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## MEMORANDUM

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To: Vincent A. Muzzi, Esq., Millbrae Serra Station, LLC  
cc: Jennifer Renk, Sheppard Mullin and Kathy Doi, HOK

From: Joanne Brion, Brion Economics Team

Subject: Millbrae Serra Station- Revised Final Fiscal Impact Analysis (FIA), City of Millbrae;  
BEI #2512

Date: October 6, 2016

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This is an update of the fiscal impact analysis that was done at the end of June 2016 on behalf of Millbrae Serra Station, LLC. This update reflects comments that were received from City Staff in response to the June 2016 fiscal impact analysis (FIA) and includes revisions to market values, the Educational Revenue Augmentation Fund (ERAF), retail assumptions, the most recent City proposed budget, rental rate assumptions, and one-time impact fees.

Millbrae Serra Station and the City of Millbrae are considering how to redevelop a group of five adjacent parcels (the Project) along El Camino Real and Serra Avenue in the City of Millbrae, within the Millbrae Station Area Specific Plan (MSASP). There are two project alternatives, which include residential units, and office and retail space. The site currently has a mixture of service commercial and retail on 3.53 acres. Existing MSASP zoning would allow for up to 239 residential units and about 123,000 sqft of office and retail space. The Project assumes demolition of existing structures and construction of new residential, office, and commercial buildings, consistent with added density or a density bonus. Millbrae Serra Station has retained Brion Economics, Inc. to conduct this fiscal impact analysis (FIA). The FIA focuses on the City of Millbrae's (the City) annual operating revenues and expenses; it does not address capital facilities needs or infrastructure requirements of the Project.

The study is prepared using revised revenues and expenditures based on the draft City of Millbrae 2016-17 Budget. The City contracts with county agencies for police and fire services and does not have its own staff or departments. Fire services are provided by the Central County Fire Department (CCFD) which also serves the cities of Burlingame and Hillsborough, and is primarily funded through property taxes. City police services are provided by contract with the County Sheriff's Department. However, these contract costs are included in the FIA.

Revenues include ongoing annual income from property tax, sales tax, franchise fees, business licenses, fines, charges for services, other taxes, and one-time income from draft impact fees for facilities, based on a proposed nexus study recently released by the City. The analysis includes two alternatives, as follows:

- Alternative 1: Base TOD Zoning
- Alternative 2: Project with Density Bonus

This analysis is based on publicly available information combined with information provided by the Applicant, Millbrae Serra Station, LLC. The findings are presented in tables at the end of each section and in **Appendix A** and **Appendix B**. All figures in the analysis are in constant 2016 dollars. The estimated fiscal impacts of development represent results at the time of full project completion (full buildout).

### **Summary of Findings**

**Table S-1** provides a summary of the proposed uses of the project site.

1. **Residential Units and Demographics:** The number of residential units included in the Base Zoning Project (Alternative 1) is 239, with approximately 538 residents. Alternative 2 would have 444 residential units with populations of 999 new residents. Total employment would equal 450 jobs under Alternative 1 and 1,193 under Alternative 2.
2. **Service Population:** This is a demographic measure for fiscal studies, which equals 100% of residents and 33% of employees. The service population would equal 686 under Alternative 1 and 1,393 under Alternative 2.
3. **Commercial Uses:** Base zoning for Alternative 1 is 103,099 sqft of office, and 15,215 sqft of retail space. Alternative 2, with the density bonus, would have 290,100 sqft of office space, and about 13,200 sqft of retail.
4. **Below Market Housing:** Alternative 1 includes 36 BMR units, and Alternative 2 includes 67 BMR units. The analysis assumes these units would be targeted towards 10% low-income and 5% moderate-income households.

**Table S-2** provides a summary of annual city fiscal results, derived from the analysis using the City's 2016-17 Budget and citywide demographics.

5. **Fiscal Results Alternative 1:** Development of the site under the base zoning would generate an annual positive net fiscal balance of approximately \$199,000 annually to the City, with total annual revenues of \$720,900 and total estimated annual costs of \$521,900.

6. **Fiscal Results Alternative 2:** Alternative 2 with the density bonus would generate a positive net fiscal balance of about \$441,400, with total annual revenues estimated at \$1.5 million and total annual costs estimated at \$1.1 million per year. Alternative 2 would generate \$242,400 more in annual net positive revenue than Alternative 1. Over 20 years this would equal about \$4.8 million in net new revenues to the City. This net fiscal benefit equals a 1.5% increase in City General Fund revenues (after accounting for additional costs).

**Table S-3** summarizes property tax revenue by alternative and each taxing agency.

7. **Property Tax Revenues:** Alternative 1 would generate a total of about \$2.4 million per year for all taxing agencies, of which almost \$1.1 million (or 46%) would go to the local school districts. Alternative 2 would generate a total of \$5.0 million per year for all taxing entities, with \$2.3 million for local schools (or 46%). The City receives about 13.5% of the 1% total property taxes after ERAF.

**Table S-4** summarizes one-time impact fees that would be generated by the project.

8. **Impact Fee Revenues:** Draft impact fees from sewer, transportation, parks, and public safety would generate additional one-time revenues to the City. Alternative 1 would generate a total of about \$6.2 million and Alternative 2 would generate almost \$12.0 million in impact fees.

**Table S-1**  
 Summary of Project Description by Scenario and Land Use  
 Millbrae Serra Station Project FIA - 2016 - Revised

Item	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Site Size in Acres	3.53	3.53
Population	538	999
Employees	450	1,193
Service population (1)	686	1,393
<b>Residential units</b>	<b>239</b>	<b>444</b>
BMR Units	36	67
Percent BMR Units	15%	15%
<b>Non-residential uses Sqft</b>		
Office Sqft	103,099	290,100
Retail Sqft	15,215	13,200
<b>Total Non-Residential Uses</b>	<b>118,314</b>	<b>303,300</b>

(1) Includes 100% of population and 33% of employment.  
 Sources: HOK; Millbrae Serra Station LLC; Brion Economics, Inc.

**Table S-2**  
**Summary of Annual City Benefits**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Revenue and Cost Item	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
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*figures rounded to nearest \$100*

**City Annual General Fund Revenues**

Property Taxes	\$317,200	\$676,100
VLf - Property Tax Swap	\$101,800	\$220,800
Sales Tax from New Residents	\$40,600	\$62,900
Sales Tax from Employees	\$14,600	\$38,700
Business to Business Sales Tax	\$9,300	\$24,700
Hotel Taxes	\$0	\$0
Other Taxes Revenues	\$24,600	\$50,000
Franchise Taxes	\$27,600	\$56,000
Licenses	\$9,300	\$18,800
Permits	\$37,200	\$75,500
Fines/Forfeitures	\$43,300	\$87,800
Use of Money and Property	\$0	\$0
State, County, Federal Grants	\$0	\$0
Engineer & Planning Fee	\$37,200	\$75,400
Public Safety Services	\$15,300	\$31,000
Water & Sanitation Services	\$3,300	\$6,600
Other Revenues	\$0	\$0
Rev. - Other Finance Source	\$0	\$0
Fire Assessment Revenues	<u>\$39,600</u>	<u>\$76,000</u>
<b>Total General Fund Revenues</b>	<b>\$720,900</b>	<b>\$1,500,400</b>

**General Fund Expenditures**

City Administration	\$56,600	\$114,900
City Council	\$1,900	\$3,800
Community Services	\$116,700	\$236,900
Finance	\$26,400	\$53,600
Fire	\$123,100	\$249,700
Non-Departmental	\$0	\$0
Police	\$138,400	\$280,800
Public Building	\$0	\$0
Public Works	<u>\$58,800</u>	<u>\$119,300</u>
<b>Total General Fund Expenditures</b>	<b>\$521,900</b>	<b>\$1,059,000</b>

<b>Net Fiscal Balance</b>	<b>\$199,000</b>	<b>\$441,400</b>
Net Revenues as % of Total Revenues	28%	29%
Increase over Base Zoning		<b>\$242,400</b>
Fiscal Benefit over 20 Years, (constant \$\$)		<b>\$4,848,000</b>
Percent of Existing General Fund Revenues		1.5%

Source: Brion Economics, Inc.

