



MEMORANDUM

To: Lindsay Hagan, City of Mountain View
From: Derek Braun and Tatum Troutt, Strategic Economics
Date: July 19, 2022
Project: City of Mountain View Middlefield Park Master Plan
Subject: Fiscal Impact Analysis

This memorandum describes the results of Strategic Economics' analysis of the projected fiscal impacts to the City of Mountain View resulting from the proposed Middlefield Park Master Plan development. The purpose of the fiscal analysis is to measure the net fiscal impact of proposed residential and commercial growth on the City's General Operating Fund on an annual basis by calculating associated increases in revenues and expenditures.

The Middlefield Park Master Plan is located in the East Whisman Precise Plan area. The City of Mountain View undertook a comprehensive process to plan for future growth in East Whisman, which resulted in the adoption of the East Whisman Precise Plan in November 2019.¹ As part of this process, a detailed fiscal impact analysis was conducted by Strategic Economics and vetted by the City.² The East Whisman Precise Plan fiscal impact model was adapted to analyze the fiscal impact of the Middlefield Park Master Plan.

The first portion of this memo presents the approach and results of the fiscal impact analysis. This is followed by Appendix A, which includes a more detailed description of the assumptions and methodology used for the fiscal impact analysis. Appendix B summarizes the potential for one-time sales tax revenue from construction materials associated with proposed development in Middlefield Park that could be allocated to the City of Mountain View directly through the application of a sub-permit for the project site set up by the construction contractors and subcontractors.³

About Fiscal Impact Analyses

A fiscal impact analysis measures the impact of new development and associated municipal services on a city's budget. New residents and businesses create demand for city services (such as public safety) and facilities (such as parks and streets), but also provide increased sales tax, property taxes, and other revenues. The net fiscal impact reflects the revenues minus the costs the development is

¹ City of Mountain View, "East Whisman Precise Plan", November 2019. Available at: <https://www.mountainview.gov/eastwhisman>

² Available as an attachment from the Mountain View City Council meeting held on November 5, 2019. See: "ATT-14 Fiscal Analysis" at: <https://mountainview.legistar.com/LegislationDetail.aspx?ID=4213039&GUID=C7F2F259-EF97-46A6-B82B-CA61FFAB97E1&Options=&Search=>

³ For more details, see page 28 of the document "Construction and Building Contractors," published by the California Department of Tax and Fee Administration, October 2020: <https://www.cdtfa.ca.gov/formspubs/pub9.pdf>

expected to generate. This fiscal impact analysis is focused on the ongoing operations and maintenance impacts of new growth in the proposed Middlefield Park Master Plan on the General Operating Fund, which is the primary operating fund for the City. As such, the analysis does not include estimates of one-time capital expenses, such as infrastructure or facilities, which may be required to accommodate new development. The analysis also excludes impacts on special districts, enterprise funds, and other agencies that are funded independently of the General Operating Fund, such as school districts and utility districts.

The analysis presented here is “static,” in that it only estimates fiscal impacts for one year upon full build-out of the development program, rather than providing annual estimates of revenues and costs as the area develops over time. All revenue and cost estimates are presented in nominal 2021 dollars.

The results of this fiscal impact analysis account only for the total change in residential and commercial uses related to new development in the Middlefield Park Master Plan area. In other words, the results do not incorporate the revenues and service expenses associated with *existing* commercial and industrial buildings in the Middlefield Park Master Plan area. The Master Plan envisions that these sites will be redeveloped with higher intensity uses, so the fiscal impacts associated with existing uses are likely limited relative to any future replacement uses. This approach is a standard industry practice for assessing fiscal impacts of change envisioned in a land use plan area.

Development Program

Figure 1 shows the development program for the Middlefield Park Master Plan area analyzed in the fiscal impact analysis. The program represents the total anticipated increase in residential and commercial development at full buildout of the area, including 1.317 million square feet of office space, 1,900 housing units, and a total of 50,000 square feet of varying ground floor commercial retail, service, and other community-oriented uses. The project applicant is committing to lease 21,000 square feet of the ground floor commercial space at below market rate rents, with the remaining 29,000 square feet of space likely to be leased at market rate rents.

The analysis assumes that the project applicant will comply with the City of Mountain View’s Below Market Rate (BMR) Housing Ordinance through land dedication via an Alternative Mitigation. Based on input provided by the City and applicant, it is estimated the applicant’s 2.4 acres of dedicated land parcels could accommodate a range of 338 to 380 new affordable units, which would be developed by a non-profit development partner as one or multiple 100 percent affordable rental housing projects. The average affordability of these units is assumed to be 50 percent of Area Median Income (AMI). Note that for the purposes of the fiscal impact analysis, the maximum of 380 affordable units is assumed.

FIGURE 1: MIDDLEFIELD PARK MASTER PLAN DEVELOPMENT PROGRAM

Land Use	Net Growth
Commercial	
Office (GSF)	1,317,000
Total Ground Floor Retail/Service/Community Uses (GSF)	50,000
<i>Retail/Service, Market Rate (GSF)</i>	29,000
<i>Retail/Service, Below Market Rate (GSF)</i>	21,000
Residential	
<u>For Sale Units</u>	
Market Rate Condos	90
<u>Rental Units (Apartments)</u>	
Market Rate	1,430
<i>High-rise</i>	850
<i>Mid-rise</i>	580
100% Affordable Nonprofit-Owned @ 50% AMI	380
<i>Subtotal, Rental Units</i>	1,810
Total, All Units	1,900
Total, Affordable Units	380

GSF: Gross Square Feet; AMI: Area Median Income.

