Attachment 8

bae urban economics

# Fiscal Impact Analysis Report for Mountain View Housing Element Update

Prepared for the City of Mountain View

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# EXECUTIVE SUMMARY

The following report presents the findings from a Fiscal Impact Analysis (FIA) evaluating the City of Mountain View's 2023-2031 Housing Element Update. The Housing Element is a State-required component of the City's General Plan which establishes housing objectives, policies, and programs in response to housing needs. The Housing Element includes a plan to enable the construction of approximately 15,000 new residential units in Mountain View between 2023 and 2031. The FIA estimates the net increase in City revenues and expenditures that would be generated by the construction of these 15,000 units and the resulting net fiscal impact on the City's General Fund and the Shoreline Regional Park Community (SRPC) Fund.

## Fiscal Impact Analysis Findings

The FIA found that the Project will have a positive net impact on the City of Mountain View General Fund and the SRPC Fund, generating approximately $3.8 million per year in General Fund revenues and $18.2 million per year in revenues to the SRPC Fund net of the estimated cost for the City to provide municipal services to the Project, as shown in the table below.

**Annual Net Fiscal Impacts to the SRPC Fund and the City General Fund**

| | Shoreline Community Fund | General Fund |
|---|---:|---:|
| **Total Annual Revenues** | **$18,187,389** | **$22,920,052** |
| Property Tax | $18,187,389 | $12,433,085 |
| ILVLF | $0 | $4,007,144 |
| Sales Tax | $0 | $2,808,770 |
| Utility Users Tax | $0 | $2,168,808 |
| Franchise Fees | $0 | $1,502,245 |
| | | |
| **Total Annual Expenditures** | **$0** | **$19,145,728** |
| General Government | $0 | $1,746,822 |
| Community Development | $0 | $261,181 |
| Public Works | $0 | $1,663,625 |
| Community Services | $0 | $2,668,919 |
| Library Services | $0 | $944,168 |
| Fire | $0 | $4,509,322 |
| Police | $0 | $7,351,692 |
| | | |
| **Net Fiscal Impact** | **$18,187,389** | **$3,774,324** |

Note: Figures presented in 2022 dollars. Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.

Source: BAE, 2022.

The figures cited above account for ongoing operating costs associated with expanding City services to address the impacts of new development. In addition to these annual expenditures, growth associated with the Housing Element Update is anticipated to lead to one-time costs for facilities and equipment, which are not captured in the figures in the table. Some of these facility and equipment needs are discussed in Appendix C of this report.

# INTRODUCTION

The City of Mountain View (City) is in the process of preparing its 2023-2031 Housing Element Update, and engaged BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) of the project. The Housing Element is a State-required component of the City's General Plan which establishes housing objectives, policies, and programs in response to housing needs. The Housing Element has been prepared to respond to current and near-term future housing needs in Mountain View and provide a framework for the community's longer-term approach to addressing its housing needs.

Like most new development, new residential development that is constructed in accordance with the Housing Element Update is expected to increase demands on local government services and infrastructure and generate new revenues for local government through additional taxes and fees. This report provides an analysis of the effects that the construction of new residential units in accordance with the Housing Element Update would have on City of Mountain View expenditures and revenues in order to estimate the net fiscal impact on the City. Except as otherwise noted in the text, the annual ongoing fiscal impact is described in constant 2022 dollars, based on a hypothetical future scenario in which all units identified in the draft Housing Element would be built and occupied.

## Development Capacity Identified in the Housing Element Update

To meet requirements set forth under State law, the Housing Element must demonstrate that the City has the capacity to accommodate its Regional Housing Needs Allocation (RHNA) within the eight-year planning timeframe (2023-2031) for the Housing Element. A key component of demonstrating sufficient capacity involves demonstrating that the City has the capacity to accommodate lower-income housing units, primarily by demonstrating capacity for residential development on sites that are zoned for densities of 30 dwelling units per acre or more.

For the 2023-2031 Housing Element Update cycle, Mountain View's RHNA totals 11,135 units, of which 4,370 would be affordable to lower-income households (i.e., households with an income equal to 80 percent of AMI or less), 1,885 would be affordable to moderate-income households (those with incomes between 80 and 120 percent of AMI), and 4,880 would be affordable to above-moderate-income households (those with incomes over 120 percent of AMI).

Mountain View's Housing Element Update demonstrates the City's ability to meet the RHNA requirement primarily by identifying residential projects that have been approved, proposed and pending residential projects, and sites that are reasonably likely to be developed with residential uses during the planning period. In addition, the City anticipates that construction of accessory dwelling units (ADUs) will help to address the RHNA. In accordance with State requirements, the Housing Element Update demonstrates that the City has the capacity to accommodate more units than the RHNA requires to provide a buffer if some sites are not developed in the manner shown in the Housing Element. The primary purpose of the buffer is to ensure that the City has enough sites to accommodate the lower-income and moderate-income RHNA even if some sites that are identified for lower-income or moderate-income units are instead developed with units affordable to above-moderate-income households. In total, the City's Housing Element Update identifies capacity for 5,563 lower-income units, 2,544 moderate-income units, and 6,676 above-moderate-income units, for a total of 14,783 units.[1]

While most of the 14,783 units identified in the Housing Element Update could be constructed under current zoning, approximately 1,400 of these units would be made possible through rezoning efforts that the City is undertaking as part of the Housing Element Update. These rezonings will also enable the construction of approximately 2,700 additional housing units that are anticipated to be constructed after the 2031 planning horizon for the Housing Element Update and therefore are not identified in the Housing Element Update document. Appendix A provides an assessment of the fiscal impacts of the construction of these units.

## Development Analyzed in the FIA

This fiscal impact analysis assumes that all 14,783 units identified in the City of Mountain View's Housing Element Update will be constructed by 2031. However, the breakdown of units by affordability level that is analyzed in the FIA differs from the breakdown that is shown in the Housing Element site inventory. As noted above, the purpose of the Housing Element site inventory is to demonstrate that the City has the capacity to accommodate the entire RHNA by income level, along with a buffer demonstrating additional capacity beyond what is necessary to accommodate the RHNA. The primary purpose of the buffer is to provide more sites than necessary to accommodate the RHNA for lower-income and moderate-income units. This ensures that the City will continue to have capacity to meet the RHNA for lower-income and moderate-income units even if some of the sites in the inventory that have capacity for lower- and moderate-income units are instead developed with units affordable to above moderate-income households. While the site inventory shows the capacity to exceed the RHNA at each income level, this does not necessarily mean that the actual buildout of all units identified in the Housing Element would exceed the RHNA at each income level.

The development program analyzed in this FIA assumes that the actual buildout of the units identified in the Housing Element Update will meet the RHNA for lower-income and moderate-income units, with the remaining units affordable to above-moderate-income households. This means that the development program analyzed in this FIA assumes 4,370 units affordable to lower-income households, 1,885 units affordable to moderate-income households, and 8,528 units affordable to above moderate-income households.

[1] This report was prepared prior to the finalization of the Housing Element Update and is based on the draft Housing Element site inventory as of the initiation of the fiscal impact analysis in September 2022. As a result, the final Housing Element site inventory will differ somewhat from the figures used in this report.

*Assumptions for Pipeline Projects and ADUs*
A portion of the City's RHNA will be accommodated by the construction of projects in the development pipeline (i.e., approved, pending, and proposed projects), as well as ADUs. For the approved, pending, and proposed projects, this analysis uses information about each specific project as the basis for assumptions regarding location, unit affordability levels, and unit types (e.g., multifamily rental, condominiums, townhomes, or single-family units). For ADU units, this analysis uses the affordability levels identified in the Housing Element and assumes that ADUs will be located in areas of the City with existing single-family residential development. As shown in Table 1, pipeline projects and ADUs will include an estimated total of 2,323 low-income units, 515 moderate-income units, and 6,443 above moderate-income units.

*Assumptions for Development on Opportunity Sites*
While the Housing Element needs to identify additional locations where housing can be built by 2031 (i.e., housing opportunity sites), these sites are not yet associated with specific development proposals. To analyze the potential property tax revenues from housing development on these sites, the FIA must make assumptions regarding affordability levels and unit types for each site. This means that the FIA model needs to develop a number of additional detailed development assumptions about housing product types (townhouses vs. condominiums vs. apartments), rents, and sales prices that are not specifically identified in the Housing Element. These modeling assumptions must be made in advance of specific proposals for development, meaning that variances should be expected between what the FIA determines and what actually results when development occurs.

After subtracting the units from pipeline projects and ADUs, the development program for the FIA assumes construction of 2,047 low-income units, 1,370 moderate-income units, and 2,085 above moderate-income units. For the purposes of this FIA, residential development on the housing opportunity sites is assumed to consist of a mix of units in 100 percent affordable rental developments, market-rate rental developments with inclusionary units, and market-rate condominium developments with inclusionary units.

Condominium Assumptions for Opportunity Sites. The analysis assumes that 20 percent of new above moderate-income units on opportunity sites will be condominiums. Consistent with the City's inclusionary ordinance, the analysis assumes that buildout on opportunity sites will include units affordable to moderate-income households, with the total number of moderate-income condominiums equal to 15 percent of the number of above moderate-income condominiums. As shown in Table 1, this results in an assumed 417 above moderate-income condominiums and 63 moderate-income condominiums on opportunity sites.