**Table S-3**  
**Summary of Property Taxes by Agency**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Taxing Agency	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
<i>figures rounded to nearest \$100</i>		
San Mateo County	\$393,600	\$839,000
Free Library	\$77,100	\$164,400
<b>City of Millbrae</b>	<b>\$317,200</b>	<b>\$676,100</b>
Millbrae Elementary USD	\$404,200	\$861,600
San Mateo High School District	\$484,000	\$1,031,700
SM Jr College District	\$189,900	\$404,700
Bay Area Air Quality Management District	\$5,900	\$12,500
County Harbor District	\$7,600	\$16,300
SMC Mosquito & Vector Control District	\$4,500	\$9,600
Peninsula Hospital District	\$25,700	\$54,900
County Education Tax	\$98,800	\$210,600
ERAF Shifts	<u>\$347,400</u>	<u>\$740,400</u>
<b>Total 1% Property Taxes</b>	<b>\$2,356,000</b>	<b>\$5,021,700</b>
<b>Total Schools Property Taxes</b>	<b>\$1,078,100</b>	<b>\$2,298,000</b>
Percent of total	46%	46%

Sources: City of Millbrae; San Mateo County Controller's Office; Brion Economics, Inc.

**Table S-4**  
**Summary of Estimated Project Impact Fees**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
<b>Impact Fees</b>		
Sewer	\$1,045,014	\$1,798,824
Transportation	\$1,151,313	\$2,186,313
Parks	\$3,966,817	\$7,867,743
Public Safety	\$67,049	\$141,480
<b>Total Impact Fees</b>	<b>\$6,230,193</b>	<b>\$11,994,360</b>

Note Fee estimates are preliminary; see Table 8.

Sources: City of Millbrae; Economic & Planning Systems;  
 Brion Economics, Inc.

## **Purpose of Fiscal Impact Analyses**

A fiscal impact analysis (FIA) evaluates the fiscal implications of development on the on-going revenues and expenditures of a City's operating budget. Fiscal analyses generally focus on the General Fund, the fund most impacted by new development. Other city funds typically have dedicated revenues, such as user fees, to cover costs. Such fees can be increased to cover additional costs, but the use of these funds is restricted. General Fund revenues can be spent at the City Council's discretion and for contractual obligations, such as debt service.

Discretionary revenues which benefit the General Fund include property taxes, sales taxes, transient occupancy taxes, and other miscellaneous fees and taxes, such as parking tickets, etc. Dedicated revenues, by contrast, must be spent for a particular project or within a particular department. Dedicated revenues include grants and State and Federal monies, such as gas taxes and user fees. FIAs typically exclude dedicated revenues, because they may not be used to fund costs related to development, such as police or fire services. Some cities have their own fire departments, while others are part of a fire protection district. The Central County Fire Department serves Millbrae, Burlingame, and Hillsborough.

FIAs evaluate development in the context of the current fiscal environment by using the most up-to-date City budget. By law, a city must balance its budget from year to year; thus, exact expenditures and revenues are somewhat dynamic, but certain trends are always constant. FIAs estimate the fiscal impacts of new development assuming the current cost and revenue structures, and local rates for items such as transient occupancy tax. An FIA evaluates the likelihood that a development would generate enough City revenues to offset the City costs it incurs. The goal is for projects to generate net new revenues, ideally, or be fiscally neutral at a minimum.

However, an FIA does not evaluate a project's overall benefits to the broader economy and community. Many projects that do not generate significant revenues to the City can benefit the local economy. Quantifying these indirect revenue benefits to cities is difficult and not generally done in FIAs. It is important to keep these broader benefits in mind, though, when reviewing an FIA.

Lastly, FIAs are different than detailed budget forecasts at the departmental level, such as those with detailed staffing plans. FIAs use current demographic data and service standards for a city, as well as the city's current service levels and costs, and apply them to the new population and employment generated by a project. "Service population," defined in this report as total residential population plus 33% of the employment, is a measure used to analyze these two populations. This method recognizes that employees do not have the same impact as residents on a city's budget.

## **Development and Market Assumptions**

Development and land use assumptions are shown in **Table 1**. The Project site totals 3.53 acres.

Each development alternative includes residential units consisting of studios, and 1-, 2-, and 3-bedroom apartments. Alternative 1 would have a total of 239 units, and Alternative 2 would have 444 units or 205 more units with the density bonus. The majority of units would be 2-bedroom units, followed by 1-bedroom apartments (see **Table 1**).

Residential units also include affordable units, or Below-Market-Rate (BMR) units targeting 10% of units available to low-income renters and 5% of units available to moderate-income renters for a total of 15% of total market-rate units. The total number of affordable residential units is 36 in Alternative 1 and 67 for Alternative 2.

Commercial development includes retail and office uses for both alternatives. New office space equals 103,099 sqft for Alternative 1 and 290,100 sqft for Alternative 2, or 181% more than base zoning would allow.

Retail space included is about 15,215 sqft for Alternative 1 and 13,200 sqft for Alternative 2. Both Alternatives include a non-revenue generating galleria space of 4,250 sqft. Required parks and open space for each alternative is around 10% of the Project site square footage. Alternatives 1 and 2 have about 15,370 sqft of open space. Roads would equal 31,850 sqft under both alternatives.

## **City Demographics**

**Table 2** summarizes demographic estimates in the City of Millbrae in 2016 based on the Association of Bay Area Government's *Projections 2013*. Approximately 23,080 residents currently live in Millbrae and approximately 7,612 employees work there. The City has about 8,602 households, which contain an average of 2.68 persons each.

For residential uses, Alternatives 1 and 2 assume an average household size of 2.25 given that the residential units will be multi-family units that are smaller than the average single family residence in Millbrae.<sup>1</sup> Using this assumption, the Project population would be 538 for Alternative 1 and 999 for Alternative 2 (see **Table 2**).

For office employment uses, we assume an average of 250 sqft per employee. Alternative 1 would result in about 412 new office employees. Alternative 2 would create around 1,160 new office employees.

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<sup>1</sup> Millbrae has about 31% residential buildings with five or more units, according to data from Department of Finance, E-5 report for Jan 1, 2016.

For retail space, we assume an average of 400 sqft per employee. The Project alternatives would possibly result in between 38 and 33 new retail jobs for Alternatives 1 and 2, respectively.

Total service population is a measure of the population requiring various public services. It includes both residents and workers but gives greater weight to residents. Here it is calculated at 100% of City residents plus 33% of employed workers. This means that, on average, workers have about one-third of the impact on City services as residents. Total service population in Millbrae is currently estimated at 25,592. The Project would result in a modest increase in the service population (see **Table 2**). The service population for Alternative 1 would equal 686 and for Alternative 2 would equal 1,393. These figures are used throughout the model for estimating costs and revenues.

### **Estimated Market Values**

**Table 3** calculates estimated new assessed values for the Project. New assessed value is based on planned residential and commercial space, at projected market values.

The residential market values were derived from a review of several market information sources, including RealFacts, Zillow, and S.L. State Associates for San Mateo and Santa Clara counties. The rents are also consistent with rent trends and development proposals for high amenity projects in other well-located, newly expanding markets such as Oakland. Data from RealFacts and Zillow are summarized in **Appendix B** tables; the S.L. State data is proprietary, however, it does support the findings of RealFacts and Zillow data.

