the ECR/D Specific Plan as long as there is market demand for a non-residential development mix that generates positive revenue.

A3-3 Fiscal Impact: Special Districts

The Special Districts fiscal impact analysis follows the methodology and assumptions developed by BAE Urban Economics for the ECR/D Specific Plan Special Districts Fiscal Impact Analysis dated August 16, 2011 (“BAE FIA 2011”). This section evaluates the
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potential impact on revenues and expenses of Special Districts that provide services to residents and businesses within Menlo Park, resulting from passage of the Ballot Measure. Special Districts impacts illustrated in this analysis, consistent with BAE definition, are local governmental entities independent of the City of Menlo Park, with their own sources of revenue (including a share of property taxes paid by Menlo Park property owners), and with responsibility for providing services pursuant to the legislation that authorized their creation.

A3-3.1 Methodology and Assumptions

The BAE FIA 2011 for the Draft ECR/D Specific Plan estimated the annual Special District expenses and revenues that could be generated by build-out of the plan’s selected development program over time (“Baseline Scenario”). The BAE FIA 2011 assumed build out of the ECR/D Specific Plan occurring by 2030. Consistent with the BAE FIA 2011, all dollar amounts are in 2011 dollars.

Following the methodology outlined in the BAE FIA 2011 report, a fiscal impact model for Special Districts was developed with the intent of first replicating the results, then applying new values corresponding with the Scenarios described in Chapter 1. Where information was not available, assumptions were applied following standard fiscal impact analytical approaches. Outputs inconsistent with the BAE FIA 2011 are noted in Section A3-5.

Note: This assessment is not intended as a peer review of the BAE FIA 2011. The intent is to evaluate the impact of the proposed Ballot Measure.

A3-3.2 Fiscal Impacts: Change in Open Space Regulations

The Ballot Measure’s Open Space definition would require non-vested development to design projects with greater amounts open space. The City’s Special District revenues could be reduced if the reallocation of square footage from structure to open space leads to a loss in the value (e.g., reduced sales price), thereby reducing property taxes.

Conclusion: Changes to the definition of Open Space resulting from approval of the Ballot Measure should not have a measurable fiscal impact on the City’s Special Districts’ revenues.

A3-3.3 Fiscal Impacts: Cap on Ballot Measure-defined Office Space Development

The build out scenarios analyzed for the Special Districts fiscal impacts are the same as those described in Table 5-1 in Chapter 5.
The distribution of property taxes varies by Tax Rate Area ("TRA"). The TRA for Menlo Park is a combination of Special Districts as well as other assessments, bonded indebtedness, or obligations that are paid from surcharges in addition to the base one percent property tax. The ECR/D Specific Plan area falls within the City of Menlo Park’s 08-001 TRA. The San Mateo County Auditor-Controller calculates the distribution of the one-percent base property tax revenue allocation, identifying the amount that each of the Special Districts receive after accounting distributions to education ("ERAF").

Applying the TRA distribution to the projected new assessed value gives the scenarios property tax revenues by Special District. Table A3-2 shows the projected property tax revenue distributions by City, County, and Special District for each scenario.
## Table A3-2 Projected Property Tax Revenues

<table>
<thead>
<tr>
<th>Estimated Assessed Value</th>
<th>Baseline (Derived from the EIR)</th>
<th>Scenario #1 (High Bookend for Infrastructure)</th>
<th>Scenario #2 (High Bookend for Fiscal)</th>
<th>Scenario #3 (Low Bookend)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net New Assessed Value</td>
<td>$744,800,800</td>
<td>$761,923,800</td>
<td>$703,517,000</td>
<td>$782,910,000</td>
</tr>
<tr>
<td>1% Basic Property Tax</td>
<td>$7,448,000</td>
<td>$7,619,200</td>
<td>$7,035,200</td>
<td>$7,829,100</td>
</tr>
<tr>
<td>Base 1.0% Tax (Post-ERAF Distribution)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Menlo Park (a)</td>
<td>$756,000</td>
<td>$773,400</td>
<td>$714,000</td>
<td>$794,700</td>
</tr>
<tr>
<td>San Mateo County</td>
<td>$1,079,200</td>
<td>$1,104,000</td>
<td>$1,019,400</td>
<td>$1,134,400</td>
</tr>
<tr>
<td>Menlo Park City Elementary District</td>
<td>$1,263,900</td>
<td>$1,293,000</td>
<td>$1,193,900</td>
<td>$1,328,600</td>
</tr>
<tr>
<td>Sequoia High School</td>
<td>$1,182,000</td>
<td>$1,209,200</td>
<td>$1,116,500</td>
<td>$1,242,500</td>
</tr>
<tr>
<td>San Mateo Community College District</td>
<td>$513,200</td>
<td>$525,000</td>
<td>$484,700</td>
<td>$539,400</td>
</tr>
<tr>
<td>Menlo Park Fire District</td>
<td>$1,059,900</td>
<td>$1,084,200</td>
<td>$1,001,100</td>
<td>$1,114,100</td>
</tr>
<tr>
<td>San Francisquito Creek Flood Zone 2</td>
<td>$14,900</td>
<td>$15,200</td>
<td>$14,000</td>
<td>$15,700</td>
</tr>
<tr>
<td>Midpeninsula Regional Open Space District</td>
<td>$139,300</td>
<td>$142,500</td>
<td>$131,600</td>
<td>$146,400</td>
</tr>
<tr>
<td>Bay Area Air Quality Management District</td>
<td>$15,600</td>
<td>$16,000</td>
<td>$14,800</td>
<td>$16,400</td>
</tr>
<tr>
<td>County Harbor District</td>
<td>$20,900</td>
<td>$21,300</td>
<td>$19,700</td>
<td>$21,900</td>
</tr>
<tr>
<td>Mosquito Abatement</td>
<td>$11,900</td>
<td>$12,200</td>
<td>$11,300</td>
<td>$12,500</td>
</tr>
<tr>
<td>Sequoia Healthcare District</td>
<td>$111,000</td>
<td>$113,500</td>
<td>$104,900</td>
<td>$116,700</td>
</tr>
<tr>
<td>County Office of Education</td>
<td>$267,400</td>
<td>$273,500</td>
<td>$252,600</td>
<td>$281,100</td>
</tr>
<tr>
<td>Basic Property Tax Revenues</td>
<td>$6,434,600</td>
<td>$6,583,000</td>
<td>$6,078,400</td>
<td>$6,764,400</td>
</tr>
<tr>
<td>Supplemental Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Menlo Park &amp; Recreation Board</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$1,200</td>
<td>$1,300</td>
</tr>
<tr>
<td>Menlo Park City Elementary School Bonds</td>
<td>$3,000</td>
<td>$3,100</td>
<td>$2,900</td>
<td>$3,200</td>
</tr>
<tr>
<td>Sequoia High School Bonds</td>
<td>$2,300</td>
<td>$2,400</td>
<td>$2,200</td>
<td>$2,400</td>
</tr>
<tr>
<td>San Mateo Community College Bonds</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$1,300</td>
<td>$1,500</td>
</tr>
<tr>
<td>Supplemental Property Tax Revenue</td>
<td>$8,100</td>
<td>$8,200</td>
<td>$7,600</td>
<td>$8,500</td>
</tr>
</tbody>
</table>