Rental Assumptions for Opportunity Sites. After subtracting pipeline units, ADUs, and condominium units on opportunity sites as described above, the development program analyzed in the FIA consists of 5,022 units on opportunity sites, comprised of 2,047 low-income units, 1.307 moderate-income units, and 1,668 above moderate-income units. The analysis assumes that all of these remaining units would be rental units.

For the purpose of this analysis, the 1,307 remaining moderate-income units and 1,668 above moderate-income units on opportunity sites are assumed to be market-rate rental units, for a total of 2,975 market-rate rental units on opportunity sites. The moderate-income units that are included in this total are assumed to consist of market-rate units that are priced at levels affordable to moderate-income households (i.e., "naturally occurring" moderate-income units).

After accounting for units in pipeline projects, ADUs, condominium units on opportunity sites, moderate-income rental units on opportunity sites, and above-moderate-income units on opportunity sites as described above, the remaining units in the development program consist of 2,047 low-income rental units on opportunity sites. The FIA assumes that 446 of these units will be inclusionary units that would be part of the same developments as the 2,975 market-rate rental units discussed in the paragraph above (i.e., 15 percent of all assumed market-rate units on opportunity sites). This leaves 1,601 lower-income rental units on opportunity sites (2,047 total less 446 inclusionary units), all of which were assumed to be developed in 100 percent affordable developments.

Assumptions for the Shoreline Community TIF Area. As discussed in more detail in the property tax section of this report, the fiscal analysis must analyze units that would be built in the Shoreline Community Tax Increment Financing (TIF) area separately from those that would be built elsewhere in the City. This analysis assumes that opportunity sites in the TIF area would be developed with market-rate condominium and rental units, inclusionary units, and units in 100 percent affordable developments in the same proportions as units that would be built on opportunity sites elsewhere in Mountain View.

Non-Residential Components of Mixed-Use Projects. It should be noted that some of the approved, planned, and proposed developments that are identified in the Housing Element include a non-residential component, as would some potential developments on housing opportunity sites. The purpose of this FIA is to analyze the impact of the Housing Element Update, which addresses residential development only, and therefore this analysis does not include any analysis of the fiscal impact of non-residential development that would occur as part of the residential developments analyzed in this study.

Summary of Buildout Analyzed in the FIA. Table 1 shows the number of units and the household income categories that the units would serve, based on buildout of the full housing potential planned for in the Project. As shown, this FIA analyzes a total of 9,185 units in pipeline projects, 5,502 units on available opportunity sites, and 96 accessory dwelling units—totaling 14,783 units at project buildout. Most of the new units are assumed to be in market-rate multifamily rental projects (10,264 units) or in 100 percent affordable developments (3,555 units).

**Table 1: Development Program at Project Buildout**

| Units by Source | Low Income | Moderate Income | Above Moderate Income | Total Units |
|---|---|---|---|---|
| **Total Units Analyzed in FIA (a)** | **4,370** | **1,885** | **8,528** | **14,783** |
| **Pipeline Projects (b)** | **2,275** | **477** | **6,433** | **9,185** |
| Multi-Family Condo | 47 | 14 | 266 | 327 |
| Single Family (Attached & Detached) | 1 | 0 | 60 | 61 |
| Multi-Family Rental | 275 | 461 | 6,107 | 6,843 |
| 100% Affordable Developments | 1,952 | 2 | 0 | 1,954 |
| **Accessory Dwelling Units** | **48** | **38** | **10** | **96** |
| **Available Opportunity Sites (c)** | **2,047** | **1,370** | **2,085** | **5,502** |
| Multi-Family Condo | 0 | 63 | 417 | 480 |
| Single Family (Attached & Detached) | 0 | 0 | 0 | 0 |
| Multi-Family Rental | 446 | 1,307 | 1,668 | 3,421 |
| 100% Affordable Developments | 1,601 | 0 | 0 | 1,601 |

Notes:
(a) FIA assumes construction of the number of lower-income and moderate-income units needed to achieve the City's RHNA, with the remaining units affordable to above moderate-income households.
(b) Assumed affordability levels and unit types for pipeline projects are based on the specifics of each project.
(c) Affordability levels for units on opportunity sites are based on the total units by affordability level, less the units at each affordability level from pipeline projects and ADUs.

Sources: City of Mountain View; ESA; BAE, 2022.

Table 2 shows the number of new residents and the service population associated with buildout of the full residential potential identified in the Housing Element. This analysis defines the City's service population as all residents plus one third of the workers who work within the City. Based on the estimated average household size identified in the Draft Environmental Impact Report (DEIR) prepared for the Housing Element Update (2.0 persons per household), the projected change in service population associated with full buildout of the 14,783 net new housing units included in the Housing Element is estimated at 29,566 persons.[2]

[2] It should be noted that many of the sites in the Housing Element have existing commercial development that would need to be demolished in order to construct new residential projects that are identified in the Housing Element, which may result in a net decrease in employment and City service population on these specific sites.

## Table 2: Projected Change in City Service Population at Buildout (a)

| | |
|---|---|
| Net New Residential Units | 14,783 |
| **Net Change in Resident Service Population** (a)(b) | **29,566** |

Notes:
(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, each employee is multiplied by 1/3. The FIA does not account for any changes in service population that would be associated with demolishing existing non-residential space or constructing new non-residential space.
(b) Estimated number of residents based on the average number of persons per household in the Draft EIR for the Project (2.0 persons per household).

Sources: ESA; BAE, 2022.

# GENERAL FUND FISCAL IMPACTS

This section of the report summarizes the estimated ongoing annual fiscal impacts from the implementation of the Housing Element Update. The analysis is focused on the City of Mountain View's General Fund, as this represents the portion of the City's budget that finances key public services. To pay for these services, the City's General Fund is dependent on discretionary revenue sources such as property taxes, sales taxes, transient occupancy taxes, and various local fees and taxes. In addition, this analysis analyzes the property tax revenue that implementation of the Housing Element Update would generate for the Shoreline Regional Park Community (SRPC) Fund, a Tax Increment Financing (TIF) district in the North Bayshore area. The following sections detail the scope of the analysis and the underlying methodologies and assumptions used to estimate fiscal impacts from the implementation of the Housing Element Update.

## Fiscal Impact Analysis Methodology

This fiscal impact analysis (FIA) uses a variety of methods to estimate the change in General Fund revenues and service costs that would be associated with construction of the units identified in the Housing Element Update. The cost of providing municipal services is often based on the number of persons served, as are some sources of municipal revenues. In general, as the "service population" increases, there is a need to hire additional public safety and other government employees, as well as a need to increase spending on equipment and supply budgets. Some municipal revenues, such as franchise fees and fines, also generally increase as the service population increases. The analysis therefore relies in large part on an average cost and average revenue approach, based on the City's current costs and revenues per member of the current service population. This approach assumes that future development would generate costs and revenues at the same average rate as the existing service population.

This analysis defines the City's service population as all residents plus one third of the workers who work within the City. Calculating service population in this way reflects the fact that employees, who generally spend less time in the community than residents, tend to generate a smaller share of demand for services. As shown in Table 3, the City of Mountain View's current service population consists of 83,864 residents and 99,387 employees, resulting in a service population of 116,993 (100 percent of residents plus one-third of employees). The fiscal impact analysis uses this service population figure to derive current expenditures and revenues per service population member.

**Table 3: Current Service Population, City of Mountain View**

| City of Mountain View | 2022 |
|---|---|
| Residents | 83,864 |
| Employees | 99,387 |
| **Service Population** (a) | **116,993** |

Note:
(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced service demand from non-residential uses. To estimate service population, each employee is multiplied by 1/3.

Sources: Esri Business Analyst; California Department of Finance; BAE, 2022.

While an average revenue approach is appropriate for some revenue sources, other major sources of revenue such as property taxes, property tax in-lieu of vehicle license fee revenues, and sales taxes are estimated based on statutory requirements and other factors normally used to allocate revenues from these sources to the City of Mountain View. Additional methodological details and assumptions are provided in the discussions of individual cost and revenue projections below.

All cost and revenue projections are expressed in constant 2022 dollars based on a hypothetical future scenario in which all units identified in the draft Housing Element would be built and occupied.

## Estimated Annual Revenue Impacts

The following subsections provide an overview of the major General Fund revenue sources that would be impacted by the Project and the estimated revenue that the Project would generate from each source. This section also details the assumptions and methodology used to estimate the revenue impacts associated with the Project.

### *Sales Taxes*

Construction of the units identified in the Housing Element Update would generate sales tax revenue from new taxable retail spending by residents at City retailers. Taxable transactions that take place in the City of Mountain View are subject to a 9.125-percent sales tax. This total includes the statutory 1.0-percent Bradley-Burns sales tax that accrues to the City of Mountain View's General Fund. Apart from the City's share of the Bradley-Burns sales tax, all other sales tax revenues from taxable transactions that take place in Mountain View accrue to other governmental agencies, including the State of California.