**Table B-1** displays RealFacts rental data for various unit sizes for 2015. With continued job expansion in the region, these rents are expected to increase, particularly for well-located projects. **Table B-2** shows rent information obtained from Zillow, which is generally higher than the RealFacts data. **Table B-3** provides a comparison of the estimated average rents in the fiscal analysis to the rent data. The proposed Project's rents are approximately 106 to 122 percent above the RealFacts data, but 8 to 20 percent below the Zillow information for San Mateo County, and more than 20 percent below the average Zillow rents for San Francisco and Millbrae.

We reviewed the Gruen Gruen + Associates FIA prepared earlier this year for Site 2 and updated the commercial market values to \$800 per sqft for office and \$600 per sqft for retail. The Gruen Gruen report also uses \$3,300 per month for average rent, which is comparable to the figures used in this FIA. These values are also consistent with other projects we are working on in the County.

### **Net Rents and Capitalization Rates**

The gross rents described above are reduced by 30 percent to account for operating expenses of an apartment building. No significant vacancy factor is assumed. This operating cost



assumption is a typical factor utilized in pro forma analyses; for example, refer to the rates used in “The Grand Nexus Study,” March 2016, prepared for the County of San Mateo.<sup>2</sup>

A 5% cap rate is applied to the net operating income (after expenses) to estimate a purchase price. Cap rates for high-quality rental products in major metropolitan markets, such as San Francisco, can be as low as 4.25 percent (refer to CBRE cap rate study, 2015). The assumed cap rate is slightly higher to provide a more conservative estimate. The San Mateo Nexus Study noted above also uses a 5% cap rate (see **Table 3**).

Under Alternative 1, the assessed value would be \$235.6 million and under Alternative 2, the assessed value is projected to increase to \$502.2 million. Both alternatives would represent a significant increase in assessed value, although Alternative 2 would have double the increase of Alternative 1. The average market value for the affordable units in Alternatives 1 and 2 is calculated in **Tables 3a** and **3b**, respectively, and estimated at about \$229,300 per unit, under both Alternatives.

The current assessed value of the site is \$7.7 million, as shown in **Table A-2**. Assessed value is used to estimate property tax and VLF property tax swap, as well as average household incomes discussed below.

### **Average Household Income**

Estimated household income is calculated in **Table 4**. Household income is estimated at between \$95,912 per year for studio households to \$201,096 per year for 3-bedroom unit households. Housing costs are estimated at 30% of income. Rents are estimated to average \$3.80 per sqft.

Household average income for BMR units is estimated at \$81,832, for both Alternatives 1 and 2, based on average annual rental income as shown in **Tables 4a** and **4b**, following the standard method using Countywide HUD data. The project is assumed to provide 10% low-income units and 5% moderate-income units for both alternatives.

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<sup>2</sup> See <http://21elements.com/Documents/>

**Table 1**  
**Project Description by Alternative**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
<b>Total Site - Acres</b>	<b>3.53</b>	<b>3.53</b>
<b>Total Site - Sqft of Land</b>	<b>153,701</b>	<b>153,701</b>
<b>RESIDENTIAL UNITS</b>		
Affordable Units	36	67
Studios	0	22
1-Bedroom	11	162
2-Bedrooms	116	185
3-Bedrooms	<u>77</u>	<u>9</u>
<b>Total Residential Units</b>	<b>239</b>	<b>444</b>
Addition with Density Bonus		205
<b>Affordable Residential Sqft</b>	37,531	66,123
<b>Market Rate Residential Sqft</b>	<u>212,676</u>	<u>386,741</u>
<b>Total Net Residential Sqft</b>	<b>250,207</b>	<b>452,864</b>
<b>Gross Residential Sqft</b>	<b>262,437</b>	<b>559,300</b>
Gross Average Sqft per Unit	1,124	1,260
Average Net Sqft per Unit	889	1,020
<b>NON-RESIDENTIAL USES</b>		
Office Space	103,099	290,100
Retail Space	<u>15,215</u>	<u>13,200</u>
<b>Total Non-Residential Uses</b>	<b>118,314</b>	<b>303,300</b>
<b>MIX OF AFFORDABLE UNITS</b>		
Very Low	0	0
Low	10%	25
Moderate	<u>5%</u>	<u>11</u>
<b>Total</b>	<b>15%</b>	<b>36</b>
<b>OTHER USES (sqft)</b>		
Galleria Space (1)	4,250	4,250
Open Space Sqft	15,370	15,370
Roads/Streets	31,850	31,850
Infrastructure	0	0

(1) Space does not generate revenue.

Note: Totals may be slightly off due to percentage rounding.

Sources: HOK; Millbrae Serra Station LLC; Brion Economics, Inc.

**Table 2**  
**City and Project Demographics by Alternative**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Items		Millbrae 2016 Estimate	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Persons per household	(1)	2.68	2.25	2.25
<b>Population</b>	(1)	<b>23,080</b>	<b>538</b>	<b>999</b>
Households	(1)	8,602	239	444
<b>Employment</b>	(1)	<b>7,612</b>		
Sqft per Employee - Office			250	250
Sqft per Employee - Retail			400	400
Employees Office			412	1,160
Employees Retail			38	33
<b>Total New Employees</b>			<b>450</b>	<b>1,193</b>
<b>Service population</b>	(2)	<b>25,592</b>	<b>686</b>	<b>1,393</b>
Percent Increase			3%	5%

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- (1) 2016 data is from ABAG "Projections 2013." Assumes lower persons per household factor because the project does not include any single family uses.
- (2) Service population is calculated as 100% of residential population plus 33% of employment. These revenues and costs are generated by both residents and businesses/employees. Employees generate revenues and costs at a lower level than population.

Sources: ABAG; Brion Economics, Inc.

**Table 3**  
**Estimated Market Values/Assessed Value by Alternative**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Land Use	Notes & Rates	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Net Average Market rent per sqft	(1)	\$2.66	\$2.66
<b>Market Rate Units</b>			
Market Rate Units		203	377
Total Market Rate Sqft		212,676	386,741
<b>Total Monthly Rent, All Units</b>		\$565,718	\$1,028,731
<b>Annual Rent</b>		<b>\$6,788,616</b>	<b>\$12,344,773</b>
Capitalization Rate	5%		
<b>Average Capitalized Value</b>			
Market Rate Units, Total		<b>\$135,772,326</b>	<b>\$246,895,454</b>
<b>Residential Total Market Value</b> (2)			
Affordable Units	See Tables 3a and 3b	\$229,288	\$229,288
Market Rate Units		\$668,335	\$654,201
<b>Total Residential Market Value</b>		<b>\$143,992,296</b>	<b>\$262,166,026</b>
<b>Non-residential Total Market Value</b>			
Office Space	\$800 per sqft	\$82,478,800	\$232,080,000
Retail Space	\$600 per sqft	<u>\$9,129,000</u>	<u>\$7,920,000</u>
<b>Total</b>		<b>\$91,607,800</b>	<b>\$240,000,000</b>
<b>Total Market Value, All Uses</b>		<b>\$235,600,096</b>	<b>\$502,166,026</b>
Percent Increase with Density			<b>113%</b>

(1) Assumes 30% of gross rent is operating expenses and reserves. Gross rent is assumed at:  
 \$3.80 per sqft

(2) Capitalized value is assumed to equal market value for assessed value purposes.

Sources: HOK; Millbrae Serra Station LLC; Berkson Associates; Brion Economics, Inc.