Source: BAE FIA 2011; LWC 2014

(a) The BAE FIA 2011 used a distribution rate of 10.15% for Menlo Park. The SE FIA 2011 used a distribution rate of 9.9%.
Menlo Park Ballot Measure Impact Analysis

Scenarios #1 and #3 are estimated to have total property tax revenues greater than those projected for the ECR/D Specific Plan, leading to increased revenues for Special Districts. Scenario #2 is estimated to have property tax revenues approximately 5.5 percent lower than those projected for the ECR/D Specific Plan. This would result in Special Districts receiving a slightly smaller amount of revenue as compared to the ECR/D Specific Plan. It is important to note that Special District fees are typically based on new service population and/or new residents. As a result, the corresponding expenditures would also fluctuate with revenues potentially voiding drops in revenue.

The following sections illustrate the fiscal impacts to Special Districts previously analyzed in the BAE FIA 2011 report.

A3-3.3.1 Menlo Park Fire Protection District

The major source of revenue for the Fire District is property taxes. Based on the projected changes in service population from the Ballot Measure scenarios, it is estimated that the revenues would deviate from the ECR/D Specific Plan by as much as 18% annually.

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Scenario #1</th>
<th>Scenario #2</th>
<th>Scenario #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Net Service Population</td>
<td>1,989</td>
<td>1,944</td>
<td>1,953</td>
<td>2,011</td>
</tr>
<tr>
<td>Projected Property Tax Revenue (Fire)</td>
<td>$1,059,700</td>
<td>$1,001,100</td>
<td>$1,084,200</td>
<td>$1,114,100</td>
</tr>
<tr>
<td>Projected Licenses, Permits, &amp; Service Charges Revenue&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$12,000</td>
<td>$11,700</td>
<td>$11,800</td>
<td>$12,100</td>
</tr>
<tr>
<td>Subtotal: Projected Revenues</td>
<td>$1,071,700</td>
<td>$1,012,800</td>
<td>$1,096,000</td>
<td>$1,126,200</td>
</tr>
</tbody>
</table>

<sup>a</sup> Calculated as $6.03 multiplied by New Net Service Population

Source: BAE FIA 2011; LWC 2014

**Conclusion:** As noted in the BAE FIA 2011 report, the Menlo Park Fire District will review the service standard including cost estimates for future services. This work needs to be completed before it is possible to fully estimate the expenditures that would result from the ECR/D Specific Plan. This means that it is not possible at this time to estimate the net impact on the Fire District from the Ballot Measure beyond calculating a range of...
service revenues. However, based on the initial results, the fiscal impact of implementation of the Ballot Measure should not substantially impact Menlo Park Fire District as compared with the ECR/D Specific Plan scenario.

### A3-3.3.2 School Districts

According to the ECR/D Specific Plan EIR, the Menlo Park City School District ("MPCSD") uses a student yield factor of 0.5 students per dwelling unit for kindergarten through eighth grade. Using this rate, the ECR/D Specific Plan would generate approximately 340 students per year at full residential build out. However, the MPCSD’s noted that while student yields can approach 0.5 students per dwelling unit for detached single-family housing, newer attached housing (the type most likely to be constructed in the Plan area) can be estimated at 0.12 students per dwelling unit. At this rate, the 680 new housing units in the Plan area would be expected to generate 82 students per year at full build out (ECR/D Specific Plan EIR, p. 4.12-28). The rate of 0.12 students per dwelling was used for the fiscal analysis in this document.

The Sequoia Union High School District uses a student generation rate of 0.357 students per residential unit to project future student enrollment. Using this rate, the Specific Plan would generate approximately 243 new students per year in the Sequoia High School District when all 680 housing units are constructed and occupied.

As stated in the BAE FIA 2011, the ECR/D Specific Plan would generate net fiscal surpluses for both the Menlo Park City Elementary School District and Sequoia Union High School District based on enrollment growth through 2019. (Enrollment projections used in the ECR/D Specific Plan EIR are not available past 2019, due to the fact that projections are based primarily on existing enrollments and birth data, which do not permit longer-range estimates.) [BAE FIA 2011, p. 16]

**Conclusion:** School district enrollment, and corresponding expenditures, is driven by residential development. As the Ballot Measure language does not make changes to residential development, it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for the school districts.

### A3-3.3.3 Water and Sanitary Districts

**Bear Gulch Water District**

Bear Gulch Water District is a private firm, not a Special District. As a result, BAE did not consider the impacts from new development for this water district. The analysis within this document will also not evaluate impacts.
Menlo Park Ballot Measure Impact Analysis

West Bay Sanitary District

As noted in the BAE FIA 2011, as the West Bay Sanitary District operates on a cost recovery basis; the ECR/D Specific Plan is not anticipated to have an ongoing fiscal impact on West Bay’s budget. This analysis follows that assumption.

**Conclusion:** Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for the Water and Sanitary Districts.

A3-3.3.4 San Mateo Community College District

San Mateo Community College District (“SMCCCD”) does not anticipate increasing its current load or accepting more students. As a result, staff does not anticipate any increased expenditures resulting from new development. As shown in Table A3-4, the Ballot Measure illustrative scenarios, along with the ECR/D Specific Plan Baseline Scenario, would all result in net fiscal surpluses for SMCCCD.

| Table A3-4 Projected Fiscal Impact on San Mateo Community College District |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Projected Property Tax Revenue                  | Baseline        | Scenario #1     | Scenario #2     | Scenario #3     |
| Projected Costs                                 | $0              | $0              | $0              | $0              |
| Net Projected Fiscal Surplus                    | $513,200        | $484,700        | $525,000        | $539,400        |

Source: BAE FIA 2011; LWC 2014

**Conclusion:** School enrollment, and corresponding expenditures, is driven by residential development. As the Ballot Measure language does not make changes to residential development, it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for SMCCCD.

A3-3.3.5 County Office of Education

As noted in the BEA FIA 2011 report, after receipt of per student revenues, the County Office of Education can anticipate receiving an annual net fiscal deficit of approximately $13,800 from implementation of the ECR/D Specific Plan’s developments. The District operates as a “Revenue Limit District”, meaning that increases in local property taxes do not translate into new District revenues. It should be
Menlo Park Ballot Measure Impact Analysis

noted that this is a very small proportion of its annual $23.4 million budget (6/100ths of one percent), and that variances in other budget items may well exceed this amount (BEA FIA 2011, p. 21).

Conclusion: School enrollment, and corresponding expenditures, is driven by residential development. As the Ballot Measure language does not make changes to residential development, it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for the County Office of Education.