Estimated Taxable Sales per Resident. To estimate taxable sales from new resident spending in Mountain View, this analysis relies on taxable sales data from the California Department of Tax and Fee Administration for the City of Mountain View and the larger Santa Clara County. According to the data shown in Table 4, annual taxable sales in Santa Clara County average $15,009 per person, compared to $14,444 per person in Mountain View. This suggests that Mountain View experiences a slight "leakage" of retail sales, meaning that retail outlets in

Mountain View capture a slightly lower amount of retail sales per resident than average for the County. This suggests that residents make a portion of their taxable purchases in locations outside of Mountain View due to a shortage of retailers in Mountain View to meet demand, coupled with the presence of retailers outside but near City limits that are capturing "leaked" sales.

Table 4 shows that Mountain View experiences leakages in a few retail categories, including motor vehicle and parts dealers; building materials, garden equipment, and supplies; clothing and clothing accessories; and other retail. Retail leakage indicates that a portion of Mountain View resident spending in these categories is likely spent in locations outside of Mountain View due to a shortage of retailers in Mountain View to meet the demand for retail goods in these categories. For those categories that indicate retail leakage, the analysis uses the per-capita spending figure for Mountain View to estimate retail sales by Mountain View residents at retailers Mountain View. The remainder of resident spending in those categories is assumed to occur outside of Mountain View.

Meanwhile, the data also indicate that the City experiences an injection of retail sales in several categories (i.e., food and beverage stores, general merchandise stores, and food services and drinking places), with per-capita taxable sales in Mountain View exceeding the average in the county. This indicates that there are likely enough retailers in these categories in Mountain View to meet all of the demand from Mountain View residents, and that people that live outside of Mountain View likely make a portion of their purchases in these categories at locations in Mountain View.

However, while the data indicate that there are enough retailers in Mountain View to capture all resident sales in these categories, it is likely that residents will nevertheless make a portion of their purchases in these categories outside of Mountain View. Therefore, this analysis assumes that locations in Mountain View will capture 85 percent of resident purchases in these categories, with the remainder spent at locations outside of Mountain View.

This results in an estimate that Mountain View residents typically spend an average of $9,500 per year in taxable purchases at locations in Mountain View, with the remainder of their $15,009 in estimated average annual per-capita spending occurring outside of Mountain View. This total is smaller than the $14,444 per year in per-capita taxable sales that occur in Mountain View to account for the fact that some of the sales that occur in Mountain View are due to spending by people that are not Mountain View residents, particularly in categories where Mountain View experiences an injection of taxable sales, and are therefore not affected by residential growth.

## Table 4: Estimated Annual Taxable Sales per New Resident

| Business Category | 2021 Taxable Sales per Capita (a) Mountain View | Santa Clara County | Sales Leakage (b) | Estimated % of Resident Taxable Sales in City (c) | Estimated New Sales in City (d) |
|---|---|---|---|---|---|
| Retail and Food Services | | | | | |
| Motor Vehicle and Parts Dealers | $1,664 | $2,567 | 35% | 65% | $1,664 |
| Home Furnishings & Appliance Stores | $955 | $934 | -2% | 85% | $794 |
| Bldg. Materials, Garden Equip. & Supplies | $518 | $1,206 | 57% | 43% | $518 |
| Food and Beverage Stores | $999 | $747 | -34% | 85% | $635 |
| Gasoline Stations | $1,071 | $1,106 | 3% | 85% | $940 |
| Clothing & Clothing Accessories Stores | $406 | $1,190 | 66% | 34% | $406 |
| General Merchandise Stores | $2,497 | $1,435 | -74% | 85% | $1,219 |
| Food Services and Drinking Places | $5,134 | $2,497 | -106% | 85% | $2,122 |
| Other Retail | $1,200 | $3,327 | 64% | 36% | $1,200 |
| **Total** (e) | **$14,444** | **$15,009** | | | **$9,500** |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) 2021 data inflated to 2022 dollars. Population estimates per the California Department of Finance:
Mountain View: 83,128
Santa Clara County: 1,907,693
(b) Retail spending for Mountain View residents is assumed to be equal to per capita spending patterns for Santa Clara County. If Mountain View residents spend fewer dollars per capita than in Santa Clara County, the analysis assumes the difference leaks out to other shopping centers in the county. A zero percent leakage indicates that residents can get all shopping needs met in Mountain View. Negative figures indicate that Mountain View receives a net injection, i.e. more sales than are likely attributable to just Mountain View residents.
(c) Based on data in column (b); estimates the percentage of resident spending within a category that will occur in Mountain View. While zero percent or negative leakage indicates residents could meet their shopping needs within the City, shoppers are still likely to seek goods and services outside Mountain View. To be conservative, the maximum capture has been estimated at 85 percent.
(d) Equals (Taxable Sales per Capita in Santa Clara County) x (Estimated % of Resident Sales in City). Assumes that Mountain View will capture most of new residents' retail spending in categories with low/no leakage and will capture little spending in high leakage categories, based on current spending patterns, and assumes that the mix of retail offerings in Mountain View remains relatively consistent.
(e) Total does not include taxable sales in the category classified as "All Other Outlets", as these taxable sales consist primarily of business-to-business sales taxes that would not be impacted by resident population growth.

Sources: CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2022.

Estimated Annual General Fund Sales Tax Revenue from New Resident Taxable Spending. Table 5 shows the estimated total annual General Fund sales tax revenue from new resident spending in Mountain View associated with buildout of the full residential potential in the Housing Element. As shown, new resident taxable spending in Mountain View would total approximately $280.9 million, resulting in annual General Fund sales tax revenue of approximately $2.8 million.

**Table 5: Estimated Annual General Fund Sales Tax Revenue from New Resident Spending at Buildout**

| | |
|---|---|
| Projected Change in Residents | 29,566 |
| Per Capita Annual Taxable Sales in Mountain View (a) | $9,500 |
| **Projected Total Annual Taxable Spending in Mountain View** | **$280,877,000** |
| | |
| Mountain View Share of Sales Tax Receipts | 1.0% |
| **Projected Annual General Fund Sales Tax Revenue** | **$2,808,770** |

Note:
(a) See Table 4.

Sources: CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2022.

*Property Taxes*

The property taxes that accrue to a city are a function of the assessed value of real property and the city's share of the property tax collected for each parcel. Property in California is subject to a base 1.0 percent property tax rate, which is shared among local jurisdictions including the county, city, and special districts. Generally, the share of the base 1.0 percent property tax that is allocated to each taxing jurisdiction is based on the Tax Rate Area (TRA) where a property is located. The State requires that a portion of property tax revenues also be allocated to countywide Educational Revenue Augmentation Funds ("ERAF") to offset state expenditures on local K-12 education. In addition to the base 1.0 percent tax rate, additional property taxes and special assessments apply to most properties to pay for school district bonds or other special purposes, which vary by property location and are restricted for specific uses. This analysis evaluates impacts to the City's General Fund operating budget, which receives a share of the base 1.0 percent property tax but does not receive revenue from any additional taxes or special assessments.[3]

The City of Mountain View has a Tax Increment Financing (TIF) district that affects the property tax revenues that the City collects from new development that occurs in the Shoreline Regional Park Community (SRPC), which encompasses most of the area in Mountain View north of U.S. Highway 101.[4] The SRPC was established in 1969 by the Shoreline Regional Park Community Act (Act) to facilitate the development of the Shoreline Community and enhance the surrounding North Bayshore area. Under the Act, all taxing jurisdictions receive property tax revenue from properties in the TIF area based on the assessed value of the property in the 1977-1978 fiscal year, which was the year following the adoption of the North Bayshore Area Plan. The Act stipulates that all of the 1.0 percent property tax revenues that are attributable to the incremental increase in the assessed value of properties in the Shoreline Community

[3] A portion of the base 1.0 percent property tax revenue from TRAs 05-022 and 05-097 accrues to the City's Downtown Benefits Assessment Districts Fund. These revenues do not accrue to the General Fund and are not evaluated as part of this fiscal impact analysis.
[4] The SRPC encompasses 1,547 acres of bayfront area bounded by San Antonio Road on the west, the Bayshore Freeway (U.S. Highway 101) on the south, and San Francisco Bay on the north.

since this base year accrue to the SRPC fund.[5] Some SRPC tax increment revenue is then allocated to the County of Santa Clara and the two school districts that serve the TIF area (Mountain View Whisman School District and Mountain View-Los Altos Union High School District) based on contractual agreements. Property tax revenues that accrue to the SRPC fund may only be used to support the development and improvement of the Shoreline Community, consistent with the Act.

The FIA development program includes a total of 4,202 residential units located on sites within the Shoreline Community. For the purposes of this analysis, all of the property tax revenue generated from development in the Shoreline Community is assumed to accrue to the SRPC fund, rather than the City's General Fund. Development of the units outside of the Shoreline Community would generate property tax revenue to the City's General Fund. Appendix B shows the City's share of property tax in the TRAs outside of the Shoreline Community where the units in the Housing Element are located. In these TRAs, the City receives 13.0 to 16.2 percent of the base 1.0 percent property tax, with the remainder going to various other taxing jurisdictions.