Source: City of Mountain View, 2021; Google, 2021; Strategic Economics, 2022.

Summary of Fiscal Impact Analysis Results

The results of the fiscal impact analysis are summarized below and in Figure 2.

The Middlefield Park Master Plan development program would result in a significant net positive fiscal impact on Mountain View’s General Operating Fund. As shown in Figure 2, the development program results in annual net revenues of approximately \$3,219,400. This net revenue represents nearly 56 percent of the gross revenues generated in the area.

Property tax revenues represent the largest single source of revenue generated by growth in the Master Plan. Based on the current property values for each land use that is envisioned in the Master Plan, the assessed values of additional property development would generate an estimated \$4 million in property tax revenue and an additional \$912,500 in property tax revenue in-lieu of vehicle license fees for the City of Mountain View. Approximately \$242,200 in sales tax revenue would also be generated, as shown in Figure 2.

Police Department expenses are estimated to constitute the highest share of General Operating Fund expenses associated with growth, followed by Fire Department expenses. Police service expenses account for about \$1.1 million of the \$2.5 million of all new expenses that will result from new growth in the area, followed by Fire Department expenses (approximately \$589,500) and Community Services (\$369,200). Other services (which include expenses from libraries, administration, the city attorney’s office, vehicle and equipment replacement, etc.) collectively account for \$482,800 of the expenses associated with growth.

FIGURE 2: ANNUAL FISCAL IMPACT OF GROWTH IN MIDDLEFIELD PARK ON MOUNTAIN VIEW'S GENERAL OPERATING FUND, 2021 DOLLARS

Revenue or Expense Item	Amount
Revenue	
Property Tax	\$4,011,900
Property Tax In Lieu of VLF	\$912,500
Sales Tax	\$242,200
Other Recurring Revenues	\$583,100
Total Revenues	\$5,749,700
Expenditures	
Fire Department	\$589,500
Police Department	\$1,088,800
Community Services	\$369,200
Public Works	\$0
Other Recurring Expenditures	\$482,800
Total Expenditures	\$2,530,300
Net Revenue	\$3,219,400
Net Revenue as a Percent of Total Revenue	55.99%

Columns may not add due to rounding.

Source: Strategic Economics, 2022.

APPENDIX A. FISCAL IMPACT ANALYSIS DETAILED METHODOLOGY

This appendix describes the methodology and assumptions used to develop the fiscal impact analysis. As described in the introduction, the Middlefield Park Master Plan is located in the East Whisman Precise Plan area. The City of Mountain View undertook a comprehensive process to plan for future growth in East Whisman, which resulted in the adoption of the East Whisman Precise Plan in November 2019. As part of this process, a detailed fiscal impact analysis was conducted by Strategic Economics and vetted by the City’s various departments. The East Whisman Precise Plan fiscal impact model was adapted to analyze the fiscal impact of the Middlefield Park Master Plan.

BUDGET YEAR

The fiscal impact analysis is based on Mountain View’s audited General Operating Fund budget actuals for the 2019-2020 fiscal year, per the Finance Department’s recommendation (see Figure 3).⁴

FIGURE 3: CITY OF MOUNTAIN VIEW GENERAL OPERATING FUND BUDGET, FY 2019-2020 AUDITED ACTUALS

	FY 2019-2020 Actuals	Percent of Total
Revenues		
Property Taxes	\$43,247,575	30.3%
Property Tax In-Lieu of VLF	\$11,591,548	8.1%
Sales Tax	\$19,452,148	13.6%
Transient Occupancy Tax	\$5,601,695	3.9%
Rents & Leases	\$18,970,068	13.3%
Interfund Revenues	\$15,221,000	10.7%
Utility Users Tax	\$7,869,854	5.5%
Licenses, Permits & Franchise Fees	\$5,595,771	3.9%
Investment Earnings	\$3,375,254	2.4%
Miscellaneous	\$3,273,391	2.3%
Business License	\$2,408,227	1.7%
Interfund Revenue Transfers	\$2,403,700	1.7%
Charges for Services - General	\$1,086,437	0.8%
Charges for Services - Recreation	\$1,007,489	0.7%
Intergovernmental	\$794,631	0.6%
Fines & Forfeitures	\$768,405	0.5%
Total	\$142,667,193	100.0%
Expenditures		
Police	\$40,386,024	29.5%
Fire	\$25,711,359	18.8%
Community Services	\$15,801,559	11.5%
Public Works	\$10,122,566	7.4%
Library Services	\$5,890,108	4.3%
Finance and Administrative Services	\$6,388,869	4.7%
Non-Departmental	\$17,741,565	13.0%
City Manager's Office	\$4,549,728	3.3%
Information Technology	\$5,460,613	4.0%
Community Development	\$1,723,149	1.3%
City Attorney's Office	\$2,036,295	1.5%
City Clerk's Office	\$795,524	0.6%
City Council	\$303,738	0.2%
Total	\$136,911,097	100.0%

Source: City of Mountain View, 2021; Strategic Economics, 2022.

⁴ Fiscal Year 2019-20 is the most current stable fiscal year for sales tax and property tax and includes the City’s new Phase I business tax, so this budget was used to calculate expenditures associated with the project development.

EXISTING SERVICE POPULATION IN MOUNTAIN VIEW

Figure 4 shows the City of Mountain View’s service population in 2019. This estimate is used to establish a baseline for understanding the per capita costs and revenues shown later in this memorandum. The service population refers to an equivalent population for which a city provides services, including both residents and employees. Each worker is counted as producing one-third of the impacts of a resident for the purposes of this analysis, since workers are assumed to require fewer services as a function of their presence at the workplace for less than a full day. Data from 2019 is used to match the budget year (FY 2019-2020) used for the analysis.