A3-3.3.6 Midpeninsula Regional Open Space District

Table A3-5 Projected Fiscal Impact on Midpeninsula Regional Open Space District

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Scenario #1</th>
<th>Scenario #2</th>
<th>Scenario #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Net Service Population</td>
<td>1,989</td>
<td>1,944</td>
<td>1,953</td>
<td>2,011</td>
</tr>
<tr>
<td>Projected Property Tax Revenue</td>
<td>$139,000</td>
<td>$131,600</td>
<td>$142,500</td>
<td>$146,400</td>
</tr>
<tr>
<td>Other Service Revenues (a)</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$1,400</td>
</tr>
<tr>
<td><strong>Subtotal: Projected Revenues</strong></td>
<td>$140,700</td>
<td>$133,000</td>
<td>$143,900</td>
<td>$147,800</td>
</tr>
<tr>
<td>LESS: Projected Costs (b)</td>
<td>$41,700</td>
<td>$40,700</td>
<td>$40,900</td>
<td>$42,200</td>
</tr>
<tr>
<td><strong>Net Projected Fiscal Surplus</strong></td>
<td>$98,700</td>
<td>$92,300</td>
<td>$103,000</td>
<td>$105,600</td>
</tr>
</tbody>
</table>

Source: BAE FIA 2011; LWC 2014

(a) Calculated as $0.71 per New Net Service Population
(b) Calculated as $20.96 per New Net Service Population

Conclusion: While the service population could increase or decrease based on different development scenarios, the Midpeninsula Open Space District anticipates a revenue surplus under all scenario. As a result, approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan.
Menlo Park Ballot Measure Impact Analysis

A3-3.3.7 Sequoia Healthcare District

According to the Sequoia Healthcare District, the District primarily serves residents. Thus, the analysis estimated the costs on a per resident basis. Excluding expenses not expected to increase with new development (e.g., investment fees, etc.), the District spends approximately $15.21 per resident to provide health care services. After receiving its share of property tax revenues, the District can expect that the proposed Project would result in an annual fiscal surplus of approximately $87,400 (pg., 23, BEA FIA 2011).

Conclusion: As the Ballot Measure language does not make changes to residential development; it is assumed that full residential build out would occur by 2030. Approval of the Ballot Measure should not lead to increased expenditures or a loss of revenue as compared to the ECR/D Specific Plan for Sequoia Healthcare District.

A3-3.4 Fiscal Impacts: Voter Approval

As discussed previously in Chapter 4, ballot box planning can add levels of uncertainty in the development process that can discourage investment, increase development costs, and create perceptions that Menlo Park is unfriendly to business. If there is an increased demand for Office Space beyond the Ballot Measures’ proposed square foot threshold (i.e., 240,820) instead of other non-residential development types, then any amount of the remaining non-residential square footage available for development under the cap (i.e., 233,180 square feet) could go undeveloped. Under this scenario, implementation of voter controls could cause the City to lose out on potential revenues for Special Districts.

A3-3.5 Fiscal Impacts: Special Districts Summary

The scenarios do not deviate broadly from the Baseline Scenario (ECR/D Specific Plan) or in two cases (Scenarios #2 and #4), result in an increase to property tax and service charge revenues. Overall, none of the three illustrative scenarios show a substantial fiscal impact on Special Districts. This is especially true for school districts that account for expenditures based upon the number of residents, not employees. The Ballot Measure should have less than substantial fiscal impacts on the revenues and expenditures for Special Districts.

A3-4 Alternative Development Scenarios

The following section describes the results of the analysis for the three additional alternative scenarios in contrast to the Baseline Scenario. The intent of these three scenarios, #4, 5, and 6, is to analyze scenarios incorporating projects currently under
Menlo Park Ballot Measure Impact Analysis

development (e.g., hotels) in the ECR/D Specific Plan area. As previously stated, the three scenarios were developed following the methodology and assumptions provided within the SE FIA 2011. Please see the SE FIA 2011 for a detailed description of model constraints and assumptions.

A3- 4.1 Fiscal Impact: General Fund Revenue and Expenses

Table A3-6 summarizes the net fiscal impact to the City General Fund on an annual basis for the Baseline Scenario (ECR/D Specific Plan) and the three alternative development scenarios.

A3- 4.1 Fiscal Impact: General Fund Revenue and Expenses

Table A3-6 Fiscal Impacts of Alt. Development Scenarios on General Fund Revenues and Expenditures(a)

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Scenario #4</th>
<th>Scenario #5</th>
<th>Scenario #6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$741,000</td>
<td>$736,000</td>
<td>$688,700</td>
<td>$493,700</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$133,000</td>
<td>$224,700</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>$2,337,000</td>
<td>$898,800</td>
<td>$2,425,400</td>
<td>$898,800</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>$47,000</td>
<td>$45,500</td>
<td>$42,300</td>
<td>$37,300</td>
</tr>
<tr>
<td>Vehicle License Fee (b)</td>
<td>$151,000</td>
<td>$152,600</td>
<td>$143,100</td>
<td>$104,100</td>
</tr>
<tr>
<td>Per Capita Revenue</td>
<td>$477,000</td>
<td>$455,500</td>
<td>$447,300</td>
<td>$338,200</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$3,886,000</td>
<td>$2,513,100</td>
<td>$3,746,700</td>
<td>$1,872,000</td>
</tr>
<tr>
<td>Per Capita Operating Expenditures</td>
<td>$973,000</td>
<td>$(962,800)</td>
<td>$(956,000)</td>
<td>$(864,800)</td>
</tr>
<tr>
<td>Public Works Operating Expenditures(c)</td>
<td>$760,000</td>
<td>$(760,100)</td>
<td>$(760,000)</td>
<td>$(760,100)</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$1,733,000</td>
<td>$(1,723,000)</td>
<td>$(1,716,000)</td>
<td>$(1,625,000)</td>
</tr>
<tr>
<td>Net Impact on General Fund</td>
<td>$2,153,000</td>
<td>$790,200</td>
<td>$2,031,000</td>
<td>$247,000</td>
</tr>
</tbody>
</table>

Source: SE FIA 2011; LWC 2014
(a) Totals may not equal due to rounding
(b) Vehicle License Fees calculations are highly dependent on property values. Please see section A3-5 for issues regarding property tax calculations.
(c) Public Works expenditures were assumed to remain constant regardless of scenario. Please see SE FIA 2011 for further detail.

Scenario #4: Maximum Ballot Measure Office Build Out/Existing Hotel/Remaining Non-residential is Retail Only

Passage of the Ballot Measure would limit Office Space development to 240,820 square feet. Scenario #4 assumes build out of Office Space up to the Ballot Measure cap, the 146 hotel rooms under development, and all remaining available non-residential allocated for Retail development. The intent of Scenario #4 is to illustrate the fiscal
Menlo Park Ballot Measure Impact Analysis

impact to the City of increased revenues from sales tax (Retail uses), without any additional transient occupancy tax revenue (Hotel uses) beyond what is currently under development. It should be noted that Scenario #4 is a possible development under the current ECR/D Specific Plan and the Ballot Measure.