**Table 3a**  
**Annual Revenue and Cap Value of Affordable Units by Unit Size**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Unit Size				TOTAL	
	Studio (1-person)	1 BR (2-people)	2 BR (3-people)	3 BR (4-people)		
<b>Units</b>	<b>0</b>	<b>14</b>	<b>20</b>	<b>2</b>	<b>36</b>	
<u>Annual Revenue</u>						
Very Low (50% of AMI)	\$0	\$0	\$0	\$0	\$0	
Low (70% of AMI, avg.)	\$0	\$181,656	\$307,510	\$32,518	\$521,684	
Moderate (90% of AMI, avg.)	<u>\$0</u>	<u>\$117,396</u>	<u>\$198,920</u>	<u>\$21,056</u>	<u>\$337,373</u>	
Total	\$0	\$299,052	\$506,430	\$53,574	\$859,056	
(less) vacancy	5.0%	\$0	(\$14,953)	(\$25,322)	(\$2,679)	(\$42,953)
Net after vacancy		\$0	\$284,099	\$481,109	\$50,896	\$816,103
(less) operating expenses (1)	\$11,300	\$0	(\$152,550)	(\$230,520)	(\$22,035)	(\$405,105)
Net Operating Income		\$0	\$131,549	\$250,589	\$28,861	\$410,998
Capitalized Value	5%	\$0	\$2,630,988	\$5,011,770	\$577,212	\$8,219,970
Cap Value per Unit			\$194,888	\$245,675	\$296,006	
Average Cap Value/Unit						<b>\$229,288</b>

(1) Operating expenses based on 30% of market rate rents (at \$3.80/sf/month).

Sources: HUD; Berkson Associates; Brion Economics, Inc.

**Table 3b**  
**Annual Revenue and Cap Value of Affordable Units by Unit Size - Alternative 2**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Unit Size				TOTAL	
	Studio (1-person)	1 BR (2-people)	2 BR (3-people)	3 BR (4-people)		
<b>Units</b>	<b>0</b>	<b>25</b>	<b>38</b>	<b>4</b>	<b>67</b>	
<u>Annual Revenue</u>						
Very Low (50% of AMI)	\$0	\$0	\$0	\$0	\$0	
Low (70% of AMI, avg.)	\$0	\$337,470	\$571,273	\$60,410	\$969,153	
Moderate (90% of AMI, avg.)	<u>\$0</u>	<u>\$218,091</u>	<u>\$369,543</u>	<u>\$39,117</u>	<u>\$626,751</u>	
Total	\$0	\$555,561	\$940,816	\$99,527	\$1,595,904	
(less) vacancy	5.0%	\$0	(\$27,778)	(\$47,041)	(\$4,976)	(\$79,795)
Net after vacancy		\$0	\$527,783	\$893,775	\$94,551	\$1,516,109
(less) operating expenses (1)	\$11,300	\$0	(\$283,398)	(\$428,246)	(\$40,935)	(\$752,580)
Net Operating Income		\$0	\$244,385	\$465,528	\$53,615	\$763,529
Capitalized Value	5%	\$0	\$4,887,693	\$9,310,569	\$1,072,310	\$15,270,571
Cap Value per Unit			\$194,888	\$245,675	\$296,006	
Average Cap Value/Unit						<b>\$229,288</b>

(1) Operating expenses based on 30% of market rate rents (at \$3.80/sf/month).

Sources: HUD; Berkson Associates; Brion Economics, Inc.

**Table 4**  
**Average Household Income by Residential Unit Type**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Type of Unit	% Income to Housing (1)	Monthly Rent or Mortgage	Estimated Household Income
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<b>Affordable Units</b>	See Tables 4a and 4b		
Wt. Average	(2)		<b>\$81,832</b>

<b>Market Rate Rental Units, Averages - All Alternatives</b>				
Studios	631	30.0%	\$2,398	<b>\$95,912</b>
1-Bedroom	824	30.0%	\$3,131	<b>\$125,248</b>
2-Bedrooms	1,168	30.0%	\$4,438	<b>\$177,536</b>
3-Bedrooms	1,323	30.0%	\$5,027	<b>\$201,096</b>

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(1) Market rate housing costs are assumed to be 30% of household income. Market rate rents are assumed to be \$3.80 per sqft on average. See Table 4a for calculation of household incomes for affordable units.  
 (2) Based on affordable household incomes from HUD for San Mateo County. Assumes 10% low income and 5% moderate; see Table 4a.  
 Sources: HOK; Millbrae Serra Station LLC; Brion Economics, Inc.

**Table 4a**  
**Below Market Annual Incomes and Rents by Unit Size**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

10% Low, 5% Moderate Income Level (1)	Unit Size				Weighted Average, TOTAL
	Studio (1-person)	1 BR (2-people)	2 BR (3-people)	3 BR (4-people)	
<b>Low (70% of AMI, avg.)</b>					
Annual Income	\$60,270	\$68,880	\$77,490	\$86,100	\$74,716
Monthly Income	\$5,023	\$5,740	\$6,458	\$7,175	
Monthly Housing Cost (2)	\$1,507	\$1,722	\$1,937	\$2,153	
Utility Deduction (3)	\$29	\$40	\$53	\$68	
Monthly Rent Net of Utilities	\$1,478	\$1,682	\$1,884	\$2,085	
Units	0	9	14	1	24
<b>Subtotal Annual Rent Revenue</b>	<b>\$0</b>	<b>\$181,656</b>	<b>\$307,510</b>	<b>\$32,518</b>	<b>\$521,684</b>
<b>Moderate (90% of AMI, avg.)</b>					
Annual Income	\$77,490	\$88,560	\$99,630	\$110,700	\$96,064
Monthly Income	\$6,458	\$7,380	\$8,303	\$9,225	
Monthly Housing Cost (2)	\$1,937	\$2,214	\$2,491	\$2,768	
Utility Deduction (3)	\$29	\$40	\$53	\$68	
Monthly Rent Net of Utilities	\$1,908	\$2,174	\$2,438	\$2,700	
Units	0	5	7	1	12
<b>Subtotal Annual Rent Revenue</b>	<b>\$0</b>	<b>\$117,396</b>	<b>\$198,920</b>	<b>\$21,056</b>	<b>\$337,373</b>
<b>TOTAL Annual Net Rent</b>	<b>0</b>	<b>299,052</b>	<b>506,430</b>	<b>53,574</b>	<b>\$859,056</b>
Units	0	14	20	2	36
Average Revenue per Unit	na	\$22,152	\$24,825	\$27,474	\$23,963
Average Household Income					<b>\$81,832</b>

(1) Area median income is \$123,000 for a household size of 4. Program assumes average incomes are less than the maximums. From Multifamily Housing Program, AHSC and VHHP, 2016 non-HERA Maximum Income Limits, HUD PDR-2016-01 3/28/16.

(2) Housing cost calculated at 30% of gross income.

(3) HUD allowance for tenant-furnished utilities, Apt/Condo/Duplex, San Mateo County, 11/01/2015.  
 Heating, cooking, other electric, water heating (natural gas).

Note: numbers of units may not total due to rounding of %'s applied to units in each category.

Sources: HUD; Berkson Associates; Brion Economics, Inc.

**Table 4b**  
**Below Market Annual Incomes and Rents by Unit Size - Alternative 2**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

10% Low, 5% Moderate Income Level (1)	Unit Size				Weighted Average, TOTAL
	Studio (1-person)	1 BR (2-people)	2 BR (3-people)	3 BR (4-people)	
<b>Low (70% of AMI, avg.)</b>					
Annual Income	\$60,270	\$68,880	\$77,490	\$86,100	\$74,716
Monthly Income	\$5,023	\$5,740	\$6,458	\$7,175	
Monthly Housing Cost (2)	\$1,507	\$1,722	\$1,937	\$2,153	
Utility Deduction (3)	\$29	\$40	\$53	\$68	
Monthly Rent Net of Utilities	\$1,478	\$1,682	\$1,884	\$2,085	
Units	0	17	25	2	44
<b>Subtotal Annual Rent Revenue</b>	<b>\$0</b>	<b>\$337,470</b>	<b>\$571,273</b>	<b>\$60,410</b>	<b>\$969,153</b>
<b>Moderate (90% of AMI, avg.)</b>					
Annual Income	\$77,490	\$88,560	\$99,630	\$110,700	\$96,064
Monthly Income	\$6,458	\$7,380	\$8,303	\$9,225	
Monthly Housing Cost (2)	\$1,937	\$2,214	\$2,491	\$2,768	
Utility Deduction (3)	\$29	\$40	\$53	\$68	
Monthly Rent Net of Utilities	\$1,908	\$2,174	\$2,438	\$2,700	
Units	0	8	13	1	22
<b>Subtotal Annual Rent Revenue</b>	<b>\$0</b>	<b>\$218,091</b>	<b>\$369,543</b>	<b>\$39,117</b>	<b>\$626,751</b>
<b>TOTAL Annual Net Rent</b>	<b>\$0</b>	<b>\$555,561</b>	<b>\$940,816</b>	<b>\$99,527</b>	<b>\$1,595,904</b>
Units	0	25	38	4	67
Average Revenue per Unit	na	\$22,152	\$24,825	\$27,474	\$23,963
Average Household Income					<b>\$81,832</b>

(1) Area median income is \$123,000 for a household size of 4. Program assumes average incomes are less than the maximums. From Multifamily Housing Program, AHSC and VHHP, 2016 non-HERA Maximum Income Limits, HUD PDR-2016-01 3/28/16.