FIGURE 4: EXISTING SERVICE POPULATION IN MOUNTAIN VIEW, 2019

Population Type	Number
Residents	81,992
Employees	101,965
<i>Employee Factor</i>	0.33
City of Mountain View Total Service Population in 2019	115,640

Note: Employees count does not include federal employees.
 Source: California Department of Finance, 2019; US Census Bureau American Community Survey 1-year Estimate, 2019; Strategic Economics, 2021.

MIDDLEFIELD PARK MASTER PLAN AREA JOB AND POPULATION ESTIMATES

Many of the costs and revenues in the fiscal analysis were calculated based on the net increase in population and jobs resulting from new development in the Middlefield Park Master Plan area. Strategic Economics applied the following assumptions to derive population and job estimates from growth in housing units and commercial space.

Residential household size: Figure 5 shows the service population assumption used to calculate the number of residents per new housing unit. This estimate is consistent with the assumptions developed by transportation consulting firm Fehr and Peers for estimating trips generated as a result of new growth in East Whisman for the Precise Plan.

Jobs per square foot: Figure 5 also shows the square feet per employee assumptions which were used to calculate the number of workers associated with new commercial spaces, including office and retail/service/community uses. These estimates are consistent with the assumptions developed by transportation consulting firm Fehr and Peers to estimate trips generated as a result of growth of each commercial land use in East Whisman for the Precise Plan.

Total new service population associated with Middlefield Park: Figure 6 shows the projected service populations associated with each land use, which are based on the development program shown in Figure 1 and the residential and employment density assumptions shown in Figure 5.

FIGURE 5: SERVICE POPULATION ASSUMPTIONS BY LAND USE

Land Use	Metric	Value
Commercial		
Office	Employees Per Gross Square Foot	330
Retail/Services	Employees Per Gross Square Foot	252
Residential		
Household Size (For-sale Condos & Rental Apartments)	Persons Per Unit	2.1

Source: Fehr & Peers, 2019; Strategic Economics, 2021.

FIGURE 6: NEW SERVICE POPULATION ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK

Land Use	Population
Commercial	
<u>Office</u>	
New Employees	3,791
<i>Employee Factor</i>	0.33
New Service Population	1,251
<u>Retail/Service, Market Rate</u>	
New Employees	109
<i>Employee Factor</i>	0.33
New Service Population	36
<u>Retail/Service, Below Market Rate</u>	
New Employees	79
<i>Employee Factor</i>	0.33
New Service Population	26
Subtotal New Employees	3,979
Subtotal New Employee Service Population	1,313
Residential	
New Residents - For-sale Condos	180
New Residents - Rental Apartments	3,611
Subtotal New Residential Service Population	3,791
Total New Service Population	5,104

Note: Totals may differ due to rounding. Totals assume 5% vacancy rate.

Source: Strategic Economics, 2021.

PROPERTY OCCUPANCY AND PROPERTY VALUE ASSUMPTIONS

This section summarizes the key land use assumptions, including vacancy/occupancy rates and estimated property values per unit or per square foot of anticipated development. All the assumptions are also summarized in Figure 7.

Vacancy/Occupancy: Occupancy and vacancy rates are used to determine the actual revenues and costs generated by properties, given that buildings are not usually fully occupied. Unoccupied spaces would not generate workers or residents, nor, on the revenue side, retail sales (where applicable). The analysis applied long-term vacancy rates typically assumed by developers in the region.

Office property value: The office property value was estimated as part of a financial feasibility analysis conducted by Strategic Economics for the East Whisman Precise Plan community benefits strategy in 2019. Based on input from commercial real estate developers, the analysis assumes market demand and values for office will be restored to pre-COVID levels within the next few years.

Retail/services property value: The value of retail space was calculated using a capitalized value approach, which involves calculating the average annual retail rents for properties in the market area, subtracting out expected losses due to retail vacancies and other expenses, and multiplying by the capitalization rate for the given market and property type. Retail rents and capitalization rates were obtained from data reports published by commercial real estate brokerage firms CBRE and Kidder Matthews.

Market rate condo property value: Market rate condo values in the Middlefield Park area were estimated in a separate analysis of the project applicant’s compliance with the BMR Program, conducted by Strategic Economics for the City of Mountain View in 2021.

Market rate apartment property value: Market rate apartment values for Middlefield Park were estimated in a separate analysis of the project applicant’s compliance with the BMR Program, conducted by Strategic Economics for the City of Mountain View in 2021.

Affordable apartment property value. The value of 100 percent affordable housing units serving households earning an average of 50 percent of AMI was calculated using the maximum affordable rents for Santa Clara County for 2021 published by the California Tax Credit Allocation Committee and the maximum utility allowance for 2021 published by the Santa Clara County Housing Authority.

FIGURE 7: SUMMARY OF LAND USE ASSUMPTIONS

Land Use	Development Program (GSF or Units)	Property Value (Per GSF or Per Unit)	Vacancy	Occupancy
Commercial				
Office	1,317,000	\$1,003	5%	95%
Retail/Service/Community, Market Rate	29,000	\$752	5%	95%
Retail/Service/Community, Below Market Rate	21,000	\$584	5%	95%
Residential				
Market Rate Condos	90	\$1,020,000	5%	95%
Rental Apartments				
Market Rate	1,430	\$741,696	5%	95%
100% Affordable Nonprofit-Owned [1]	380	\$234,284	5%	95%

[1] The average AMI for the 100% affordable housing is 50% of AMI. GSF: Gross Square Feet.
Source: Strategic Economics, 2021.