Theoretical development of Scenario #4 would result in a positive fiscal impact to the City’s General Fund. Annual City General Fund revenues would be increased by $2,513,100 approximately 6.9 percent over the City’s 2009-2010 Budget. Annual City General Fund expenditures would be increased by $1,718,000 approximately 4.6 percent over the City’s 2009-2010 Budget.

Under Scenario #4, revenues would be more than 46 percent greater than expenses, resulting in an increase of $790,000 of new General Fund net revenue on an annual basis.

Compared to the ECR/D Specific Plan, the Scenario #4 revenues gained are in sales tax ($92,000). The Scenario #4 reductions in revenue are from transient occupancy tax (-$1,438,000), per capita revenue (-$22,000), and property tax (-$5,000). Total revenue lost compared to possible development under the ECR/D Specific Plan is estimated at $1,363,000.

The ECR/D Specific Plan General Fund revenue is heavily dependent upon transient-occupancy tax (“TOT”). Scenario #4, with TOT and sales tax revenue results in positive impact to the General Fund.

Scenario #5: Ballot Measure’s Maximum Office Build Out/ Remaining Non-Residential Square Footage is Hotel Only

Passage of the Ballot Measure would limit Office Space development to 240,820 square feet. Scenario #5 assumes build out of Office Space up to the Ballot Measure cap, the 146 hotel rooms under development with all remaining available non-residential allocated for Hotel development (394 total rooms). Please see Section 1.3.2 in Chapter 1 for greater detail regarding Scenario #5.

The intent of Scenario #5 is to illustrate the fiscal impact to the City of gains in only transient occupancy tax (Hotel uses), without the inclusion of sales tax (Retail). It should be noted that Scenario #5 is a possible development under the current ECR/D Specific Plan and the Ballot Measure.

Theoretical development of Scenario #5 would result in a positive fiscal impact to the City’s General Fund. Annual City General Fund revenues would be increased by $3,746,000, approximately 9.7 percent over the City’s 2009-2010 Budget. Annual City
Menlo Park Ballot Measure Impact Analysis

General Fund expenditures would be increased by $1,716,000, approximately 4.6 percent over the City’s 2009-2010 Budget.

Under Scenario #5, expenses would be approximately 46 percent of revenues, resulting in an increase of $2,031,000 of new General Fund net revenue on an annual basis.

Compared to the ECR/D Specific Plan, Scenario #5 gains revenues from TOT ($88,000), but loses from property tax (-$52,000), sales tax (-$133,000), per capita revenue (-$30,000), vehicle license fee (-$8,000), and property transfer tax (-$5,000). Total revenues lost compared to the ECR/D Specific Plan is estimated at $406,000.

The ECR/D Specific Plan revenue is heavily dependent upon TOT. Scenario #5, relying heavily on TOT revenue could lead to large positive fiscal impacts to the General Fund.

**Scenario #6: Only Currently Developed Hotel**

Scenario #6 assumes only build out of the current 146 net new hotel rooms. The intent of Scenario #6 is to illustrate the fiscal impact to the City of only this development, with the assumption that no other development would occur. It should be noted that Scenario #6 is a possible development under the current ECR/D Specific Plan and the Ballot Measure.

Theoretical development of Scenario #6 would result in a positive fiscal impact to the City’s General Fund. Annual City General Fund revenues would be increased by $1,872,000, approximately 5 percent over the City’s 2009-2010 Budget. Annual City General Fund expenditures would be increased by $1,620,000, approximately 4.4 percent over the City’s 2009-2010 Budget.

Under Scenario #6, revenues would exceed expenses by 15 percent, resulting in the addition of $247,000 net new General Fund revenue on an annual basis.

Compared to the ECR/D Specific Plan, Scenario #5 loses revenues from transient occupancy tax (-1,438,000), property tax (-$247,000), sales tax (-$133,000), per capita revenue (-$139,000), vehicle license fee (-$47,000), and property transfer tax (-$10,000). Total revenues lost compared to the ECR/D Specific Plan is estimated at $1,906,000.

The ECR/D Specific Plan revenue is heavily dependent upon TOT. Scenario #6, lacking TOT revenue and sales tax revenue (from retail) would result in negative fiscal impacts to the General Fund.
A3-4.1.1 Fiscal Impacts: General Fund Summary

All three scenarios presented may have potential for positive fiscal impacts to the City’s General Fund.

**Conclusion:** This analysis confirms the findings as described in Section A3-2.6: The ECR/D Specific Plan is heavily dependent upon transient-occupancy tax; and to a lesser degree, retail sales tax.

A3-4.2 Fiscal Impacts: Special Districts

The Special Districts fiscal impact analysis follows the methodology and assumptions following Scenarios 4, 5, and 6 described Section 1.3.2 in Chapter 1.

Table A3-7 shows the projected property tax revenue distributions by City, County, and Special District for each alternative development scenario.
Table A3-7 Projected Property Tax Revenues