(2) Housing cost calculated at 30% of gross income.

(3) HUD allowance for tenant-furnished utilities, Apt/Condo/Duplex, San Mateo County, 11/01/2015.

Heating, cooking, other electric, water heating (natural gas).

Note: numbers of units may not total due to rounding of %'s applied to units in each category.

Sources: HUD; Berkson Associates; Brion Economics, Inc.



## **FISCAL IMPACT ANALYSIS**

The following section describes the methodology and assumptions used in the FIA. The analysis estimates the impacts of each alternative on City General Fund revenues and costs. Impacts to other City funds are not analyzed here, as they are either not impacted or are funded by dedicated funding sources, such as user fees or special taxes.

General Fund revenues include discretionary funds, such as property tax, sales tax, transient occupancy tax, utility use tax, and other per capita revenues. General Fund costs include all departmental costs and services, such as police, fire, planning, general government, public works, etc.

The analysis is based on the City of Millbrae detailed budget data by department and line item provided by City staff, for Fiscal Year 2016-17. Factors and results of this analysis are presented in constant 2016 dollars.

### **Average Revenue and Cost Analysis**

Most of the City revenues and expenditures are projected in proportion to the Per Service Population, one of three main average cost or revenue factors:

- Residential population – termed “**Per Capita.**” These revenues or costs are only generated by residents.
- Worker population – termed “**Per Employee.**” These revenues or costs are only generated by employees or businesses.
- Combined effect of residents and employees – termed “**Per Service Population.**” These revenues and costs are generated by both residents and businesses/employees. Employees generally generate revenues and costs at a lower level than population, however, and are estimated at about 33% of employment.

For this analysis, the average costs and revenues per service population method are used for most budget items. Some revenues are forecast on a marginal basis, as discussed below.

### **Marginal Analysis**

Some revenue items use a logical marginal analysis that incorporates unique aspects of the project. Each of these items is analyzed using distinct methodologies, shown in separate tables. Marginal analysis can incorporate average cost or revenue factors. However, the unique aspects of a project’s demand for services or revenue-generating capabilities are considered in the methodology. For instance, for property tax revenues, the actual new assessed value is used but is calculated based on average market values for the project. For this analysis, the following items are estimated on a marginal basis. For this study, we are not assuming any ownership turnover of the Project site and, thus, property transfer taxes are not estimated.

- Property tax revenues (secured and unsecured)
- VLF property tax swap revenues
- Sales tax revenues

### **Non-Impacted Items**

Finally, some General Fund revenue and expenditure items are not forecast because they are not impacted by population growth or any other effect of the Project. These items are labeled “not forecast” in the tables.

### **General Fund Revenues**

The City of Millbrae currently has total General Fund revenues of about \$29.4 million. Most City General Fund revenues are estimated based on service population. We divide total revenues by the City’s current service population to estimate revenue factor per service population. **Table 5** summarizes the City’s General Fund revenues and average revenue factors per service population. These per service population factors include:

- Other Tax Revenues (excluding sales tax) at \$35.90
- Franchise Fees at \$40.21
- Licenses at \$13.52
- Permits at \$54.19
- Fines at \$63.06
- Engineer & Planning Fees at \$54.17
- Public Safety Services at \$22.25
- Water & Sanitation Services at \$4.75

### ***Property Taxes***

Property taxes are based on the Project’s assessed value, which is based on estimated market values shown in **Table 3**. In California, property tax is assessed at 1% of assessed value. Under the restrictions of Proposition 13, a property’s assessed value can be increased by up to 2% per year as long as ownership does not change. When a property is sold, its assessed value may be adjusted and increased to reflect its market value. Thus, assessed value of a property may grow at 2% annually or at a much higher rate, depending on whether or not it is re-sold. The property tax revenues estimated in this analysis do not reflect increases in assessed value over time. It is assumed the ownership of the property does not change. Therefore, these estimates are considered conservative. Property tax revenues are summarized in Table 5 and estimated in **Table A-1**, based on the market values in **Table 3**

**Table 5**  
**Annual General Fund Revenues at Buildout by Scenario**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	FY 2016-17 GF Revenues	Forecast method	Revenue per Service population (1)	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Property and Other Taxes	\$10,747,218	marginal method	See Table A-1	\$317,189	\$676,068
VLF - Property Tax Swap (2)		marginal method	See Table A-4	\$101,790	\$220,842
Property Transfer Taxes (2)		not impacts; no turnover			
Sales Tax					
Sales Tax from New Residents		marginal method	See Table A-3b	\$40,569	\$62,938
Sales Tax from Employees		marginal method	See Table A-3	\$14,615	\$38,722
Business to Business Sales Tax		marginal method	See Table A-3	\$9,305	\$24,654
Hotel Taxes	\$7,467,020	marginal method	Not Applicable	\$0	\$0
Other Taxes Revenues	\$2,966,331	per service population	\$35.90 (3)	\$24,640	\$49,999
Franchise Taxes	\$1,029,029	per service population	\$40.21	\$27,599	\$56,004
Licenses	\$346,000	per service population	\$13.52	\$9,280	\$18,831
Permits	\$1,386,863	per service population	\$54.19	\$37,197	\$75,479
Fines/Forfeitures	\$1,613,731	per service population	\$63.06	\$43,281	\$87,826
Use of Money and Property	\$548,012	not forecast		\$0	\$0
State, County, Federal Grants	\$220,948	not forecast		\$0	\$0
Engineer & Planning Fee	\$1,386,260	per service population	\$54.17	\$37,180	\$75,446
Public Safety Services	\$569,389	per service population	\$22.25	\$15,271	\$30,989
Water & Sanitation Services	\$121,685	per service population	\$4.75	\$3,264	\$6,623
Other Revenues	\$1,037,563	not forecast		\$0	\$0
Rev. - Other Finance Source	\$0	not forecast		\$0	\$0
Fire Assessment Revenues		See Table A-5		\$39,606	\$76,026
<b>Total General Fund Revenues</b>	<b>\$29,440,049</b>			<b>\$720,787</b>	<b>\$1,500,446</b>

(1) Service population is calculated as 100% of residential population plus 33% of employment. These revenues and costs are generated by both residents and businesses/employees. Employees generally generate revenues and costs at a lower level than population.  
 (2) For citywide figures, these revenue items are included in property taxes.  
 (3) Excludes 69% of this revenue source, which is related to sales tax based on the City's FY 14/15 Budget; sales tax is estimated on a marginal basis.  
 Sources: City of Millbrae; Placeworks; Brion Economics, Inc.