Estimating Revenues

This section summarizes assumptions used to estimate revenues from property taxes, property taxes in lieu of vehicle license fees, sales taxes, and other recurring City revenues.

PROPERTY TAX AND PROPERTY TAX IN LIEU OF VEHICLE LICENSE FEES (VLF)

Annual property tax revenue: Per California’s Proposition 13, the base property tax rate in Mountain View is one percent of assessed property value. The apportionment of the one percent revenue varies by jurisdiction and by tax rate area in each jurisdiction. For the purposes of this analysis, Strategic Economics examined the overall share of Mountain View’s one percent that is received on average citywide. Mountain View receives 16 percent of the one percent tax revenue (after accounting for shifts to the Educational Revenue Augmentation Fund), according to data provided by the City’s Finance Department. The property tax rate was applied to estimated assessed values of new growth in the Middlefield Park Master Plan area to determine property tax revenue, as shown in Figure 8. Note that 100 percent affordable housing would be eligible for exemption from paying property taxes; this fiscal impact analysis assumes these properties receive this exemption.

FIGURE 8: ANNUAL PROPERTY TAX REVENUE ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

Land Use	Value
Commercial	
Office	\$2,113,500
Retail/Services, Market Rate	\$34,900
Retail/Services, Below Market Rate	\$19,600
<i>Subtotal</i>	\$2,168,000
Residential	
For-Sale	
Market Rate Condos	\$146,900
Rental Apartments	
Market Rate	\$1,697,000
100% Affordable Nonprofit-Owned [1]	\$0
<i>Subtotal</i>	\$1,843,900
Total Annual Property Tax Revenues	\$4,011,900

[1] Note that 100 percent affordable housing was assumed to receive exemption from paying property taxes.

Source: City of Mountain View, 2021; Strategic Economics, 2021.

Property tax in-lieu of Vehicle License Fees (VLF): Since 2004, the State of California has swapped city and county vehicle license fee revenues for additional property tax revenues. The property tax payment provided in-lieu of the VLF grows proportionally to a city’s assessed value. Figure 9 shows the calculation of property tax in-lieu of VLF revenue per dollar of assessed value, based on Mountain View’s total estimated assessed value in FY 2004-2005 and the final revised in-lieu payment from the State for the same fiscal year. Figure 10 shows the estimated property tax in-lieu of VLF that is anticipated for each land use in the Middlefield Park Master Plan area.

FIGURE 9: PROPERTY TAX IN LIEU OF VLF ASSUMPTIONS

Citywide Assessed Value, FY 2004-2005	\$11,288,218,521
Citywide Revised VLF Revenue, FY 2004-2005	\$4,107,339
VLF Property Tax In-lieu Per \$1,000 in Assessed Value	\$0.3639

Sources: California City Finance, 2019; City of Mountain View, 2021; Strategic Economics, 2021.

FIGURE 10: ANNUAL PROPERTY TAX IN LIEU OF VLF REVENUE ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

Land Use	Value
Commercial	
Office	\$480,700
Retail/Services, Market Rate	\$7,900
Retail/Services, Below Market Rate	\$4,500
<i>Subtotal</i>	<i>\$493,100</i>
Residential	
For-Sale	
Market Rate Condos	\$33,400
Rental Apartments	
Market Rate	\$386,000
100% Affordable Nonprofit-Owned	\$0
<i>Subtotal</i>	<i>\$419,400</i>
Total Annual Property Tax In Lieu of VLF Revenue	\$912,500

Source: City of Mountain View, 2021; Strategic Economics, 2021.

SALES TAX

Anticipated sales tax revenues reflect the revenues generated by taxable purchases that new residents and workers from the Middlefield Park Master Plan area will make in the City of Mountain View.

Estimates for residential purchases were calculated by using existing taxable sales data for Mountain View provided by the California Department of Tax and Fee Administration. Strategic Economics calculated the value of taxable sales made in Mountain View in 2019 in neighborhood-serving retail categories, including Food and Beverage Stores, Restaurants, and General Merchandise stores, a category which includes stores such as Target, Walmart, and Costco. The sum of taxable sales in these categories was divided by the number of residents living in Mountain View in 2019 to develop a per capita taxable sales value for the residential population. Per capita taxable sales were then multiplied by a 50 percent factor to account for the fact that new households living in Middlefield Park will not make all of their purchases in these categories in Mountain View, and that the taxable transactions data includes purchases by non-residents. These calculations are shown in Figure 11.

Estimates for worker purchases were developed using data from the International Council of Shopping Centers for office worker expenditures on a weekly basis in urban office locations. This weekly value was multiplied by 50 weeks (to account for the fact that most workers have two weeks of vacation per year), by a factor of 40 percent to account for worker purchases likely to occur outside of Mountain View, and by a factor of 66 percent given that only about two-thirds of sales are anticipated to be taxable based on Strategic Economics’ calculations, as shown in Figure 11.

These per capita taxable sales values were multiplied by the respective increase in service population (residential and workforce), and then multiplied by the one percent sales tax rate (according to state law, cities receive one percent of all taxable sales revenue). These calculations and the estimated sales tax revenue that the city will receive are shown in Figure 12.