To estimate future property tax revenues resulting from the Project, this analysis estimates the assessed value that the County assessor would assign to each property and then applies the applicable tax rates. In California, Proposition 13 provides that the assessed value of land and improvements cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case the County re-assesses the property at the current market value; or for construction of new improvements, in which case the County re-assesses the property by the value of the construction. The County Assessor bases the assessed value of new improvements on: 1) the construction cost of new improvements, 2) the income value of the property and/or 3) the sale price of recently-sold, comparable properties. The Assessor may use one, two, or all three of these methods to assign an assessed improvement value to a project following construction.

BAE used current market data and standard development assumptions to estimate the assessed value of development that could result from buildout of all of the residential units identified in the Housing Element. The valuation of rental units is based on estimated net operating income, using standard assumptions regarding rental rates, occupancy, operating expenses, and cap rates. Rental rate assumptions for inclusionary BMR units reflect average maximum affordable rents for one- and two-bedroom units at each income level. The rental rate assumption for moderate-income market rate units was calculated based on the maximum monthly rents that would be affordable to households earning 120 percent of the Area Median Income (AMI), after accounting for the costs of utilities. For above moderate-

[5] Some SRPC tax increment revenue is allocated to the County of Santa Clara and the two affected school districts (Mountain View Whisman School District and Mountain View-Los Altos Union High School District) based on contractual agreements.

income market-rate units, rent assumptions are based on current asking rents for units in recently-constructed (built 2019 or later) projects in Mountain View. The FIA assumes that project sites developed with 100 percent affordable developments would be owned and managed by nonprofit affordable housing entities, resulting in these units being exempt from property taxes.

The estimated assessed values for market-rate for sale condominiums and single family homes are based on recent sale prices for homes sold in Mountain View between October 2021 and September 2022, according to data from Redfin. Sale price assumptions for BMR units reflect maximum affordable sale prices for two-bedroom homes at each income level. The assessed values for accessory dwelling units are based on estimated total construction costs.

Table 6 provides an estimate of the total assessed value of the residential units that could be constructed on sites outside of the Shoreline Community. As shown, the units outside of the Shoreline Community would have an estimated total assessed value of approximately $8.9 billion. After removing the existing assessed value on these sites, the estimated net increase in assessed value associated with development of the units outside of the Shoreline Community totals approximately $7.8 billion. Based on this net increase in assessed value and the City's share of property tax revenues in the TRAs where project sites are located, annual property tax revenues are projected to increase by approximately $12.4 million.

As shown in Table 7, the total projected net change in assessed value in the Shoreline Community (approximately $3.2 billion) would generate additional property tax revenues to the SRPC (approximately $32 million annually). The County and the school districts would receive a portion of these new revenues based on existing contractual agreements. Net of estimated pass-through payments to the County and the school districts, annual property tax revenues to the SRPC would total approximately $18.2 million.

## Table 6: Projected Change in Annual City General Fund Property Tax Revenue at Buildout

| | Net New Units Outside of Shoreline Community | Estimated Assessed Value per Unit | Estimated Total Assessed Value Outside of Shoreline Community |
|---|---|---|---|
| 100% Affordable Developments | 2,697 | $0 | $0 |
| Multifamily Rental - BMR (Low Income) | 688 | $363,877 | $250,347,323 |
| Multifamily Rental - BMR (Moderate Income) | 294 | $758,492 | $222,996,738 |
| Multifamily Rental - Market Rate (Moderate Income) | 1,211 | $1,086,462 | $1,315,704,923 |
| Multifamily Rental - Market Rate (Above Moderate Income) | 4,762 | $1,279,385 | $6,092,429,538 |
| Multifamily Condominium - BMR (Low Income) | 47 | $233,546 | $10,976,662 |
| Multifamily Condominium - BMR (Moderate Income) | 73 | $506,533 | $36,976,909 |
| Multifamily Condominium - Market Rate | 652 | $1,250,000 | $815,000,000 |
| Single Family/Townhomes/Rowhomes - BMR (Low Income) | 1 | $311,050 | $311,050 |
| Single Family/Townhomes/Rowhomes - Market Rate | 60 | $2,000,000 | $120,000,000 |
| Accessory Dwelling Units | 96 | $450,000 | $43,200,000 |
| **Total** | **10,581** | | **$8,907,943,144** |
| Less: Current Total Net Assessed Value Removed from Project Sites (a) | | | ($1,115,405,998) |
| **Net Change in Assessed Value Outside of Shoreline Community** | | | **$7,792,537,146** |
| Weighted Average City Share of Base 1% Property Tax (b) | | | 15.96% |
| **Projected Change in Annual City General Fund Property Tax Revenue** | | | **$12,433,085** |

**Assumptions**

| | |
|---|---|
| **Multifamily Apartments** | |
| Multifamily Rental - BMR (Low Income) Monthly Rent per Unit (c) | $2,090 |
| Multifamily Rental - BMR (Moderate Income) Monthly Rent per Unit (c) | $3,215 |
| Multifamily Rental - Market Rate (Moderate Income) Monthly Rent per Unit (d) | $4,150 |
| Multifamily Rental - Market Rate (Above Moderate Income) Monthly Rent per Unit | $4,700 |
| Rental Unit Operating Expenses (per unit/year) | $12,000 |
| Rental Cap Rate | 3.25% |
| Rental Vacancy Rate | 5% |
| **Multifamily Condominiums** | |
| BMR (Low Income) Sale Price per Unit (e) | $233,546 |
| BMR (Moderate Income) Sale Price per Unit (e) | $506,533 |
| Market Rate Sale Price per Unit | $1,250,000 |
| **Single Family/Townhomes/Rowhomes** | |
| BMR (Low Income) Sale Price per Unit (e) | $311,050 |
| Market Rate Sale Price per Unit | $2,000,000 |
| **Accessory Dwelling Units** | |
| Total Construction Cost per Unit | $450,000 |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) Equal to the current total assessed value (net of exemptions) of project sites that would be redeveloped entirely. Total excludes the current assessed value of project sites with existing buildings that would not be redeveloped.
(b) Represents the City's weighted average share of base 1.0 percent property tax in the TRAs located outside of the Shoreline Community. Net increases in assessed values within the Shoreline Community do not generate property tax revenues accruing to the City of Mountain View General Fund.
(c) Based on 2022 rents for inclusionary BMR units provided by City staff. Rent assumptions reflect the average BMR rent for one- and two-bedroom units in each income category.
(d) Estimated monthly rent affordable to households earning 120 percent of Area Median Income (AMI). Estimate reflects the average calculated rent for one- and two-bedroom units, after accounting for the costs of utilities.
(e) Based on 2022 sale price estimates for inclusionary BMR units provided by City staff. Assumptions reflect BMR purchase prices for two-bedroom units in each income category.
Sources: City of Mountain View; BAE, 2022.

## Table 7: Projected Annual Shoreline Regional Park Community (SRPC) Property Tax Revenue at Buildout

| | Net New Units in Shoreline Community | Estimated Assessed Value per Unit | Estimated Total Assessed Value in Shoreline Community |
|---|---|---|---|
| 100% Affordable Developments | 858 | $0 | $0 |
| Multifamily Rental - BMR (Low Income) | 33 | $363,877 | $12,007,938 |
| Multifamily Rental - BMR (Moderate Income) | 167 | $758,492 | $126,668,215 |
| Multifamily Rental - Market Rate (Moderate Income) | 96 | $1,086,462 | $104,300,308 |
| Multifamily Rental - Market Rate (Above Moderate Income) | 3,013 | $1,279,385 | $3,854,785,846 |
| Multifamily Condominium - BMR (Moderate Income) | 4 | $506,533 | $2,026,132 |
| Multifamily Condominium - Market Rate | 31 | $1,250,000 | $38,750,000 |
| **Total** | **4,202** | | **$4,138,538,440** |
| Less: Total Existing Assessed Value on Project Sites in Shoreline Community | | | ($918,223,657) |
| **Net Change in Assessed Value in Shoreline Community** | | | **$3,220,314,783** |
| **Total Annual 1% Property Tax Revenue from Growth in Assessed Value in SRPC** | | | **$32,203,148** |
| Less: Estimated Allocation to Santa Clara County (b) | | | ($1,649,445) |
| Less: Estimated Allocation to School Districts (c) | | | ($12,366,314) |
| **Projected Change in SRPC Property Tax Net of Allocations to County & School Districts** | | | **$18,187,389** |

**Assumptions**

| | |
|---|---|
| **Multifamily Apartments** | |
| Multifamily Rental - BMR (Low Income) Monthly Rent per Unit (d) | $2,090 |
| Multifamily Rental - BMR (Moderate Income) Monthly Rent per Unit (d) | $3,215 |
| Multifamily Rental - Market Rate (Moderate Income) Monthly Rent per Unit (e) | $4,150 |
| Multifamily Rental - Market Rate (Above Moderate Income) Monthly Rent per Unit | $4,700 |
| Rental Unit Operating Expenses (per unit/year) | $12,000 |
| Rental Cap Rate | 3.25% |
| Rental Vacancy Rate | 5% |
| **Multifamily Condominiums** | |
| BMR (Moderate Income) Sale Price per Unit (f) | $506,533 |
| Market Rate Sale Price per Unit | $1,250,000 |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) SRPC receives 100 percent of the property tax revenue generated from growth in assessed value within the SRPC.
(b) Pursuant to the 2005 agreement with the County, SRPC pays the County an amount equal to the County's total retirement tax override levies plus a pass-through payment for a portion (20 percent) of the property tax increment that would have been allocated to the County in the absence of the existence of the SRPC. According to a 2017 report by Siefel Consulting (Mountain View North Bayshore Precise Plan Alternatives Fiscal Impact Analysis Summary), the County's prior average property tax share in the SRPC area was 25.61 percent. The estimated allocation to the County was calculated using the following formula:

Growth in AV * 1% * 25.61% * 20%

(c) The Joint Powers Agreement (JPA) was amended in 2019 and describes the current formula for determining annual payments to the school districts. Increment allocation factors are used to allocate incremental residential property tax revenue to each school district. The existing JPA expires in 2023 and SRPC will likely negotiate a new agreement to determine annual payments to the school districts in future years. The FIA estimates the allocation to the school districts based on the method described for new SRPC residential property tax revenue in the amended JPA:

Base (FY 22-23) Residential Assessed Value: $47,024,138
Net New Residential Assessed Value from Project: $3,173,290,645
MVWSD Increment Allocation Factor: 23.76%
MVLAUHSD Increment Allocation Factor: 15.21%

(d) Based on 2022 rent limits for inclusionary BMR units provided by City staff. Rent assumptions reflect the average BMR rent for one- and two-bedroom units in each income category.
(e) Estimated monthly rent affordable to households earning 120 percent of Area Median Income (AMI). Estimate reflects the average calculated rent for one- and two-bedroom units, after accounting for the costs of utilities.
(f) Based on 2022 sale price estimates for inclusionary BMR units provided by City staff. Assumptions reflect BMR purchase prices for two-bedroom units in each income category.

Sources: Siefel Consulting, 2017; City of Mountain View; BAE, 2022.

*Property Tax In-Lieu of Vehicle License Fee Revenues*
Beginning in FY 2005-2006, the State ceased to provide "backfill" funds to counties and cities in the form of Motor Vehicle In-Lieu Fees (VLF) as it had through FY 2004-2005. As a result of financial restructuring enacted as part of the State's budget balancing process, counties and cities now receive revenues from the State in the form of property tax in-lieu of vehicle license fees, or ILVLF. This State-funded revenue source is tied to a city's total assessed valuation. In FY 2005-2006, former VLF revenues were swapped for ILVLF revenues, which set each local jurisdiction's ILVLF "base." The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. For example, if total assessed valuation increases by five percent from one year to the next, the ILVLF base and resulting revenues would increase by five percent.

As shown in Table 8, in fiscal year 2004-05, the City's total assessed valuation was $11.3 billion, with a VLF base totaling $4.1 million. This amounts to approximately $0.36 per $1,000 in assessed value. Based on the estimated total net change in assessed value associated with development of all of the residential units in the Housing Element Update (approximately $11.0 billion), annual General Fund ILVLF revenues from the Housing Element Update are projected at approximately $4.0 million.

**Table 8: Projected Change in Annual General Fund Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout**

| | |
|---|---|
| Projected Total Net Change in City Assessed Value at Buildout | $11,012,851,929 |
| **Projected Change in ILVLF Revenue** | **$4,007,144** |
| | |
| **Assumptions** | |
| Total Citywide Taxable Assessed Value, FY 2004-05 | $11,288,218,521 |
| FY 2004-05 Base VLF | $4,107,339 |
| ILVLF Revenue per $1,000 in Assessed Value | $0.3639 |

Sources: City of Mountain View; Santa Clara County Office of the Assessor; BAE, 2022.

*Utility Users Tax*
The City collects a three percent Utility User Tax (UUT) on charges for telecommunications services, electricity, and natural gas. As shown in Table 9, based on the FY 2022-23 Recommended Budget, the City receives approximately $8.6 million in annual UUT revenue, averaging $73.35 per member of the existing service population. Development of the full residential potential in the Housing Element would increase the City's service population based on the calculations shown above in Table 2. Assuming a commensurate increase in the amount of UUT revenue collected each year, annual General Fund UUT revenue would increase by approximately $2.2 million at buildout.

**Table 9: Projected Annual General Fund Utility User Tax Revenue at Buildout**

| | |
|---|---|
| Net Change in Resident Service Population (a) | 29,566 |
| UUT Revenue per Service Population | $73.35 |
| **Projected Net Change in UUT Revenue** | **$2,168,808** |
| | |
| **Assumptions** | |
| Total UUT Revenue, FY 2022-23 Recommended Budget | $8,582,000 |
| Current (2022) Citywide Service Population (b) | 116,993 |
| UUT Revenue per Service Population | $73.35 |

Note:
(a) See Table 2.
(b) See Table 3. Service population is defined as all residents plus one-third of employment.

Sources: City of Mountain View, BAE, 2022.

### *Franchise Fees*

According to the FY 2022-23 Recommended Budget, the City receives approximately $5.9 million in annual franchise fee revenues from existing franchise agreements with Recology, Pacific Gas and Electric, Comcast/AT&T, and California Water Service. Franchise fees are generally set as a percentage of gross receipts and tend to increase as the City's service population grows. As shown in Table 10, General Fund revenues from franchise fees and fines in FY 2022-23 totaled approximately $50.81 per member of the service population. Assuming a commensurate increase in the amount of revenue collected each year, the growth in service population from the Project would result in additional annual franchise fee revenue of approximately $1.5 million.

**Table 10: Projected Annual General Fund Franchise Fee Revenue at Buildout**

| | |
|---|---|
| Net Change in Resident Service Population (a) | 29,566 |
| Franchise Fee Revenue per Service Population | $50.81 |
| **Projected Net Change in Franchise Fee Revenue** | **$1,502,245** |
| | |
| **Assumptions** | |
| Total Franchise Fee Revenue, FY 2022-23 Recommended Budget | $5,944,400 |
| Current (2022) Citywide Service Population (b) | 116,993 |
| Franchise Fee Revenue per Service Population | $50.81 |

Notes:
(a) See Table 2.
(b) See Table 3. Service population is defined as all residents plus one-third of employment.

Sources: City of Mountain View; BAE, 2022.

### *Summary of Annually Recurring General Fund Revenues*

As shown in Table 11, the Project would generate annual General Fund revenues totaling approximately $22.9 million at buildout. Net new annual property tax revenues for the SRPC would total approximately $18.2 million net of the estimated pass-through payments to the County and the school districts.

**Table 11: Summary of Total Annual General Fund and Shoreline Regional Park Community Fund Revenues at Buildout**

| | Shoreline Community Fund | | City General Fund | |
|---|---|---|---|---|
| | **Annual Revenue** (a) | **Percent of Total** | **Annual Revenue** | **Percent of Total** |
| Property Tax | $18,187,389 | 100% | $12,433,085 | 54% |
| ILVLF | $0 | 0% | $4,007,144 | 17% |
| Sales Tax | $0 | 0% | $2,808,770 | 12% |
| Utility Users Tax | $0 | 0% | $2,168,808 | 9% |
| Franchise Fees | $0 | 0% | $1,502,245 | 7% |
| **Total Annual Revenues** | **$18,187,389** | **100%** | **$22,920,052** | **100%** |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) Property tax revenue net of estimated annual allocations to County and school districts.

Source: BAE, 2022.

## Estimated Annual Service Cost Impacts

The City's General Fund expenditures generally increase as the service population increases, with some exceptions for General Fund expenditures that tend to be relatively fixed and would not change based on changes in the service population. To estimate the City service costs associated with the Housing Element Update, BAE analyzed the City's budgeted General Fund expenditures as shown in the FY 2022-23 Recommended Budget. BAE adjusted the total budgeted expenditures for each department to exclude an estimated portion of costs in each department would not need to increase to enable the department to respond to an increase in Mountain View's population. These adjustments were based largely on similar adjustments that were made in the Fiscal Impact Analysis for the East Whisman Precise Plan FIA. BAE consulted with the City Finance Department to confirm these assumptions. The analysis also accounts for charges for service and other department revenues that offset variable costs in each department. In addition, BAE conducted interviews with key staff in various City departments to discuss the potential impacts that the Housing Element Update could have on each department's staffing, facilities, and equipment needs. Summaries of the information obtained through these interviews is included in Appendix C. As shown in Table 12, the City's net variable annual General Fund expenditures total approximately $75.8 million, or $648 per member of the City service population.