<table>
<thead>
<tr>
<th>Estimated Assessed Value</th>
<th>Baseline</th>
<th>Scenario #4</th>
<th>Scenario #5</th>
<th>Scenario #6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net New Assessed Value</td>
<td>$744,800,800</td>
<td>$743,530,600</td>
<td>$695,678,900</td>
<td>$498,650,200</td>
</tr>
<tr>
<td>1% Basic Property Tax</td>
<td>$7,448,000</td>
<td>$7,435,300</td>
<td>$6,956,800</td>
<td>$4,986,500</td>
</tr>
<tr>
<td><strong>Base 1.0% Tax (Post-ERAIF Distribution)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Menlo Park (a)</td>
<td>$756,000</td>
<td>$754,700</td>
<td>$706,100</td>
<td>$506,100</td>
</tr>
<tr>
<td>San Mateo County</td>
<td>$1,079,200</td>
<td>$1,077,400</td>
<td>$1,008,000</td>
<td>$722,500</td>
</tr>
<tr>
<td>Menlo Park City Elementary District</td>
<td>$1,263,900</td>
<td>$1,261,800</td>
<td>$1,180,600</td>
<td>$846,200</td>
</tr>
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<td>Sequoia High School</td>
<td>$1,182,000</td>
<td>$1,180,000</td>
<td>$1,104,000</td>
<td>$791,400</td>
</tr>
<tr>
<td>San Mateo Community College District</td>
<td>$513,200</td>
<td>$512,300</td>
<td>$479,300</td>
<td>$343,600</td>
</tr>
<tr>
<td>Menlo Park Fire District</td>
<td>$1,059,900</td>
<td>$1,058,000</td>
<td>$990,000</td>
<td>$709,600</td>
</tr>
<tr>
<td>San Francisco Creek Flood Zone 2</td>
<td>$14,900</td>
<td>$14,900</td>
<td>$14,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Midpeninsula Regional Open Space District</td>
<td>$139,300</td>
<td>$139,000</td>
<td>$130,100</td>
<td>$93,200</td>
</tr>
<tr>
<td>Bay Area Air Quality Management District</td>
<td>$15,600</td>
<td>$15,600</td>
<td>$14,600</td>
<td>$10,500</td>
</tr>
<tr>
<td>County Harbor District</td>
<td>$20,900</td>
<td>$20,800</td>
<td>$19,500</td>
<td>$14,000</td>
</tr>
<tr>
<td>Mosquito Abatement</td>
<td>$11,900</td>
<td>$11,900</td>
<td>$11,100</td>
<td>$8,000</td>
</tr>
<tr>
<td>Sequoia Healthcare District</td>
<td>$111,000</td>
<td>$110,800</td>
<td>$103,700</td>
<td>$74,300</td>
</tr>
<tr>
<td>County Office of Education</td>
<td>$267,400</td>
<td>$267,000</td>
<td>$249,700</td>
<td>$179,000</td>
</tr>
<tr>
<td><strong>Basic Property Tax Revenues</strong></td>
<td><strong>$6,434,600</strong></td>
<td><strong>$6,424,000</strong></td>
<td><strong>$6,010,700</strong></td>
<td><strong>$506,100</strong></td>
</tr>
<tr>
<td><strong>Supplemental Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Menlo Park &amp; Recreation Board</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$1,200</td>
<td>$900</td>
</tr>
<tr>
<td>Menlo Park City Elementary School Bonds</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$2,900</td>
<td>$2,000</td>
</tr>
<tr>
<td>Sequoia High School Bonds</td>
<td>$2,300</td>
<td>$2,300</td>
<td>$2,200</td>
<td>$1,500</td>
</tr>
<tr>
<td>San Mateo Community College Bonds</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$1,300</td>
<td>$900</td>
</tr>
<tr>
<td><strong>Supplemental Property Tax Revenue</strong></td>
<td><strong>$8,100</strong></td>
<td><strong>$8,000</strong></td>
<td><strong>$7,600</strong></td>
<td><strong>$5,400</strong></td>
</tr>
</tbody>
</table>

*Source: BAE FIA 2011; LWC 2014*

(a) The BAE FIA 2011 used a distribution rate of 10.15% for Menlo Park. The SE FIA 2011 used a distribution rate of 9.9%.

All three alternative development scenarios are estimated to have total property tax revenues lower than those projected for the ECR/D Specific Plan.
Menlo Park Ballot Measure Impact Analysis

A3- 4.2.1 Fiscal Impacts: Special Districts Summary

Scenarios #4 and #5 do not deviate broadly from the Baseline Scenario (ECR/D Specific Plan) and should not result in any measurable impacts to Special District revenues. Scenario #6, with limited development beyond the currently constructed 146 hotel rooms, provides more limited property tax revenue. However, the impact would still be relatively small to the Special Districts as only the Fire District and Midpeninsula Open Space District receive fees based on service population. All other Special Districts account for expenditures based upon the number of residents, not employees. As a result, approval of the Ballot Measure should have less than substantial fiscal impacts on the revenues and expenditures for Special Districts.

A3-5 Fiscal Impact: Assumptions

Every attempt was made to develop an FIA model that would replicate the output provided by the SE FIA 2011. The intent of this section is to explain the assumptions used in conducting the Ballot Measure Fiscal Impact Analysis.

1. Hotel Square Footage

The hotel room sizes and corresponding total hotel square footage modeled do not equal the non-residential square footage set aside for Hotel development in the ECR/D Specific Plan. Assuming full build out of Office and Retail square footage as provided in the ECR/D Specific Plan, there would not be enough non-residential square footage available to build 380 hotel rooms.

Property tax revenue for Hotel rooms modeled in the SE FIA 2011 report is based on 475 sq. ft. rooms with allowance for shared spaced (e.g., corridors, lobbies). Shared space allowance per room under the Conference Hotel is 66 sq. ft. (the Boutique hotel did not account for shared space). The total square footage modeled in the SE FIA 2011 analysis was 200,500 sq. ft. for Hotels or 528 square feet per room. This is the development type incorporated into the Draft ECR/D Specific Plan. Accounting for the modeled hotel square footage would increase the total non-residential square footage provided for in the ECR/D Specific Plan beyond the non-residential cap by 48,620 sq. ft.

<table>
<thead>
<tr>
<th>Table A3-8 Net Difference in Hotel Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office</strong></td>
</tr>
<tr>
<td>ECR/D Specific Plan</td>
</tr>
<tr>
<td>SE FIA 2011</td>
</tr>
<tr>
<td><strong>ECR/D Specific Plan vs. Modeled: Net Difference Square Footage</strong></td>
</tr>
</tbody>
</table>
Menlo Park Ballot Measure Impact Analysis

The SE FIA 2011 is based the 528 square feet per room on local, comparable comps.

Following the assumption that the same size rooms would be demanded in the future for a hotel operator to be competitive, to build 380 hotel rooms would require a reduction in Office and/or Retail development by 48,620 square feet as modeled under the ECR/D Specific Plan scenario.

Model adjustments: The scenarios illustrated in this document assume an average hotel room size, including shared space, is 528 square feet.

2. Hotel Occupancy Rates

In an attempt to recreate the SE FIA 2011 results, LWC modeled the fiscal impact analysis by “backing out” of the SE FIA 2011 numbers. The SE FIA 2011 text states:

“A hotel market generally approaches a shortfall of supply when overall occupancy rates reach 65 to 70 percent, so a healthy 65 percent average occupancy rate is assumed for future stable operating conditions. Note that the previously-described occupancy rate of 90 percent was applied for the purposes of estimating hotel employment since it more accurately reflects the fixed staffing needs of a hotel based on number of rooms” (p. 12, SE FIA 2011).

Following the methodology provided by the SE FIA 2011 produced TOT revenue inconsistent with the results than appears in the SE FIA 2011’ Table 2: Net Fiscal Impact to the City General Fund at Build-Out (in 2009 dollars). The ECR/D Specific Plan TOT calculation may have used a 90 percent occupancy rate, not 65 percent as specified in methodology.

Model adjustments: For consistency, the three scenarios illustrated in this document also assume a 90 percent occupancy rate.

3. Property Tax Revenue Appreciation

The property tax revenue calculation does not appear to apply an appreciation/inflation factor. According to the assumptions:

The value of the project would be almost $745 million. Following the SE FIS 2011 assumption that Menlo Park receives 9.9 percent of the 1 percent property tax distribution, the City would receive $737,000. The SE FIA 2011 model applies an appreciation rate of 4 percent for new homes and re-sales, an appreciation rate of 2 percent of all other homes, and an overall discount rate of 3 percent to bring property tax revenue down to 2009 dollars. Assuming an even distribution of development, the
property tax revenue in 2030 should be less than current value in 2009 dollars. However, it is greater.

**Model adjustments:** For consistency, the scenarios illustrated in this document assume no appreciation/inflation in property tax revenues.