FIGURE 11: TAXABLE SALES ASSUMPTIONS

	Assumption
Commercial	
Average Employee Expenditures per Week - Urban Office Location [1]	\$135
Average Annual Employee Expenditures	\$6,734
Percent of Employee Expenditures in Mountain View	40%
Percent of Employee Expenditures that are Taxable	66%
Annual Taxable Sales Per Worker	\$1,800
Residential	
Neighborhood Serving Retail Taxable Sales in Mountain View, 2019 [2]	\$744,495,023
City of Mountain View Residential Population, 2019	81,992
Per Capita Sales	\$9,080
Share of Sales Estimated to Occur in Mountain View	50%
Annual Taxable Sales (Neighborhood Serving Retail) Per Resident	\$4,500

[1] Data provided by the International Council of Shopping Centers, 2011. Reflects national averages.

[2] Based on CDTFA data for 2019. Neighborhood-serving retail categories were defined as Food and Beverage Stores, Restaurants, and General Merchandise stores and were calculated with state taxable sales data.

Sources: California Department of Tax and Fee Administration (CDTFA), 2019; U.S. Census, 2019; International Council of Shopping Centers, 2011; Strategic Economics, 2021.

FIGURE 12: ANNUAL SALES TAX REVENUE ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

	Value
New Employees	3,979
Estimated Employee Retail Spending	\$7,162,200
New Residents	3,791
Estimated Residential Retail Spending	\$17,059,500
Total Annual Taxable Sales	\$24,221,700
Total Annual Sales Tax Revenues	\$242,200

Sources: Strategic Economics, 2021.

OTHER RECURRING REVENUES

Strategic Economics reviewed Mountain View’s recently adopted budget to determine which remaining General Operating Fund revenues vary with service population growth, as shown in Figure 13. The “percent variable” values reflect the degree to which revenues are anticipated to vary in relationship to new residents and employees added to the area. Revenue sources that fluctuate independently of the service population in a jurisdiction, such as “investment earnings,” were given a “percent variable” value of zero, while revenue sources that vary partially as a function of the service population were given percent values between 0 and 100.

For all the revenue sources that vary on a per capita basis, Strategic Economics applied a service population factor of either 1.00 or 0.33 to reflect the respective service demand for new residents and employees. The value of the variable revenues was multiplied by the respective service population factor, and then divided by the current total service population in order to generate an estimate of the current total revenues per capita for each service population type by revenue category. Finally, these per capita factors were multiplied by the respective new service population in Middlefield Park to arrive at additional revenues associated with residential and worker growth. Results are shown in Figure 14.

FIGURE 13: OTHER RECURRING REVENUE PER CAPITA ASSUMPTIONS, 2021 DOLLARS

	FY 2019-2020	Percent	Variable	Service Population Factors		Revenue Per Capita	
	Actuals	Variable	Revenues	Resident	Employee	Per Resident	Per Employee
Rents & Leases	\$18,970,068	0%	\$0	1.00	0.33	\$0.00	\$0.00
Interfund Revenues	\$15,221,000	0%	\$0	1.00	0.33	\$0.00	\$0.00
Utility Users Tax	\$7,869,854	100%	\$7,869,854	1.00	0.33	\$68.05	\$22.46
Licenses, Permits & Franchise Fees	\$5,595,771	20%	\$1,119,154	-	0.33	\$0.00	\$10.98
Investment Earnings	\$3,375,254	0%	\$0	1.00	0.33	\$0.00	\$0.00
Miscellaneous	\$3,273,391	0%	\$0	1.00	0.33	\$0.00	\$0.00
Business License	\$2,408,227	100%	\$2,408,227	-	0.33	\$0.00	\$23.62
Interfund Revenue Transfers	\$2,403,700	0%	\$0	1.00	0.33	\$0.00	\$0.00
Charges for Services - General	\$1,086,437	75%	\$814,828	1.00	-	\$9.94	\$0.00
Charges for Services - Recreation	\$1,007,489	75%	\$755,616	1.00	-	\$9.22	\$0.00
Intergovernmental	\$794,631	0%	\$0	1.00	0.33	\$0.00	\$0.00
Fines & Forfeitures	\$768,405	75%	\$576,304	1.00	0.33	\$4.98	\$1.64
Total Per Capita Other Recurring Revenues	\$62,744,227		\$13,543,983			\$92.19	\$58.70

Source: City of Mountain View, 2021; Strategic Economics, 2021.

FIGURE 14: ANNUAL OTHER RECURRING REVENUE ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

New Employees	3,979
New Residents	3,791
Total Annual Other Recurring Revenues	\$583,100

Source: Strategic Economics, 2021.

Expenditure Estimates

A case study approach was used to calculate Mountain View's most significant General Operating Fund departmental expenditures likely to be impacted by new growth. These include the Fire, Police, Community Services, and Public Works Departments. While preparing the fiscal impact analysis for the East Whisman Precise Plan in 2019, Strategic Economics consulted closely with staff in these departments to determine each department's preferred approach and assumptions for estimating the annual service impact of new growth. Strategic Economics also obtained their approval of the final approach, methodology, and assumptions. A per capita approach was used for all other General Operating Fund expenses, given that these comprise a relatively small share of total General Operating Fund expenditures and/or are more likely to increase incrementally with population growth.⁵

FIRE DEPARTMENT

To estimate the General Operating Fund Fire Department costs associated with new growth in Middlefield Park, Strategic Economics relied on an estimate of the total added costs needed to support the significant amount of growth that is planned for two major areas in Mountain View that are partially or completely served by the same fire station – these growth areas are East Whisman, where Middlefield Park is located, and the North Bayshore area.⁶ Added staff and equipment needs at the shared fire station are attributable to new development in both areas.