## Table 12: City of Mountain View Annual General Fund Expenditures, FY 2022-23 Recommended Budget

| | FY 2022-23 Recommended Budget General Fund Expenditures | | | General Fund Charges for Service and Other Offsetting Revenues | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Percent Variable (a) | Variable Expenditures | Total (b) | Percent Variable | Variable Revenues | Net Variable Annual General Fund Expenditures | Net Variable General Fund Expenditures per Service Population (c) |
| General Government | | | | | | | | |
| City Council | $444,397 | 25% | $111,099 | $0 | 0% | $0 | $111,099 | $0.95 |
| City Clerk | $1,034,164 | 25% | $258,541 | $0 | 0% | $0 | $258,541 | $2.21 |
| City Attorney | $2,783,118 | 25% | $695,780 | $23,750 | 75% | $17,813 | $677,967 | $5.79 |
| City Manager | $5,049,319 | 25% | $1,262,330 | $0 | 0% | $0 | $1,262,330 | $10.79 |
| Human Resources | $3,109,999 | 25% | $777,500 | $0 | 0% | $0 | $777,500 | $6.65 |
| Information Technology | $7,423,056 | 25% | $1,855,764 | $0 | 0% | $0 | $1,855,764 | $15.86 |
| Finance & Admin Svcs | $7,875,968 | 25% | $1,968,992 | $146,000 | 0% | $0 | $1,968,992 | $16.83 |
| Community Development | $2,066,989 | 50% | $1,033,495 | $0 | 0% | $0 | $1,033,495 | $8.83 |
| Public Works | $13,165,968 | 50% | $6,582,984 | $0 | 0% | $0 | $6,582,984 | $56.27 |
| Community Services | $20,167,945 | 60% | $12,100,767 | $2,053,100 | 75% | $1,539,825 | $10,560,942 | $90.27 |
| Library Services | $7,494,664 | 50% | $3,747,332 | $15,000 | 75% | $11,250 | $3,736,082 | $31.93 |
| Fire | $30,068,192 | 60% | $18,040,915 | $263,300 | 75% | $197,475 | $17,843,440 | $152.52 |
| Police | $47,718,434 | 62% | $29,585,429 | $659,600 | 75% | $494,700 | $29,090,729 | $248.65 |
| Non-Departmental | $17,934,480 | 0% | $0 | $0 | 0% | $0 | $0 | $0.00 |
| Projected Budget Savings | ($6,000,000) | 0% | $0 | $0 | 0% | $0 | $0 | $0.00 |
| **Total** | **$160,336,693** | | **$78,020,927** | **$3,160,750** | | **$2,261,063** | **$75,759,865** | **$647.56** |

| | |
|---|---|
| 2022 Mountain View Service Population (c) | 116,993 |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) Assumes that a percentage of costs will not be impacted by an increase in the service population; the remaining variable costs will increase as service population increases.
(b) Includes General Fund revenues from Licenses & Permits; Fines & Forfeitures; and Charges for Services.
(c) See Table 3. Service population is equal to 100% of Mountain View residents plus 1/3 of people that work in Mountain View.

Sources: City of Mountain View; BAE, 2022.

Table 13 applies the net variable costs per member of the service population to the net increase in resident service population from the construction of units identified in the Housing Element Update to estimate the General Fund expenditures associated with providing additional services at the current levels provided by City departments. As shown, buildout of the full residential potential in the Housing Element would increase annual City General Fund expenditures by approximately $19.1 million. Of this total, an estimated $5.4 million would be attributable to growth in the Shoreline Community area while the remainder would be attributable to growth elsewhere in Mountain View.

These estimated expenditures solely account for estimated increases in ongoing City operating costs (e.g., salaries) and do not account for any one-time capital improvements that might be necessary to serve the new development. However, it should be noted that staff in many departments anticipate that the population growth associated with Housing Element would lead to one-time costs for facilities and equipment, in addition to ongoing operating costs. Some of these one-time costs are discussed in Appendix C.

## Table 13: City of Mountain View Annual General Fund Expenditure Impacts at Buildout

| | General Fund Expenditures per Service Population (a) | | Annual General Fund Expenditure Impacts (b) | | |
|---|---|---|---|---|---|
| | Total | % of Total | Growth in Shoreline Community | Growth Outside of Shoreline Community | Total Growth Citywide |
| General Government | $59.08 | 9.1% | $496,526 | $1,250,296 | $1,746,822 |
| Community Development | $8.83 | 1.4% | $74,239 | $186,941 | $261,181 |
| Public Works | $56.27 | 8.7% | $472,878 | $1,190,747 | $1,663,625 |
| Community Services | $90.27 | 13.9% | $758,628 | $1,910,291 | $2,668,919 |
| Library Services | $31.93 | 4.9% | $268,375 | $675,792 | $944,168 |
| Fire | $152.52 | 23.6% | $1,281,754 | $3,227,568 | $4,509,322 |
| Police | $248.65 | 38.4% | $2,089,685 | $5,262,007 | $7,351,692 |
| **Total Expenditures** | **$647.56** | **100.0%** | **$5,442,085** | **$13,703,643** | **$19,145,728** |
| | | | | | |
| **Assumptions** | | | | | |
| Total New Residential Units | | | 4,202 | 10,581 | 14,783 |
| New Resident Service Population (c) | | | 8,404 | 21,162 | 29,566 |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) See Table 12.
(b) Equal to net variable General Fund operating expenditures per service population multiplied by the new resident service population associated with the Project.
(c) Based on the average number of persons per household in the Draft EIR for the Project (2.0 persons per household).

Sources: City of Mountain View; BAE, 2022.

## Summary of Net Fiscal Impact to the City of Mountain View General Fund

Table 14 summarizes the estimated annual recurring net General Fund fiscal impact that would result from construction of the units identified in the Housing Element. As shown, buildout of these units would have a positive net fiscal impact on the City's General Fund, totaling approximately $3.8 million per year. In addition, construction of these units would generate an estimated $18.2 million to the SRPC Fund. Expenditures from the SRPC Fund are restricted by the Shoreline Regional Park Community Act, and therefore may not be fully available to cover typical ongoing annual City service costs that would be attributable to the construction of the units identified in the Housing Element Update. However, to the extent that some of these funds could be used to provide ongoing City services in the Shoreline TIF area, these expenditures could offset expenditures from the General Fund. This would increase the net positive fiscal impact that implementation of the Housing Element Update would have on the General Fund.

**Table 14: Annual Net Fiscal Impacts to the SRPC Fund and the City General Fund**

| | Shoreline Community Fund | General Fund |
|---|---|---|
| **Total Annual Revenues** | **$18,187,389** | **$22,920,052** |
| Property Tax | $18,187,389 | $12,433,085 |
| ILVLF | $0 | $4,007,144 |
| Sales Tax | $0 | $2,808,770 |
| Utility Users Tax | $0 | $2,168,808 |
| Franchise Fees | $0 | $1,502,245 |
| | | |
| **Total Annual Expenditures** | **$0** | **$19,145,728** |
| General Government | $0 | $1,746,822 |
| Community Development | $0 | $261,181 |
| Public Works | $0 | $1,663,625 |
| Community Services | $0 | $2,668,919 |
| Library Services | $0 | $944,168 |
| Fire | $0 | $4,509,322 |
| Police | $0 | $7,351,692 |
| | | |
| **Net Fiscal Impact** | **$18,187,389** | **$3,774,324** |

Note: Figures presented in 2022 dollars. Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.

Source: BAE, 2022.

# APPENDIX A: IMPACT OF ADDITIONAL CAPACITY FROM REZONING

This appendix provides a high-level analysis of the potential fiscal impacts of an additional 2,700 residential units that would be made possible by planned rezonings that are not included in the Housing Element site inventory. As part of the Housing Element Update process, the City of Mountain View is undertaking a rezoning program that would create capacity for approximately 1,400 of the units that are included in the Housing Element site inventory. These rezonings would also create capacity for an additional 2,700 residential units that are anticipated to be constructed after the 2031 planning horizon for the Housing Element Update. These units are not included in the site inventory or in the analysis provided in the preceding sections of this report because the site inventory excludes any units that are anticipated to be constructed after 2031.

Table A-1 below provides an estimate of the fiscal impacts of the approximately 2,700 additional units that would be made possible through rezonings. This analysis is based on the analysis for the Housing Element site inventory, as presented in the preceding sections of this report. BAE used the findings from the analysis of the site inventory to derive a per-unit General Fund revenue and expenditure estimates and applied these estimates to the additional 2,700 units, as shown in the table. None of the planned rezonings would occur in the Shoreline Regional Park Community TIF area, and therefore these estimates are reflective of estimated General Fund revenues and expenditures associated with residential units in Mountain View outside of the TIF area.

As shown, the additional 2,700 units are estimated to have a positive net fiscal impact on the City of Mountain View General Fund totaling approximately $1.6 million annually.

## Table A-1: Estimated Fiscal Impact of Additional Units Enabled by Rezoning

| | Per Unit | Total |
|---|---|---|
| **Estimated General Fund Revenues (a)** | **$1,884** | **$5,087,968** |
| Property Tax | $1,175 | $3,172,605 |
| ILVLF | $271 | $731,874 |
| Sales Tax | $190 | $513,000 |
| Utility Users Tax | $147 | $396,116 |
| Franchise Fees | $102 | $274,373 |
| | | |
| **Estimated General Fund Expenditures (b)** | **$1,295** | **$3,496,818** |
| General Government | $118 | $319,043 |
| Community Development | $18 | $47,703 |
| Public Works | $113 | $303,848 |
| Community Services | $181 | $487,457 |
| Library Services | $64 | $172,445 |
| Fire | $305 | $823,593 |
| Police | $497 | $1,342,729 |
| | | |
| **Net Fiscal Impact** | **$589** | **$1,591,149** |
| | | |
| **Assumptions** | | |
| Estimated Number of Units | | 2,700 |

Notes:
Totals shown may differ slightly from the sum of individual line items shown due to decimal values not shown in table.
(a) General Fund revenues per unit are estimated based on the total estimated General Fund revenues attributable to the construction of units in the Housing Element Site Inventory, as shown in Table 11. Property tax revenues per unit are based on the General Fund (i.e., not the Shoreline Fund) property tax revenues shown in Table 11, divided by the number of units in the site inventory that would be located outside of the Shoreline Regional Park Community TIF area.
(b) General Fund expenditures per unit are estimated based on the total estimated General Fund expenditures attributable to the construction of units in the Housing Element Site Inventory, as shown in Table 13.