### 4. Property Tax Revenues and Assessed Values

The SE FIA 2011 analysis used current housing and commercial market values and did not account for the existing assessed value of the land. As a result, the estimates of increased assessed value from development under the ECR/D Specific Plan Baseline development scenario may overestimate the marginal increase in property tax revenues from new development.

**Model adjustments:** For consistency, the scenarios illustrated in this document also assumed the same housing and commercial market values.

### 5. Discount Rate Application

The SE FIA 2011 did not appear to consistently apply the 3 percent discount to account for inflation. From the text, the SE FIA 2011 states:

> “All projected costs and revenues were adjusted to 2009 constant dollars – current at the time of analysis – using a discount rate of three percent to be consistent with the long-term rate of inflation” (p. 11).

For example, the Per Capita Revenues appeared to apply the 3 percent discount rate, whereas the Per Capita Expenditures did not.

**Model adjustments:** For consistency, the three scenarios illustrated in this document also applied a 3 percent discount rate to Per Capita Revenues, but not to Per Capita Expenditures.
Transportation Impact Analysis

To: Lisa Wise, Lisa Wise Consulting
From: William Riggs, PhD, AICP, LEED AP
CC: Menka Sethi, Lisa Wise Consulting
     Dennis Larson, Lisa Wise Consulting
     David Pierucci, Lisa Wise Consulting
     Henry Pontarreli, Lisa Wise Consulting
Date: 7.1.2014
Re: Menlo Park Specific Plan Traffic Analysis

Summary
This memo assesses the traffic impacts of a change of uses within the El Camino Real / Downtown (ECR/D) Specific Plan (SP) area for the City of Menlo Park. The analysis from the Specific Plan Environmental Impact Report (SP EIR) for the area estimated a total of 13,385 trips generated after netting out 3,326 trips from existing uses. This provides a baseline for additional options to be explored.

In this memo, we evaluate the plan area based on Institute of Transportation Engineers (ITE) standards and estimate the total traffic volume using a bookend approach. Based on this analysis we find that the impacts would range from 6,107 average daily trips (ADT) at the low end for an all office use and 14,772 at the high end if there were a larger retail component – approximately 1,400 more daily trips than what the EIR estimated.

Study Area
The area of analysis is presented in Figure 1. The area is well-connected by multiple modes of transportation. It has high-capacity streets, accessible transit and connector shuttles (SamTrans & CalTrain shuttles), and an increasing amount of bike and pedestrian infrastructure. The City of Menlo Park, Comprehensive Bicycle Development Plan,\(^1\) sets goals of Class II bikeways throughout the City, and the Sidewalk Masterplan\(^2\) prioritizes sidewalk improvements citywide, including some in the Specific Plan area and the Circulation Element of the City’s General Plan.

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\(^1\) City of Menlo Park, Comprehensive Bicycle Development Plan (January, 2005).
\(^2\) City of Menlo Park, Sidewalk Masterplan (January, 2009)
http://www.menlopark.org/DocumentCenter/View/475
The Circulation Element of the Menlo Park General Plan\(^3\) addresses multiple modes and areas of transportation including: roadway network, public transit, transportation demand management, bicycles, pedestrians, and parking. For example, Goal II-D of the Circulation Element of the Menlo Park General Plan is “to promote the safe use of bicycles as a commute alternative and for recreation” Policies for this goal include completing a network of bikeways within Menlo Park, considering the effect of street cross section and intersection design, and requiring development projects to include on-site bicycle storage. Likewise, Goal II-E is “to promote walking as a commute alternative and for short trips.” Policies supporting this goal include traffic control and street lighting within street improvement projects, and support for pedestrian access across all signalized intersections along the El Camino Real.

This multi-modal transportation perspective is reinforced by regional documents published after the 2011 SP EIR and the *El Camino Real & Downtown Vision Plan*\(^4\) process. This includes the new *One Bay Area* plan, which supports a complete streets perspective in priority development areas (PDAs) throughout the region consistent with regional Sustainable Community Strategies. The City endorsed these regional goals in 2011 with specific mention of the housing targets stemming from the SP EIR\(^5\).

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\(^3\) City of Menlo Park, Circulation Element, (adopted 2004; revised 2013) http://www.menlopark.org/146/General-Plan


The transportation section of the SP EIR focuses on the estimated trips that new uses in this area would bring. These new uses would generate approximately 16,000 additional new trips. This was based on a breakdown of the following key uses:

- 680 multi-family dwelling units (apartments, condominiums, and townhouses);
- 91,800 square feet of retail space;
- 240,820 square feet of commercial (office) space; and
- 380 hotel rooms

We use these uses and square footage as a baseline starting point in our evaluation of proposed changes to the land use breakdown in line with the potential build out options articulated in Table 1.

### Table 1: Proposed Build-Out Scenarios

<table>
<thead>
<tr>
<th>Net New Development by Use Type</th>
<th>Office (SF)</th>
<th>Retail (SF)</th>
<th>Hotel (Rooms)</th>
<th>Apartment (DU)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SP EIR Baseline</strong></td>
<td>240,820</td>
<td>91,800</td>
<td>380 Rooms</td>
<td>680</td>
</tr>
<tr>
<td><strong>Scenario 1</strong></td>
<td>240,821*</td>
<td>233,179</td>
<td>0</td>
<td>680</td>
</tr>
<tr>
<td><strong>Scenario 2</strong></td>
<td>240,821*</td>
<td>0</td>
<td>442*</td>
<td>680</td>
</tr>
<tr>
<td><strong>Scenario 3</strong></td>
<td>474,000*</td>
<td>0</td>
<td>0</td>
<td>680</td>
</tr>
</tbody>
</table>

1 Assumes trips from existing uses remain since parcels do not change land use.
2 Scenarios that include more than 240,820 SF of office space would not be possible if the proposed ballot measure were to pass. Given this, Scenarios 1 through 3 represent the broadest range of potential impact scenarios that would be precluded if the Ballot Measure were to pass.
3 The 380 hotel rooms assumed in the ECR/D Specific Plan EIR project description. For the purposes of generating additional scenarios, this study maintains consistency with ECR/D Specific Plan technical analyses, and uses the Strategic Economics metric of 528 SF per hotel room. In Scenario 2, 233,179 SF of hotel use would result in 442 hotel rooms (233,179 SF / 528 SF per room = 442 hotel rooms.)

The evaluation involves the following assumptions:

- No change in development mix aside from Office, Retail and Hotel;
- No change in residential, auto dealership and motel uses in the SP area;
- Reductions for transit and mixed use development (MXD) consistent with the SP EIR;
- Existing land uses not redeveloped remain the same and trips they generate do not change.

### Trip Generation Rates

As a first step of analysis, the estimated travel generated by potential land use changes is calculated using rates and equations from *Institute of Transportation Engineers (ITE) Trip Generation, 8th edition.* 6 We also validate these numbers against the more recently released 9th Edition of the manual to ensure that there are no substantive changes in trip generation rates.