The Project is located in Tax Rate Area (TRA) 14-007. Each TRA has its own Tax Allocation Factors (TAFs). The City of Millbrae receives about 13.5% of the total 1% of property taxes after the ERAF shift.<sup>3</sup>

<sup>3</sup> Educational Revenue Augmentation Fund is a practice started by the State of California in the early 1990s to redistribute a portion of local property tax revenues to school districts in need of additional funding.

Distribution of 1% Property Tax	Tax Allocation		
	Factors (TAFs)	ERAF Shift	Net ERAF TAFs
San Mateo County	28.165%	40.679%	16.708%
Free Library	4.106%	20.253%	3.274%
<b>City of Millbrae</b>	<b>15.787%</b>	<b>14.718%</b>	<b>13.463%</b>
Millbrae Elementary USD	17.157%	0.000%	17.157%
San Mateo High School District	20.545%	0.000%	20.545%
SM Jr College District	8.059%	0.000%	8.059%
Bay Area Air Quality Management District	0.248%	0.000%	0.248%
County Harbor District	0.419%	22.724%	0.324%
SMC Mosquito & Vector Control District	0.228%	16.146%	0.191%
Peninsula Hospital District	1.092%	0.000%	1.092%
County Education Tax	4.194%	0.000%	4.194%
ERAF Shifts	<u>0.000%</u>	14.744%	14.744%
<b>Total 1% Property Taxes</b>	<b>100.000%</b>		<b>100.000%</b>

### ***Vehicle In-Lieu Fees Property Tax Swap***

In the past, the State of California distributed motor vehicle in-lieu fees (derived from vehicle registration fees) on a per capita basis. This is no longer the case. As of FY 2004/2005, the State now distributes this revenue based on a city’s increase in assessed value each year and the amount of VLF Property Tax Swap revenue the city received in the prior year. Thus, cities with low growth or stagnant assessed value do not receive as much as they did in the past.

**Table A-4** in **Appendix A** estimates the impact of the Alternatives on this revenue source. The City currently has a total assessed value base of \$4.7 billion. The City is expected to receive about \$2 million in vehicle in-lieu fees for FY 2015-16. Alternative 1 would increase VLF swap revenue by \$101,800. Alternative 2 would increase annual VLF swap revenue by \$220,800.

### ***Sales Tax***

The Project is expected to generate sales tax through new retail spending by Project residents, employees, and visitors; and through new retail sales in the Project’s retail space. Total sales tax revenues for the Project alternatives are derived in **Tables A-3 through Table A-3c**. The projections are based on the assumption that 50% of retail expenditures by Project residents and employees are made in Millbrae, and the remainder are made outside the City. Groceries have been excluded from retail expenditures since they are largely non-taxable. Vehicles have been excluded since this retail category does not exist in Millbrae.

The City receives 1% of taxable sales. For employee spending, the average expenditures for suburban locations published by the International Council of Shopping Centers in *Office Worker Retail Spending Patterns*<sup>4</sup> is used as shown in **Table A-3a** and adjusted for inflation to 2016

<sup>4</sup> *Office-Worker Retail Spending in a Digital Age*, 2012, ICSC Research.

dollars in **Table A-3** (see footnotes). Employees at the Site are assumed to generate sales tax to the City based on average taxable sales of \$129.79 per week (excluding groceries), for 50 work weeks per year.

Business-to-Business taxable sales are estimated at \$2,066 annually per employee based on actual taxable sales for the City in 2014. See **Table A-3** of **Appendix A** for projections of sales tax revenues from employees and business-to-business sales.

**Table A-3b** calculates estimated sales tax revenues from residents. The analysis assumes that 95.5% of the units would be occupied, based on current vacancy rates in Millbrae from the Department of Finance.<sup>5</sup> First, total household expenditures are estimated based on expected household incomes by unit type. On average, it is estimated that taxable sales, excluding groceries and vehicle sales, equal 52% of total household income; retail expenditures are a subset of this figure and estimated at about 39% of total household expenditures. These figures are further reduced by a 50% capture rate for the City, given the City's relative lack of retail shopping opportunities. Household expenditure data is based on average retail spending data from Nielsen Solution Center for the entire City of Millbrae as of 2016 (see **Table A-3c**). Alternative 1 would generate \$40,600 in sales tax from residents and Alternative 2 would generate \$62,900 from resident spending.

Retail sales tax revenue from the retail space is not counted in order to avoid any double counting of resident and employee spending. This space would generate additional sales tax revenues associated with BART riders but is excluded to be conservative.

### ***Other Taxes***

Other Taxes include Property Transfer Tax, Property Tax "Triple Flip," Parking Tax, etc. The City's "other taxes" includes sales tax revenues; in order to not double count this revenue, sales tax has been excluded from this revenue item as it is estimated on a marginal basis, based on historical budget data. For this analysis, 69% of "other taxes" revenues have been excluded.

### ***Transient Occupancy Tax***

Transient Occupancy Tax, or TOT, is the tax generated from hotel overnight lodging. Neither Alternative 1 nor 2 include a hotel, and thus no revenue is estimated from this tax source.

### ***Fire Assessment for Services***

The City also has adopted an annual special assessment for fire services to supplement General Fund revenues. **Table A-5** shows the rates by land use and applies them to the development assumptions in each alternative. Alternative 1 would generate \$40,000 in revenue from this source, and Alternative 2 would generate about \$76,000.

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<sup>5</sup> E-5 Population and Housing Estimates for Cities, Counties, and the State, E-5 Report, Jan. 1, 2015.

## **General Fund Expenditures**

City General Fund expenditures are shown by department in **Table 6**. The analysis assumes that a percentage of City costs are fixed at between 10% to 50% of total costs and the variable costs are then forecast on a per service population basis, as shown in **Table 6**. Non-departmental costs are not forecast as they are not expected to be impacted by growth.

The following budget multipliers per service population are used in the analysis, and are shown in the “Cost per Service Population” column in **Table 6** and summarized below.

- City Administration at \$82.46
- City Council at \$2.75
- Community Services at \$170.07
- Finance at \$38.48
- Fire at \$179.28
- Police at \$201.62
- Public Works at \$85.68

In total, Alternative 1 would have expenditures of \$521,900 annually and Alternative 2 would have expenditures of almost \$1.1 million annually.

**Table 6**  
**Annual General Fund Expenditures at Buildout by Scenario**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

City Department	FY 16-17 General Fund Costs (1)	Fixed Cost Adjustment (2)	Net Variable GF Costs	Method/Notes	Cost per Service Population (3)	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
City Administration	\$4,220,702	50%	\$2,110,351	per service population	\$82.46	\$56,601	\$114,854
City Council	\$140,595	50%	\$70,298	per service population	\$2.75	\$1,885	\$3,826
Community Services	\$4,836,056	10%	\$4,352,450	per service population	\$170.07	\$116,735	\$236,879
Finance	\$1,969,662	50%	\$984,831	per service population	\$38.48	\$26,414	\$53,599
Fire	\$6,117,373	25%	\$4,588,030	per service population	\$179.28	\$123,054	\$249,700
Non-Departmental	\$1,820,821	0%	\$1,820,821	not forecast	\$0.00	\$0	\$0
Police	\$6,879,922	25%	\$5,159,942	per service population	\$201.62	\$138,393	\$280,826
Public Building	\$0	10%	\$0	per service population	\$0.00	\$0	\$0
Public Works	\$2,436,388	10%	\$2,192,749	per service population	\$85.68	\$58,811	\$119,339
<b>Total</b>	<b>\$28,421,519</b>	<b>75%</b>	<b>\$21,279,471</b>		<b>\$760.34</b>	<b>\$521,893</b>	<b>\$1,059,022</b>

(1) Budget data was provided by the City Finance Dept, August 2016; excludes all capital costs.

(2) Represents the portion of each department's costs that does not vary with growth.

(3) Service population is calculated as 100% of residential population plus 33% of employment. This reflects the fact that both populations use City services, but residents use them more.

Sources: City of Millbrae; Placeworks; Brion Economics, Inc.