Source: BAE, 2022.

# APPENDIX B: DISTRIBUTION OF BASE 1.0 PERCENT PROPERTY TAX BY TRA

| Jurisdiction | TRA 005-000 | TRA 005-009 | TRA 005-010 | TRA 005-017 | TRA 005-096 | TRA 005-097 |
|---|---|---|---|---|---|---|
| Bay Area Air Quality Management District | 0.21% | 0.21% | 0.20% | 0.21% | 0.21% | 0.17% |
| County School Service | 3.86% | 4.08% | 3.58% | 4.08% | 3.85% | 3.11% |
| El Camino Hospital | 1.98% | 2.00% | 1.89% | 2.00% | 1.99% | 1.60% |
| ERAF | 15.11% | 15.21% | 14.42% | 15.21% | 15.16% | 15.28% |
| Foothill-DeAnza Community College | 7.18% | 7.19% | 6.81% | 7.19% | 7.16% | 5.78% |
| Los Altos Elementary | 0.00% | 19.18% | 0.00% | 19.18% | 0.00% | 0.00% |
| Midpeninsula Regional Open Space District | 1.75% | 1.76% | 1.66% | 1.76% | 1.75% | 1.41% |
| Mountain View | 16.07% | 16.18% | 15.32% | 16.18% | 16.11% | 13.01% |
| Mountain View Elementary | 19.81% | 0.00% | 23.76% | 0.00% | 19.76% | 15.96% |
| Mountain View Parking District No.02 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 16.20% |
| Mountain View-Los Altos Union High | 16.04% | 16.07% | 15.21% | 16.07% | 15.99% | 12.92% |
| Santa Clara County | 15.81% | 15.92% | 15.07% | 15.92% | 15.84% | 12.80% |
| Santa Clara County Importation Water-Misc District | 0.55% | 0.55% | 0.52% | 0.55% | 0.55% | 0.44% |
| Santa Clara Valley Water District | 0.18% | 0.19% | 0.18% | 0.19% | 0.18% | 0.15% |
| Santa Clara Valley Water District North West Zone 1 | 1.31% | 1.32% | 1.25% | 1.32% | 1.31% | 1.06% |
| Santa Clara Valley Water District West Zone 4 | 0.14% | 0.14% | 0.13% | 0.14% | 0.14% | 0.11% |
| **Total Effective Distribution** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

Sources: Santa Clara County Office of the Assessor, Distributions by TRA as of June 30, 2022; BAE, 2022.

# APPENDIX C: SUMMARY OF IMPACTS ON CITY DEPARTMENTS

This appendix includes a summary of the impacts that the Housing Element Update is anticipated to have on various City of Mountain View Departments, based on interviews with Department staff that were conducted as part of this Fiscal Impact Analysis.

*Police Department*
Mountain View's Police Department is considered a "full-service police department," meaning that the Department typically sends an officer to respond to any call in Mountain View with a request for an officer, provided that the call has a connection to a police-related service. In addition to typical police department activities, Mountain View's Police Department provides staffing for special events at the Shoreline Amphitheater, which can require ten to 60 officers, depending on the event. The Department also provides officers in schools in Mountain View. While there is a desire to have the Police Department reduce its role in responding to mental health crises, the Department continues to have a role in responding to mental health crises due to a lack of other entities to address this gap in service delivery. The Police Chief reports that staffing and equipment are currently adequate to meet the need for Police Department services in Mountain View, though staffing has fallen below ideal levels.

Department staff report that residents tend to create more of a demand for Police Department services than do workers. Workers impact the police department primarily during commute hours. Residents are the main drivers of the need for Police Department resources at events downtown, to respond to domestic violence calls, and for other calls for service. The Department also uses resources to build trust with the community, with a focus on residents.

Police Department staff anticipated that population growth associated with the Housing Element will impact the Department in various ways. Continuing the Department's status as a full-service police department will be service-intensive as the population grows. In addition, population growth is likely to result in opening of additional schools, which means a need for additional officers in the schools. An increase in population density is anticipated to make traffic enforcement and safety functions more difficult due to the additional time that it will take for officers to move between locations in a more congested environment. As development in the City becomes more dense, the Department also expects to receive more calls for service per resident in part because people living in more dense environments hear their neighbors more. More dense development can also lead to more interpersonal conflicts that can lead to calls for service.

The level of growth anticipated in the North Bayshore area would potentially create a need for a new beat, meaning one sergeant and ten officer positions to create coverage for a new beat

24 hours per day, seven days per week. To support a new beat also requires dispatchers, police radios, police cars, and other staffing and equipment. The City has been looking into leasing land in the North Bayshore Area for a Police Operations Station to be able to respond to future growth there.

There may be opportunities to use technology to make the Department more efficient, but technology has not yet been shown to significantly improve efficiency, and adoption of new technologies (e.g., online reporting systems) typically requires staff to manage. In addition, there are costs for new technology and software, often with annual licensing agreements or have other ongoing costs. The Police Chief has been studying the use of drones to help in acting as first responders, based on the use of drones for this purpose in other communities. This approach could be useful as Mountain View becomes more densely populated and it becomes more difficult for officers to get to the scene of an incident. In these cases, the City could potentially dispatch a drone as a first responder while the officers are en route. While use of new technology can help the Department adapt to changes in the policing environment, it does not necessarily result in cost savings.

While many of the functions that the Police Department serves would likely be affected by growth in Mountain View's population, there are some functions that are less likely to be impacted. For example, Police Department staffing for events at the Shoreline Amphitheater is not related to demand from people that live in Mountain View and therefore would not be likely to increase as a result of the population increase associated with the Housing Element Update.

*Fire Department*

The Fire Department consists of three divisions: Administration, Suppression and EMS, and Fire and Environmental Protection. Suppression and EMS responds to 911 calls for service, including structural fires, rescues, and EMS service for medical emergencies. Suppression also includes Training and the Office of Emergency Services, which prepares the City for catastrophic emergencies. Training handles training for new firefighters as well as ongoing annual recertifications and contemporary training updates for existing personnel. Functions of the Fire and Environmental Protection division include enforcement of the Fire Code, hazardous material inspections, wastewater discharge, and the City's rental housing inspections. Mountain View's Fire Department provides mutual aid to the Cities of Palo Alto, Los Altos, and Sunnyvale.

The Fire Chief reports that the Department currently has staffing shortages in multiple areas. The Department has not increased staffing since the 1990's, when the City opened a fire station in the North Bayshore area. Since then, the City's population has continued to increase, as have calls for service, while the Department's civilian and sworn staff have decreased. The Mountain View City Council has adopted a standard response time of four minutes for the Department, which the Department is not currently meeting. The Department meets this standard 40 percent of the time. This is due largely to a shortage of unit availability and increased traffic.

The Fire Department uses ambulance services that are provided through the County, which currently has a shortage of ambulance services. Ambulances often arrive without a paramedic, and in those situations the Fire Department sends its personnel on the ambulance, which takes firefighters away from the engines. The Fire Chief has advocated for the Department to provide ambulance services instead of relying on County services.

Many of the Department's facilities are outdated or in need of repair or other improvements. While the number of stations in town is generally adequate, many of the Department's facilities are aging. Fire Station 3 was built in 1962 and is outdated. There is a need to modernize the training tower as well as the training facilities, which have limited classrooms and too few bathrooms and showers. Most of the stations are in need of full or partial fencing to improve security.

Fire Department staff anticipate an increase in demand for the Department's services as the population in Mountain View expands. As the population grows, there will be an increase in calls for service, which will lead to a need for additional Fire Department personnel and equipment to respond to calls. In addition, the increase in population is anticipated to increase needs for ambulance services to respond to an increase in calls for service. If the City continues to use County ambulance services, this could lead to more instances in which firefighters must accompany ambulances rather than remaining with their engines because of a shortage of paramedics from the County's private ambulance contractor.

In addition to increases in calls for service, construction of the housing anticipated in the Housing Element Update will lead to an increase in the number of buildings that need to be inspected as part of the City's rental housing inspection program, which requires regular inspections of multifamily rental properties. In addition, it will lead to an increase in the number of buildings with elevators, all of which store hydraulic fluid, and are therefore considered hazmat facilities that requires fire prevention inspections under the Fire Code.

Fire Department staff also report that newer multifamily buildings can require significant Fire Department resources. New multifamily buildings have fire sprinklers, which help to keep the building from burning to the ground in the event of a fire and improve safety for building occupants. However, fires in sprinklered buildings can tie up Fire Department resources for a longer time than fires in non-sprinklered buildings because of the water from the sprinklers and need for removal and property salvage. Large new buildings can also be susceptible to false alarms which tie up Fire Department resources.