The Fire Department recommended the added costs include nine new firefighters needed for an Aerial Ladder Truck Company and their associated overtime costs, a new training division, building inspectors and other similar staff, and new equipment. While new equipment represents a capital investment and these costs are outside of the scope of this analysis, the expenditures associated with maintaining new vehicles, including fuel, maintenance, repairs, and testing, are expenditures associated with the General Operating Fund and were therefore included. Additionally, regular salaries of new firefighters do not take into account the overtime pay expenditures these new staff will regularly incur. The cost of overtime pay was estimated by calculating the current cost per firefighter of all overtime pay and multiplying by the nine new firefighters that will be hired as a result of new growth. The cost assumptions provided by the Fire Department in 2019, which were adjusted for inflation by Strategic Economics, are summarized in Figure 15.

As a next step, the new service population associated with the Middlefield Park Master Plan was calculated as a share of the total service population estimated at full build-out of the East Whisman and North Bayshore plan areas combined. Middlefield Park's share of the total service population growth was estimated at about 12 percent. Therefore, the total increased expenditures attributable to growth in the Middlefield Park area was estimated at approximately \$589,500, as shown in Figure 15.

⁵ All other departmental expenditures reflected a share of General Operating Fund Expenditures that were less than 5%, and they were therefore calculated on a per capita basis rather than using a case study approach. The expense estimates for these departments are shown in the final section.

⁶ While part of North Bayshore is also served by an additional fire station, it was not possible to determine what share of the new service population will be served by each station, and thus the analysis did not reduce North Bayshore's estimated service population demand for the fire station that it shares with East Whisman.

FIGURE 15: ANNUAL FIRE DEPARTMENT EXPENSES ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

Expense	Value
Added Annual Expenses Associated with East Whisman and North Bayshore Precise Plans [1]	
New Truck Maintenance and Operations [2]	\$20,240
New Aerial Ladder Truck Company (Regular Salaries & Benefits) [3]	\$3,147,844
Overtime for New Aerial Ladder Truck Company	\$379,500
New Training Division [4]	\$1,012,000
New Hazardous Materials Specialist [5]	\$216,981
Office of Emergency Services Staff [6]	\$242,557
Subtotal	\$5,019,122
Service Population	
East Whisman + North Bayshore Combined New Service Population [7]	43,459
Middlefield Park Service Population	5,104
Middlefield Park as a Share of East Whisman + North Bayshore Precise Plans [8]	12%
Total Annual Fire Department Expenses Associated with Middlefield Park	\$589,500

[1] These costs were provided by the Fire Department in 2019 and were adjusted for inflation by Strategic Economics. The rate of inflation in 2020 was 1.2% according to the Federal Reserve Bank of Minneapolis.

[2] Includes cost of fuel, maintenance, repairs, and testing of one new vehicle. Cost of purchasing fire truck represents a capital investment and is therefore not included in this analysis.

[3] Reflects salaries and benefits for 9 firefighters.

[4] Reflects salaries and benefits for 3 firefighters.

[5] Reflects salary and benefits for 1 staff member.

[6] Reflects salary and benefits for 1 staff member.

[7] Obtained from the North Bayshore Amended Precise Plan EIR, 2017, and the East Whisman Precise Plan, 2019.

[8] Reflects the Middlefield Park share of the total new service population for the East Whisman and North Bayshore areas, since growth in both areas combined will trigger the increase in staffing and equipment expenditures, and that only part of the cost growth will be attributable to Middlefield Park.

Source: City of Mountain View, 2021; Strategic Economics, 2021.

POLICE DEPARTMENT

To estimate the General Operating Fund costs associated with increased police service, the Mountain View Police Department provided information on which divisions are likely to experience the greatest additional need for services as a result of new service population growth in the area. These divisions are Field Operations (includes patrol officers and traffic officers), Emergency Communications (includes emergency dispatch staff), and Operational Services, Training, and Personnel (responsible for training new staff).

Police Department expenditures, shown in Figure 16, were analyzed using an approach similar to the one used for “Other Revenues,” involving “percent variable” values to reflect the degree to which expenditures vary as a function of new service population. The three divisions named above were assigned significantly higher percent variables than other divisions, which include more administrative functions on which the new service population is not anticipated to generate as large an impact. However, it should be noted the Police Department does not use service population in isolation to project its actual budgetary needs. Typically, detailed budget and staffing projections will also consider the number and duration of calls for service, desired levels of service for tasks such as traffic safety, and other factors used to determine detailed staffing requirements. This level of detail was beyond the scope and needs of the fiscal impact analysis for the Middlefield Park Master Plan.

FIGURE 16: ANNUAL POLICE DEPARTMENT EXPENSES ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

Police Department Division	FY 2019-20 Budget Actuals	Percent Variable	Variable Cost	Variable Expenditures Per Capita [1]	Middlefield Park New Expenses [2]
Field Operations	\$20,856,107	90%	\$18,770,496	\$162.32	\$828,470
Special Operations	\$7,895,270	20%	\$1,579,054	\$13.65	\$69,694
Support Services	\$4,372,544	20%	\$874,509	\$7.56	\$38,598
Emergency Communications	\$2,875,590	90%	\$2,588,031	\$22.38	\$114,227
Youth Services	\$1,245,049	20%	\$249,010	\$2.15	\$10,991
Administration	\$1,915,285	5%	\$95,764	\$0.83	\$4,227
Operational Services, Training, Personnel	\$886,690	50%	\$443,345	\$3.83	\$19,568
Property & Evidence	\$339,488	20%	\$67,898	\$0.59	\$2,997
Total Annual Police Department Expenses	\$40,386,024		\$24,668,107	\$213.32	\$1,088,800

[1] Calculated by dividing the variable cost by Mountain View’s 2019 total service population.