The resulting trip generation rates based on this calculation are presented in Table 2. As seen in columns 4 and 5 every trip generation factor used is within a range of 1 or fewer total trips per unit. The most substantive change is highlighted with an asterisk below. The ITE land use

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6 SP EIR used Institute of Transportation Engineers, Trip Generation, 8th Edition (2008); the 9th Edition was published in 2012.
code 841 was previously called ‘New Car Sales’ but is now classified with the title ‘Automotive Sales’.

Table 2: Trip Generation Rates

<table>
<thead>
<tr>
<th>Land Use</th>
<th>ITE Land Use &amp; Code</th>
<th>Unit</th>
<th>Daily 8th</th>
<th>Daily 9th</th>
<th>Rates AM Peak Hour</th>
<th>Rates PM Peak Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td>Residential</td>
<td>Apartment</td>
<td>220</td>
<td>DU</td>
<td>6.07-10</td>
<td>6.06</td>
<td>0.1595</td>
</tr>
<tr>
<td>Retail</td>
<td>Shopping Center</td>
<td>820</td>
<td>sf</td>
<td>42.9</td>
<td>42.7</td>
<td>0.5952</td>
</tr>
<tr>
<td>Auto Dealership</td>
<td>Automobile Sales</td>
<td>841</td>
<td>sf</td>
<td>33.3</td>
<td>32.3</td>
<td>1.221</td>
</tr>
<tr>
<td>Commercial</td>
<td>Office</td>
<td>710</td>
<td>sf</td>
<td>11.01-17</td>
<td>11.03</td>
<td>1.3728</td>
</tr>
<tr>
<td>Motel</td>
<td>Motel</td>
<td>320</td>
<td>Rms</td>
<td>5.63</td>
<td>5.63</td>
<td>0.1716</td>
</tr>
<tr>
<td>Hotel</td>
<td>Hotel</td>
<td>310</td>
<td>Rms</td>
<td>7.71-8.17</td>
<td>8.17</td>
<td>0.2808</td>
</tr>
</tbody>
</table>

Based on this validation, we confirm that using the 8th Edition is still appropriate. Both the equations and rates of trip generation remain consistent. As always, when looking at such numbers, it is important to remember that these rates are reflective of respective land uses in plan area and not specific projects in that area. It is also important to note that recent literature suggests that trip generation rates from the ITE manual can dramatically overstate the number of trips in locations such as the San Francisco Bay Area. This is based on the fact that these trip generation numbers are highly aggregated and, many times, based on more suburban locations throughout the United States (Schneider, Shafizadeh and Handy 2012).7

Mixed Use & Transit Reduction Factors

Within this trip generation framework we take a second step using trip reduction techniques for mixed-use (MXD) and transit-connected environments consistent with best practice methods established in the ITE Trip Generation Handbook8 and in more recent publications by Ewing et al (2011)9 and National Cooperative Highway Research Program (NCHRP) Report 684.10 The SP EIR used reductions for both mixed use and for transit, and we keep with this methodology. It is typical that transportation planners do this for the same reasons referenced earlier. Most ITE rates do not reflect locations that are dense, urban and have rich transportation amenities. For example, the retail rate might reflect a more suburban strip-mall use prevalent in some mid-western states. This would not be completely representative of many corridors throughout California which mix retail with residential uses and therefore cut down on the number of times people have to take a trip via auto.

8 Institute of Transportation Engineers (ITE), Trip Generation Handbook, 2nd Edition (March, 2004).
Mixed Use
The SP EIR “determined that a 10 percent reduction was appropriate to account for the infill and mixed-use nature of the land use plan; where vehicle trips would be linked and/or replaced with walk and bicycle trips to nearby land uses.” In our opinion, this may have been a fairly conservative estimate and it could have been higher. This is based in part on the ITE Trip Generation Handbook, which provides for a reduction factor range of 0 percent to 13 percent for MXD characteristics. It also comes from the mentioned study by Ewing and NCHRP 684 which shows support for a MXD reduction factor ranging from 10 percent to 16 percent in locations such as Menlo Park. This is a match up by a very recent meta-study that compiles data showing that actual trips could be reduced on the order of 25 to 50 percent lower than ITE rates in smart growth areas like the Bay Area (Schneider, Shafizadeh & Handy 2014).

This mixed-use reduction is based on the idea of internal capture and trip chaining that occurs in a mixed office and retail environment. Internal capture rate is a term used to describe a mixed-use development’s ability to capture people on-site for a task when they would otherwise go off-site to complete that task. An example of internal capture is where an office worker eats lunch from a deli in the same development instead of driving to lunch. A downtown area with a grid network of sidewalks and a higher density of development will typically result in a higher internal capture rate than a development in a lower density suburban environment.

Trip chaining is a term used to describe the act of combing multiple tasks in a single trip. An example of trip chaining is doing multiple errands on a single driving trip, such as picking up dry cleaning and buying groceries or an office worker dropping off a package at the post office during a lunch break. A downtown area typically makes it easier to chain trips because of the diverse mix of land uses and the higher density of development.

Transit
For the transit reductions we employ a similar strategy as used in the ECR/D Specific Plan EIR using an area-wide approach. The SP EIR addressed the transit reduction on a parcel-by-parcel basis, however since our lens focuses on the entire plan area we employ average reductions for the entire SP area. These are derived from the ECR/D SP EIR parcel-by-parcel analysis and illustrated according to the bulleted list below.

- Residential 5%
- Office 3%
- Retail 1%
- Hotel 1%

The rationale for this is based on a large body of published research indicating much larger reductions actually occur in transit-connected areas. Work by Dill (2003) and Cervero & Duncan (2006) would suggest a range of 7 to 10 percent based on proximity. By focusing on an area-wide reduction we take into account the variability with regard to changing land uses and smooth out reductions, by providing normative rates across the plan area. This straightforward approach balances locations with high proximity to transit with others that are less close.

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Traffic Volumes
Table 3 shows the anticipated traffic volumes for the SP area 1) given the anticipated land uses and 2) factoring in the previously discussed reductions. We show the breakdown of Average Daily Trips (ADT) for the specified uses and then walk through each reduction. Using these thresholds we back out existing uses in Table 4, which shows total net new trips.

Table 3: Trip Generation Options – Bookend Approach

<table>
<thead>
<tr>
<th>Daily Trips</th>
<th>Office SF</th>
<th>Retail SF</th>
<th>Hotel Rooms</th>
<th>Apartment DU</th>
<th>ADT</th>
<th>MXD Trips Reduced(^2)</th>
<th>Transit Reduction(^3)</th>
<th>Total Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIR Scenario(^1)</td>
<td>240,820</td>
<td>91,800</td>
<td>380</td>
<td>680</td>
<td></td>
<td></td>
<td></td>
<td>16,711</td>
</tr>
<tr>
<td>Scenario 1</td>
<td>240,821</td>
<td>233,179</td>
<td>-</td>
<td>680</td>
<td>19,034</td>
<td>(851)</td>
<td>(85)</td>
<td>18,098</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>240,821</td>
<td>-</td>
<td>442</td>
<td>680</td>
<td>10,842</td>
<td>(274)</td>
<td>(79)</td>
<td>10,490</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>474,000</td>
<td>-</td>
<td>-</td>
<td>680</td>
<td>9,758</td>
<td>(250)</td>
<td>(75)</td>
<td>9,433</td>
</tr>
</tbody>
</table>

\(^1\) Unadjusted ADT and reduction values were not published as a part of the SP EIR.
\(^2\) Reduction applies only to land use changes from EIR; reductions are otherwise accounted-for in the EIR baseline.