Fire Department staff report a range of staffing, facility, and equipment needs to respond to the increase in population that is anticipated in the Housing Element Update, as well as to meet existing needs. These include:

- Facilities: office space for additional inspectors and administrative personnel, additional sleeping quarters and office space for additional personnel at Station 4, reconstruction of Station 3 with additional sleeping and living accommodations and apparatus bay space, secured fencing for all fire department facilities, and modernization of the drill tower and training grounds.
- Personnel: 26 additional suppression personnel (including 12 to staff two ambulance units, assuming that the City provides ambulance services in the future), four additional fire prevention personnel, and four additional administrative personnel.
- Apparatus/Vehicles: one tillered ladder truck, three ambulances, and seven staff vehicles.

Some of these staffing, facility, and equipment needs are closely tied to responding to an increase in demand from population and housing unit growth. These include additional personnel to respond to an increase in calls for service and conduct safety inspections on new buildings as well as the associated equipment, facilities, and administrative staff necessary to support additional personnel. Other items on the Department's list of staffing, facility, and equipment needs respond to existing needs within the Department and therefore are not entirely attributable to future growth. These include modernizing outdated facilities, security fencing for existing facilities, and personnel and equipment related to providing ambulance services. However, the projected increase in population associated with the Housing Element may increase the need to address existing deficiencies in staffing, equipment, and facilities.

*Community Services Department*

The Community Services Department (CSD) consists of five Divisions: Parks, Recreation, Forestry, Performing Arts, and the Shoreline Regional Park. Staff in the Department report that current staffing and equipment are generally adequate to serve the existing population, though the Department's capacity to serve an expanded population is limited. CSD has a standard of three acres of parkland per 1,000 residents and is currently meeting that standard. The City is currently going through a process to create a new parks strategic plan.

CSD staff report that the majority of people that use CSD services are Mountain View residents, rather than people that work in Mountain View and live elsewhere or people that do not live or work in Mountain View. While some programs are used by people that do not live in Mountain View, the City's parks are mostly used by Mountain View residents. One exception is Shoreline Regional Park, which has a regional draw.

As the population in Mountain View increases, CSD staff anticipate that there will be a need to increase staffing and other expenditures in order to maintain current levels of service. Within the Recreation division, population growth is anticipated to lead to a need for more programs and expanding access to existing programs, which requires additional costs and increases in staffing.  Growth could also lead to a need for new CSD facilities, such as a new community center and potentially a new community pool, to address an increase in demand.

Within the Parks division, CSD staff report that the growth from the Housing Element Update could impact the City's ability to maintain the current standard of three acres of parkland per 1,000 residents.  To the extent that parklands are increased to maintain this standards, new parks would lead to additional park operating and maintenance costs.  In addition, population growth is anticipated to increase usage of existing parks, which could increase costs for park maintenance and operations.  Because the units that are planned for in the Housing Element Update consist primarily of multifamily housing with little or no private open space, CSD staff anticipate that residents living in new housing in Mountain View will use parks at a higher rate than the existing population.

The Forestry, Performing Arts, and Shoreline divisions would also likely be impacted by the growth associated with the Housing Element, though potentially to a lesser degree than the Recreation and Parks divisions.  The Forestry division is anticipated to be impacted to the extent that the Housing Element Update leads to an increase in street trees, trees in medians, and trees in new open space areas that require City maintenance.  Both the Performing Arts and Shoreline divisions provide services that tend to have a regional draw, and therefore a portion of the operating costs for these divisions is not related to the number of residents in Mountain View.  However, the Performing Arts division may make adjustments in programming to serve a changing population and the Shoreline division would be anticipated to have more visitors as the population increases.

*Library Department*

Mountain View's Library Department operates one public library and bookmobile.  The library provides physical and digital materials and serves as a place to study and work.  The library has 12 study rooms that can be booked for meetings, interviews, study groups, or similar purposes.  It also functions as a cooling center.  The existing library building is about 60,000 square feet, which Department staff report is comparable to other cities with similar population sizes.  The library is open seven days per week, with more limited hours on Sundays.  On a typical day, the library gets approximately 900 visitors, and the study rooms are consistently booked.  The bookmobile operates two to four days per week.  The Department also puts on story times for kids, with virtual and in person options, which are typically attended by 200 to 300 people.  The Library provides information and reference services and supports citywide initiatives.

The Department primarily serves Mountain View residents, though residents from neighboring cities also use Mountain View's library, and vice versa.  Digital resources can be used by almost anyone in California.

Library Department staff report that the Department generally has enough staff and equipment to meet needs, but little to no existing capacity to serve an increase in the population. Department staff estimate that the City will need a new branch library to serve the increase in population, which could potentially be located in the North Bayshore area. Department staff report that there may also be a need for an additional library branch in the East Whisman area. Department staff anticipate that existing Library services would be busier if the housing that is identified in the Housing Element is built. As a result, the Department would need to add staff in the existing branch and may need to expand hours to meet the increase in demand. Existing space would need to be reconfigured to accommodate demand for study tables and study rooms. Expanding services as the population grows would also require expanding digital and physical resources. Population growth would also lead to a need to expand operations for the bookmobile. The Library uniquely serves lower income residents of Mountain View with consistently free services. With an increase in lower income population, more services would be needed such as the expansion of literacy services, materials, programs and other resources.

In addition to serving Mountain View residents, Library Department services are also used by residents of other communities and there is likely to be growing demand for many of these services from residents of other communities as the regional population continues to grow. The need for expanded services based on growth in other communities would be separate from and in addition to the need for expanded services based on Mountain View's Housing Element Update.

*Public Works Department*

The Public Works Department is comprised of three divisions: Engineering, Transportation and Business Services, and Public Service. Responsibilities in the Engineering division include planning, coordinating, managing, and inspecting capital improvement projects; delivering infrastructure improvements including parks, buildings, and civil infrastructure; implementing and maintaining roadway improvements such as pavement and traffic signals; and collaborating with the Community Development Department on planning and building. Responsibilities in the Transportation and Business Services division include providing administrative support to the Department; handling budgeting, contracts, customer service and grants; working on active transportation (e.g., bicycle and pedestrian) projects; administering waste diversion programs, solid waste collection, and solid waste processing and disposal franchise agreements; purchasing and maintaining City vehicles; maintaining City facilities; supporting property acquisitions (e.g., purchasing land for parks); and managing City leases. Responsibilities in the Public Service division include field operations; sidewalk, curb, gutter, and bike lane maintenance; City signs; monitoring of the closed landfill that is now a park; planning for wet utilities; maintaining and operating the City's water and wastewater system; and safety and training

Department staff report that there is an existing need for staff and equipment in the Public Works Department. Recent bicycle and pedestrian improvements have increased the amount of maintenance needed to maintain these improvements, and meanwhile staffing for this work has decreased from previous levels. There is also need for various types of equipment, including but not limited to street sweepers, loaders, excavators, and wet vacuum trucks. There is a need for additional staffing to address various items that are in need of repair or replacement in City facilities and there is a need for additional staffing to help with contract processing. The Mountain View City Council has set a goal of getting the City's Pavement Condition Index (PCI) to 75. It is currently at 71 and Department staff anticipate that it will not increase without increases in funding. In addition, some of the traffic signals in the City have outlived their expected life and are in need of replacement.

Department staff anticipate that additional staffing and equipment would be needed if the housing that is planned for in the Housing Element Update is constructed. Additional staffing would be needed to implement improvements to serve new development and to undertake ongoing maintenance. The cost of new improvements would be partly covered by developer fees, but developer fees do not cover ongoing maintenance. The growth in population can be anticipated to lead to existing inquires, requests for improvements, and complaints about infrastructure maintenance. Department staff expect that additional staffing would be needed to maintain response levels as the population increases.

In addition, Department staff anticipate that increasing the number of residents in Mountain View will increase wear on the City's roadway network due to an increase in resident drivers on the road as well as an increase in deliveries to new residents. Department staff also anticipate that an increase in population will result in increased congestion (traffic or otherwise) which will lead to additional requests from residents for bicycle and pedestrian infrastructure improvements that would lead to capital costs for construction as well as ongoing costs for maintenance.

Other functions within the Department that would likely be affected by growth include the Land Development section, which will need staff to review construction documents for new projects. The Department would also need to conduct outreach to more residents regarding Public Works issues such as solid waste programs. In addition, to the extent that the Police and Fire Department hire more personnel to respond to growth, these additional personnel will require additional vehicles, which Public Works will need to purchase and maintain. To the extent that the Department needs to hire additional staff due to the increase in population associated with the Housing Element, additional office space and vehicles will be needed for these workers, and Public Works staff will be needed to maintain any new vehicles or office facilities.

Some functions within the Public Works Department are less likely to be affected by growth. For example, traffic signals are not typically affected by population growth; however, there could be an additional cost associated with traffic signals (capital costs and maintenance) if new signals are added.  The cost of water and sewer pipe maintenance is not likely to be affected by growth because the City will continue to maintain the same length of pipes, which takes a fixed number of staff.  In some areas, existing pipes may need to be replaced with larger pipes, which might help with the cost of maintenance.  The City's water supply is generally adequate to serve the population increase associated with the Housing Element. Because Mountain View is mostly built out, new development will generally be able to use existing infrastructure (e.g., utilities, roadways, and sidewalks), though some elements of the network will experience additional wear and tear.