[2] Calculated by multiplying the variable expenditures per capita by the projected new service population in Middlefield Park.

Source: City of Mountain View, 2021; Strategic Economics, 2021.

COMMUNITY SERVICES

Based on information received from Mountain View’s Community Services Department, the main expense categories likely to be impacted by new growth are park maintenance costs, forestry and roadway costs, and other community services costs. Each category is described below, and assumptions are summarized in Figure 17.

Park maintenance costs were estimated using a case study approach. The East Whisman fiscal impact analysis estimated that the 14 new acres of parks planned for the Precise Plan area would require added costs in the form of the salaries of two new parks maintenance staff members, plus the additional value of needed supplies, such as water, vehicles, and general maintenance supplies. The Middlefield Park Master Plan includes 7.28 acres of public park space,⁷ which accounts for 52 percent of the planned parks in East Whisman and therefore 52 percent of the added costs.

Forestry and roadway costs, which include street and accompanying landscaping maintenance, were estimated for the East Whisman Precise Plan area.⁸ However, the Middlefield Park Master Plan does not include any new public streets (the plan does include new pedestrian pathways, but these would be privately maintained by the project applicant). Therefore, no additional costs were calculated for forestry and roadway maintenance.

Other Community Services expenses were estimated on a per capita basis. The administration division’s costs were excluded because these are fixed costs that do not vary directly with population. The Shoreline and Shoreline Golf Links costs were also excluded because they are outside the geographic scope of the Middlefield Park Master Plan.

⁷ Dedicated public parks in Middlefield Park include: Canopy Walk @ Ellis side of VTA tracks (0.59 acres), Canopy Walk @ Logue side of VTA tracks (0.81 acres), Maude Park (5.38 acres), and Gateway Park (0.5 acres). Middlefield Park also includes Ellis Park (2.8 acres), but this park will be Privately Owned, Publicly Accessible (POPA) and therefore does not require public maintenance by the City.

⁸ The Forestry and Roadway cost estimate, which includes new street and accompanying landscaping maintenance, was based on the value of the funding that the Forestry and Roadways division received from the General Operating Fund, which was divided by the existing citywide linear street footage to create a cost per linear street value. This was then multiplied by the number of new linear feet that is planned for the plan area.

FIGURE 17: ANNUAL COMMUNITY SERVICES EXPENSES ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

Expenditure	Value
Park Maintenance	
<u>East Whisman [1]</u>	
New Parks Maintenance Staff	\$303,600
Parks Maintenance Supplies	\$50,600
<i>Subtotal</i>	<i>\$354,200</i>
<u>Middlefield Park</u>	
Middlefield Park Public-Maintained Parks as a Share of East Whisman Parks [2]	52%
Subtotal Middlefield Park, Park Maintenance Costs	\$184,184
Forestry and Roadway	
Forestry and Roadway Expenditures (FY 2019-2020)	\$3,520,224
Linear Street Footage in Mountain View	739,200
Expenditures per Linear Street	\$4.76
New Linear Feet in Middlefield Park Master Plan	0
Subtotal Middlefield Park, Forestry and Roadway Costs	\$0
Other Community Services	
Other Community Services Expenditures (FY 2019-2020) [3]	\$6,986,870
Mountain View Total Service Population in 2019	115,640
Other Community Services, Cost per Capita	\$60.42
Percent Variable	60%
Subtotal Middlefield Park, Other Community Services Costs	\$185,030
Total Annual Community Services Expenses	\$369,200

[1] Costs were provided by the Community Services Department in 2019 and were adjusted for inflation by Strategic Economics.

[2] East Whisman includes 14 acres of publicly-maintained parks. The Middlefield Park Master Plan includes 7.28 acres of publicly-maintained parks (Canopy Walk @ Ellis, 0.59 acres; Canopy Walk @ Logue, 0.81 acres; Maude Park, 5.38 acres; and Gateway Park, 0.5 acres).

[3] Includes costs associated with the "Recreation" and "Performing Arts" subdivisions, and therefore excludes costs related to administration, shoreline-related divisions, and roadway landscape divisions.

Source: City of Mountain View, 2021; Strategic Economics, 2021.

PUBLIC WORKS

As part of the fiscal impact analysis conducted for the East Whisman Precise Plan, the Mountain View Public Works staff indicated street maintenance costs were the only expense category that would be impacted by new growth. Strategic Economics estimated the total costs of Public Works' streets maintenance expenditures using the most recent budgetary data available and existing streets in Mountain View, shown in Figure 18 below. However, as mentioned previously, the Middlefield Park Master Plan area does not include any new planned public streets. For this reason, the estimated Public Works costs associated with new growth is zero.

FIGURE 18: ANNUAL PUBLIC WORKS EXPENSES ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

	Value
Streets Maintenance Annual Expenditure (FY 2019-2020)	\$1,699,414
Existing Streets in Mountain View (Linear Feet)	739,200
Annual Expenditure per Linear Foot	\$2.30
New Streets in Middlefield Park Master Plan (Linear Feet)	0
Total Annual Public Works Expenses	\$0

Source: City of Mountain View, 2021; Strategic Economics, 2021.