Table 4: Net New Trips

<table>
<thead>
<tr>
<th>Trips</th>
<th>From New Uses</th>
<th>Less Existing</th>
<th>Net New Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP EIR Baseline</td>
<td>16,711</td>
<td>-3,326</td>
<td>13,385</td>
</tr>
<tr>
<td>Scenario 1: Office + Retail</td>
<td>18,098</td>
<td>-3,326</td>
<td>14,772</td>
</tr>
<tr>
<td>Scenario 2: Office + Hotel</td>
<td>10,490</td>
<td>-3,326</td>
<td>7,164</td>
</tr>
<tr>
<td>Scenario 3: All Office</td>
<td>9,433</td>
<td>-3,326</td>
<td>6,107</td>
</tr>
</tbody>
</table>

Scenarios 1 and 3 provide maximum and minimum trip calculations. Retail is the most trip-intensive land use. Scenario 1 therefore represents what the maximum number of additional trips for the SP area could possibly be. Office is a less trip intensive land use. Scenario 3 therefore represents what the minimum number of additional trips for the SP area could be. Scenario 2 has a mix of existing land uses, with varying trip generation rates. Hotel uses generate very few trips (just slightly more than residential). This, therefore, generates a number of trips that is between scenarios 1 and 3.

As alluded to in our discussion of MXD reduction, it is likely that these traffic volumes would decrease more if the City continues with their plans to support biking and walking and disincentivize single auto trips. This is well-supported in recent literature\(^13\) and could be viable if Menlo Park were to fully realize the goals of the General Plan, Bicycle Development Plan, and Sidewalk Masterplan. Once again, it should be emphasized that these numbers represent plan uses and not specific developments.

Additional Possible Scenarios

While the previous tables provide a bookend approach to model the potential impacts of the ballot measure, there are an inordinate number of development possibilities under the existing SP entitlements. Given this, we also model additional hypothetical scenarios to provide representative examples in Tables 5 and 6. These scenarios incorporate the constructed (or in-construction) 95 net new hotel rooms (associated with 75,418 net new SF of non-residential development) that have been produced in the SP area since ECR/D SP adoption.

Table 5: Trip Generation – Hypothetical Development Scenarios

<table>
<thead>
<tr>
<th>Daily Trips</th>
<th>Office SF</th>
<th>Retail SF</th>
<th>Hotel Rooms</th>
<th>Apartment DU</th>
<th>ADT</th>
<th>MXD Trips Reduced</th>
<th>Transit Reduction</th>
<th>Total Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIR Scenario¹</td>
<td>240,820</td>
<td>91,800</td>
<td>380</td>
<td>680</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,711</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>240,820</td>
<td>157,762</td>
<td>95</td>
<td>680</td>
<td>16,870</td>
<td>(518)</td>
<td>(52)</td>
<td>16,300</td>
</tr>
<tr>
<td>Scenario 5</td>
<td>240,820</td>
<td>-</td>
<td>394</td>
<td>680</td>
<td>10,413</td>
<td>(231)</td>
<td>(74)</td>
<td>10,107²</td>
</tr>
<tr>
<td>Scenario 6</td>
<td>-</td>
<td>-</td>
<td>95</td>
<td>680</td>
<td>4,621</td>
<td>-</td>
<td>-</td>
<td>4,621</td>
</tr>
</tbody>
</table>

¹ Unadjusted ADT and reduction values were not published as a part of the SP EIR.
² Reduction applies only to land use changes from EIR; reductions are otherwise accounted-for in the EIR baseline.
³ Note change in Office (240,820 vs. 240,821).

Table 6: Net New Trips

<table>
<thead>
<tr>
<th>Trips</th>
<th>From New Uses</th>
<th>Less Existing</th>
<th>Net New Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP EIR Baseline</td>
<td>16,711</td>
<td>-3,326</td>
<td>13,385</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>16,300</td>
<td>-3,326</td>
<td>12,974</td>
</tr>
<tr>
<td>Scenario 5</td>
<td>10,107</td>
<td>-3,326</td>
<td>6,781</td>
</tr>
<tr>
<td>Scenario 6</td>
<td>4,621</td>
<td>NA¹</td>
<td>4,621</td>
</tr>
</tbody>
</table>

¹ Existing uses and related trips maintained

Scenario 6 addresses one possibility if the Ballot Measure were to pass where non-residential development do not continue beyond the net new non-residential square footage currently under construction or recently constructed. The remaining developable or redevelopable parcels in the SP stay as the existing uses. *Trips stemming from existing uses are not subtracted from this scenario because this scenario assumes these uses are not redeveloped; therefore their traffic impact remains the same.* The existing land use trips are subtracted in Scenarios 4 and 5 because retail and office land uses respectively replace the existing land uses. The existing generated trips are replaced by trips produced by retail or office land uses.
Comparisons & Conclusions

Given the data analysis conducted as a part of this assessment we find the following:

1. ITE Trip Generation rates have not undergone substantive change in the 9th edition and we can reasonably analyze the SP EIR using 8th Edition standards;

2. Scenario 1 represents the highest trip generation impact. The Retail Land Use generates the greatest number of trips per square foot out of all the land uses in the SP EIR;

3. Scenario 3 represents the lowest impact from a trip generation standpoint. Commercial (Office) Land Use generates the least number of trips per square foot out of all the land uses in the SP EIR;

4. Scenario 2 represents a scenario where there is only a market for Office and Hotel land uses and is bounded by a maximum number of trips in Scenario 1 and a minimum number of trips in Scenario 3.

5. Scenarios 1, 2, and 3 represent scenarios that are possible under the ECR/D SP but are precluded if the Ballot Measure passes.

6. Various other hypothetical scenarios within the entitled SP limits yield similar trip generation results to the bookended options with the exception of one possibility in which development in Menlo Parks comes to a standstill as a result of the Ballot Measure.

In sum, passage of the ballot measure could impact traffic, however the ballot measure would not uniquely create more additional trips than the El Camino Real / Downtown Specific Plan baseline scenario. That said, in that the ballot measure would preclude net new office built-out in excess of 240,820 SF, the ballot measure would preclude some traffic scenarios that could result in fewer trips than the SP baseline. This is based on the fact that office uses have lower trip generation rates than other uses such as retail, but more than uses such as hotels.
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