## FISCAL RESULTS

This section presents the conclusions of the fiscal analysis. As discussed at the beginning, this study analyzes the Project site's impacts on City revenues and expenditures based on the City's Budget for 2016-17 and existing demographic conditions under two separate alternatives. It provides a snapshot of how the project alternatives would perform fiscally, assuming current budget conditions. This type of analysis is not a budget forecast. However, it provides useful information regarding the potential costs and benefits of the Project and is a functional planning tool.

Alternative 1, with Base TOD Zoning, is estimated to generate about \$720,800 in general fund revenues and \$521,900 in costs to the General Fund. **The net fiscal balance of this scenario is \$198,900 per year.**

Alternative 2, with density bonus, would result in a higher net fiscal balance. This alternative would generate total revenues at about \$1.5 million annually in constant dollars. General costs would total about \$1.06 million per year. **The net fiscal balance of Alternative 2 equals \$441,400 per year.**

In general, the fiscal benefits of Alternative 2 are much greater than Alternative 1, or the base zoning scenario. Further details of the Project's impacts to City revenues and expenditures by line item are shown in **Table 7** below. **Appendix A** provides more detail on revenue estimates.

## OTHER ONE-TIME BENEFITS

The project would also generate one-time revenues in terms of development impact fees associated with the MSASP. The City recently hired Economic & Planning Systems, Inc. to prepare a fee nexus study, which includes sewer, transportation, park and public safety fees. This study and the fee rates are currently being considered by the City Council and are draft, subject to change. Using the draft fee rates, **Table 8** provides detailed estimates of the impact fees that would be generated by the project. Impact fees include fees for sewer, transportations, parks and public safety (police and fire services). Alternative 1 would generate \$6.2 million in one-time impact fees, while Alternative 2 would generate \$12.0 million.



**Table 7**  
**Summary of General Fund Revenues and Costs by Alternative**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Revenue and Cost Item	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
<b>General Fund Revenues</b> (1)		
Property Taxes (2)	\$317,189	\$676,068
VLF - Property Tax Swap (3)	\$101,790	\$220,842
Sales Tax from New Residents	\$40,569	\$62,938
Sales Tax from Employees	\$14,615	\$38,722
Business to Business Sales Tax	\$9,305	\$24,654
Hotel Taxes	\$0	\$0
Other Taxes Revenues	\$24,640	\$49,999
Franchise Taxes	\$27,599	\$56,004
Licenses	\$9,280	\$18,831
Permits	\$37,197	\$75,479
Fines/Forfeitures	\$43,281	\$87,826
Use of Money and Property	\$0	\$0
State, County, Federal Grants	\$0	\$0
Engineer & Planning Fee	\$37,180	\$75,446
Public Safety Services	\$15,271	\$30,989
Water & Sanitation Services	\$3,264	\$6,623
Other Revenues	\$0	\$0
Rev. - Other Finance Source	\$0	\$0
Fire Assessment Revenues	<u>\$39,606</u>	<u>\$76,026</u>
<b>Total GF Revenues</b>	<b>\$720,787</b>	<b>\$1,500,446</b>
<b>General Fund Expenditures</b> (4)		
City Administration	\$56,601	\$114,854
City Council	\$1,885	\$3,826
Community Services	\$116,735	\$236,879
Finance	\$26,414	\$53,599
Fire	\$123,054	\$249,700
Non-Departmental	\$0	\$0
Police	\$138,393	\$280,826
Public Building	\$0	\$0
Public Works	<u>\$58,811</u>	<u>\$119,339</u>
<b>Total GF Expenditures</b>	<b>\$521,893</b>	<b>\$1,059,022</b>
<b>Net Fiscal Balance</b>	<b>\$198,894</b>	<b>\$441,425</b>
Balance as % of Revenues	28%	29%

(1) See Table 5.

(2) See Table A-1 for more detail.

(3) See Table A-4 for more detail.

(4) See Table 6.

Source: Brion Economics, Inc.

**Table 8**  
**Estimated Project Impact Fee Revenues**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Rates/Assumptions	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
<b>FEES PAID TO CITY (1)</b>			
<b>Sewer</b>			
Residential (Multifamily)	\$2,210 per unit	\$528,190	\$981,240
Office	\$1.84 per sqft	\$189,701	\$533,784
Retail	\$21.50 per sqft	\$327,123	\$283,800
<b>Transportation</b>			
Residential (Multifamily)	\$1,923 per unit	\$459,597	\$853,812
Office	\$3.65 per sqft	\$376,310	\$1,058,865
Retail	\$20.73 per sqft	\$315,407	\$273,636
<b>Parks</b>			
Residential (Multifamily)	\$13,964 per unit	\$3,337,396	\$6,200,016
Office	\$5.59 per sqft	\$576,321	\$1,621,659
Retail	\$3.49 per sqft	\$53,100	\$46,068
<b>Public Safety</b>			
Residential (Multifamily)	\$190.94 per unit	\$45,635	\$84,777
Office	\$0.19 per sqft	\$19,589	\$55,119
Retail	\$0.12 per sqft	\$1,826	\$1,584
<b>Total Millbrae Impact Fees</b>		<b>\$6,230,193</b>	<b>\$11,994,360</b>

(1) Millbrae Station Area Specific Plan impact fees from Economic & Planning Systems, Inc.  
 "Table 1: MSASP Area Development ImpactFee Schedule: Preliminary Estimates."  
 Sources: City of Millbrae; Economic & Planning Systems; Brion Economics, Inc.

## APPENDIX A AND B: SUPPORTING DETAILED DATA AND ANALYSIS

### Millbrae Serra Station Project FIA - 2016 - Revised

Table	Description
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#### Appendix A: Detailed Revenue and Expenditures Projections

Table A-1	Property Tax Revenues
Table A-2	Property Information - Assessed Value
Table A-3	Estimated City Annual Sales Tax Revenue from Employees and Business to Business
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#### Appendix B: Current Local Rental Data

Table B-1	Rental Trends by City in Constant 2015 \$ from Real Facts
Table B-2	Average Rents from Zillow by City - June 2016
Table B-3	Comparison of Average Rents in FIA to Comps

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Source: Brion Economics, Inc.

**Table A-1**  
**Property Tax Revenues**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Taxing Agency and No.	Tax Allocation Factors	ERAF Shift	Net ERAF TAFs (1)	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
<b>Assessed Value (2)</b>				\$235,600,096	\$502,166,026
<b>1% Annual Property Tax Revenue</b>	<b>1.000%</b>			<b>\$2,356,001</b>	<b>\$5,021,660</b>
<b>Distribution of 1% Property Tax</b>					
San Mateo County	28.165%	40.679%	16.708%	\$393,633	\$839,003
Free Library	4.106%	20.253%	3.274%	\$77,140	\$164,419
<b>City of Millbrae</b>	<b>15.787%</b>	<b>14.718%</b>	<b>13.463%</b>	<b>\$317,189</b>	<b>\$676,068</b>
Millbrae Elementary USD	17.157%	0.000%	17.157%	\$404,217	\$861,563
San Mateo High School District	20.545%	0.000%	20.545%	\$484,032	\$1,031,683
SM Jr College District	8.059%	0.000%	8.059%	\$189,873	\$404,702
Bay Area Air Quality Management District	0.248%	0.000%	0.248%	\$5,851	\$12,471
County Harbor District	0.419%	22.724%	0.324%	\$7,628	\$16,258
SMC Mosquito & Vector Control District	0.228%	16.146%	0.191%	\$4,506	\$9,604
Peninsula Hospital District	1.092%	0.000%	1.092%	\$25,739	\$54,861
County Education Tax	4.194%	0.000%	4.194%	\$98,813	\$210,613
ERAF Shifts	<u>0.000%</u>	14.744%	14.744%	\$347,379	\$740,416
<b>Total 1% Property Taxes</b>	<b>100.000%</b>		<b>100.000%</b>	<b>\$2,356,001</b>	<b>\$5,021,660</b>

(1) The Tax Rate Area is 14-007 for the project parcels and the Tax Allocation Factors (TAFs) are from the San Mateo County Controller's Office. Provided via email on May 17, 2016.