OTHER RECURRING COSTS

Strategic Economics applied a per capita model to estimate other departmental General Operating Fund expenditures, as shown in Figure 19. As with the per capita revenues, Strategic Economics applied a service population factor to each expense category, representing the relative proportion of expenses attributable to new residents (1.0) and employees (0.33). The value of the variable costs was multiplied by the respective service population factor, and then divided by the current total service population in order to generate an estimate of the current total costs per capita for each service population type by expense category. Finally, these per capita factors were multiplied by the respective new service population in Middlefield Park to arrive at additional costs associated with residential and worker growth, as shown in Figure 20.

FIGURE 19: OTHER RECURRING DEPARTMENT EXPENDITURE ASSUMPTIONS, 2021 DOLLARS

	FY 2019-20 Actual	Percent Variable	Variable Cost	Service Pop. Resident	Factors Employee	Expenditures Resident	Per Capita Employee
General Fund Expenditures							
Library Services	\$5,890,108	50%	\$2,945,054	1.00	0.33	\$25.47	\$8.40
Finance and Administrative Services	\$6,388,869	25%	\$1,597,217	1.00	0.33	\$13.81	\$4.56
Non-Departmental [1]	\$17,741,565	13%	\$2,247,491	1.00	0.33	\$19.44	\$6.41
City Manager's Office	\$4,549,728	25%	\$1,137,432	1.00	0.33	\$9.84	\$3.25
Information Technology	\$5,460,613	25%	\$1,365,153	1.00	0.33	\$11.81	\$3.90
Community Development	\$1,723,149	50%	\$861,575	1.00	0.33	\$7.45	\$2.46
City Attorney's Office	\$2,036,295	25%	\$509,074	1.00	0.33	\$4.40	\$1.45
City Clerk's Office	\$795,524	25%	\$198,881	1.00	0.33	\$1.72	\$0.57
City Council	\$303,738	25%	\$75,935	1.00	0.33	\$0.66	\$0.22
Total Per Capita Expenditures	\$44,889,589		\$10,937,811	1.00	0.33	\$94.58	\$31.21

[1] The variable cost amount of \$2,247,491 constitutes the transfer from the General Operating Fund to the Equipment Maintenance and Replacement Fund.

Sources: City of Mountain View, General Operating Fund Revenue and Expenditures Actuals FY 2019-2020; Strategic Economics, 2021.

FIGURE 20: ANNUAL OTHER DEPARTMENTAL EXPENSES ASSOCIATED WITH GROWTH IN MIDDLEFIELD PARK, 2021 DOLLARS

New Employees	3,979
New Residents	3,791
Total Annual Other Departmental Recurring Expenses	\$482,800

Source: Strategic Economics, 2021.

APPENDIX B. ADDITIONAL REVENUE FROM DISTRICT USE SALES TAX ON CONSTRUCTION MATERIALS

Strategic Economics estimated potential revenues to the City from the sales tax applied to construction materials associated with new development in Middlefield Park. This is a one-time revenue separate from the ongoing, annual General Operating Fund revenues described previously in this memo.

Most construction materials and fixtures are subject to the State’s sales tax. However, this revenue generally gets allocated to county pools, so local jurisdictions do not receive 100 percent of their portion of the tax. Under certain circumstances, the California Department of Tax and Fee Administration (CDTFA) allows contractors to identify a specific construction site as a “sub-permit” site to their seller’s permit. Once a contractor files with the CDTFA for a sub-permit, the sales tax on construction materials for that specific construction site gets allocated to the local jurisdiction in which the site is located. In other words, if the construction contractor was to designate the Middlefield Park jobsite for a sub-permit, the City of Mountain View could potentially receive 100 percent of the sales tax on construction materials generated by development in the area.

The assumptions and results for this analysis are provided in Figure 21. Only office development is included in this analysis because the highest cost materials and items, such as concrete, steel, glass, and elevators, are generally associated with commercial office development; residential or mixed-use development may not meet the minimum value thresholds to qualify contractors and subcontractors for a sub-permit. The results describe the *total* one-time sales tax revenue the City would receive from construction materials purchases associated with commercial office development under a sub-permit (the estimate is *not* the incremental revenue above what the City may receive via the county pool without the sub-permit).

FIGURE 21. ONE-TIME SALES TAX REVENUE FROM CONSTRUCTION MATERIALS ASSOCIATED WITH OFFICE DEVELOPMENT IN MIDDLEFIELD PARK, 2021 DOLLARS

Office Development in Middlefield Park [1]	
Total Proposed Office Development (GSF)	1,317,000
Total Proposed Office Parking Spaces	2,666
Construction Costs [2]	
Office Construction Cost per GSF	\$300
Construction Cost Per Parking Space	\$50,000
<i>Total Construction Cost (Office + Office Parking)</i>	<i>\$528,400,000</i>
<i>Total Construction Cost Per GSF (Office + Office Parking)</i>	<i>\$401</i>
Middlefield Park Estimated Sales Tax Revenue from Construction Materials [3]	
Material Costs as a Share of Construction Costs	40%
Share of Material Costs Assumed to be Taxable	20%
Sales Tax Rate	1%
Total One-Time Sales Tax Revenue from Construction Materials	\$422,720

GSF: Gross Square Feet.

[1] Information provided by project applicant’s proposed development program.

[2] Based on recent office development pro forma analyses for Santa Clara and San Mateo Counties. Construction costs referenced here do not include tenant improvement costs.

[3] All assumptions in this section were provided by the City of Mountain View Community Development Department.

Source: City of Mountain View, 2021; Strategic Economics, 2021.