(2) ERAF loss calculated based on data provided by San Mateo County Controller's Office on August 4, 2016.

Sources: City of Millbrae; San Mateo County Controller's Office; Brion Economics, Inc.

**Table A-2**  
**Property Information - Assessed Value**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

APN	Street Address	Property Owner	Site in Sqft	Size of Parcel in Acres	Building Improvement Value	Land Value	Total Assessed Value
024-154-460	200 El Camino Real	MSS LLC	59,500	1.37	\$319,801	\$4,264,819	\$4,584,620
024-154-200	190 El Camino Real	MSS LLC	7,800	0.18	\$213,200	\$799,503	\$1,012,703
024-337-010	no site address	MSS LLC	4,000	0.09	\$0	\$46,618	\$46,618
024-337-090	150 Serra Avenue	MSS LLC	50,400	1.16	\$999,040	\$601,997	\$1,601,037
024-337-080	no site address	MSS LLC	32,100	0.74	\$0	\$439,428	\$439,428
<b>Total Site</b>			<b>153,800</b>	<b>3.53</b>	<b>\$1,532,041</b>	<b>\$6,152,365</b>	<b>\$7,684,406</b>

Sources: HOK; Millbrae Serra Station LLC; San Mateo County Assessors Office; Brion Economics, Inc.

**Table A-3**  
**Estimated City Annual Sales Tax Revenue from Employees and Business to Business**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Assumptions	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
City Share of Sales Tax (% of Gross Sales)	1.0%		
<b><u>Retail spending from employees</u></b>			
Estimated Total Employment		450	1,193
Weekly Taxable Expenditures (excluding groceries)	\$129.79 (1)		
Number of Work Weeks per Year	50		
Total Retail Expenditures		\$2,922,996	\$7,744,360
Percent and Amount Spent in Millbrae	50%	\$1,461,498	\$3,872,180
<b>Total Employee Sales Tax Revenues</b>	<b>1.0%</b>	<b>\$14,615</b>	<b>\$38,722</b>
<b>BUSINESS-TO-BUSINESS SALES</b>			
Bus-to-Bus Taxable Sales in Millbrae in 2014	\$30,401,000 (2)		
2014 Estimated Employees in Millbrae	7,358		
Average Taxable Sales per Employee	\$4,132		
Percent New Businesses w/ Sales Tax	50%		
Average Taxable Sales per Employee	\$2,066 (2)		
Total Employees		450	1,193
Total Taxable Sales		\$930,522	\$2,465,381
City Share of Sales Tax (% of Gross Sales)	1.0%		
<b>Total Estimated Business-to-Business Sales Tax Revenue</b>		<b>\$9,305</b>	<b>\$24,654</b>

- (1) Average daily expenditures from ICSC Research, "Office-Worker Retail Spending in a Digital Age 2012" (see Table A-3a). Assumes 5 day work week; adjusted for inflation, using CPI inflator to: \$152.69 in 2016 dollars.  
<http://data.bls.gov/cgi-bin/cpicalc.pl> 15% is assumed to be non-taxable, see Table A-3a.
- (2) See California State Board of Equalization, Taxable Sales by City - Annual 2014.  
<https://www.boe.ca.gov/news/tsalescont14.htm>

Sources: City of Millbrae; ICSC Research; Brion Economics, Inc..

**Table A-3a**  
**Mean Weekly Employee Expenditures by Geography - 2012**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Types of spending	Employee Spending, Including those who spent nothing			
	Total national	Urban	Suburban	Rural/small town
<b>TOTAL</b>	<b>\$195.22</b>	<b>\$165.93</b>	<b>\$226.66</b>	<b>\$142.62</b>
TOTAL less Transportation, Online Purchases	129.18	115.60	<b>146.52</b>	90.55
<b>Transportation and Online Purchases</b>	<b>66.03</b>	<b>50.33</b>	<b>80.14</b>	<b>52.06</b>
Transportation	35.92	36.37	37.67	28.77
Online Purchases Made at the Office (personal)	30.11	13.96	42.47	23.29
<b>Full-Service Restaurants and Fast Food</b>	<b>26.71</b>	<b>26.29</b>	<b>28.86</b>	<b>16.87</b>
Full-Service Restaurants	12.97	13.45	13.06	8.62
Fast Food/Deli/Lunch Eateries	13.75	12.85	15.80	8.26
<b>Goods and Services</b>	<b>102.47</b>	<b>89.31</b>	<b>117.66</b>	<b>73.68</b>
Department Stores	7.56	6.52	9.03	4.48
<b>Discount Stores</b>	<b>10.63</b>	<b>8.19</b>	<b>11.33</b>	<b>13.38</b>
<b>Drug Stores</b>	<b>6.87</b>	<b>6.13</b>	<b>7.60</b>	<b>5.97</b>
Grocery Stores	19.79	15.98	21.58	22.26
<b>Clothing Stores</b>	<b>3.80</b>	<b>3.25</b>	<b>4.43</b>	<b>2.85</b>
Shoe Stores	2.82	2.43	3.40	1.30
Sporting Goods Stores	2.73	2.16	3.49	1.24
<b>Electronics/Phone/Computer Stores</b>	<b>5.92</b>	<b>4.86</b>	<b>8.93</b>	<b>3.97</b>
	3.36	3.92	3.75	0.94
Office Supplies/Stationery/Novelty Gifts and Cards	6.90	7.37	7.41	3.94
Warehouse Clubs	9.71	7.80	12.32	4.86
Other Goods (florist, non-food vendors, etc.)	3.61	3.95	3.75	0.77
Personal Care Shops	6.03	7.83	5.76	3.46
Personal Services	3.92	3.16	4.97	1.93
Other Services (not elsewhere classified)	3.48	2.30	4.90	0.67
Entertainment (sporting events, live theater, concerts, movies)	4.35	3.45	5.01	1.67

Note: Blue highlighted figure is used in this analysis as shown in Table A-3. Yellow is excluded.

Source: *Office-Worker Retail Spending in a Digital Age*, 2012, ICSC Research

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**Table A-3b**  
**Sales Tax Revenues from New Residents**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Assumptions	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Current housing vacancy rate	4.50% (1)		
<b>Average household income</b>	(2)		
Affordable		\$81,832	\$81,832
Studios		\$95,912	\$95,912
1-Bedroom		\$125,248	\$125,248
2-Bedrooms		\$177,536	\$177,536
3-Bedrooms		\$201,096	\$201,096
<b>Total Household Income by Unit Type</b>			
Affordable		\$2,933,673	\$5,450,003
Studios		\$0	\$2,119,655
1-Bedroom		\$1,383,990	\$20,227,552
2-Bedrooms		\$20,523,162	\$32,897,421
3-Bedrooms		<u>\$15,383,844</u>	<u>\$1,709,316</u>
<b>Total household income</b>		\$40,224,669	\$62,403,947
Household expenditures (% of income)	51.6% (3)	\$20,758,718	\$32,204,763
Retail expenditures (% of household exp.)	39.1% (3)	\$8,113,799	\$12,587,626
Retail expenditures captured in City	50%	\$4,056,900	\$6,293,813
Sales tax rate	1.0%		
<b>Annual sales tax revenues</b>		<b>\$40,569</b>	<b>\$62,938</b>
Annual average sales tax revenue per household		\$170	\$142

(1) CA Dept. of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, E-5 Report, Jan 1 2015.

(2) See Tables 4 and 4a

(3) © 2016 The Nielsen Company. All rights reserved. Based on expenditure and income data for Millbrae.

Excludes food at home which is not taxable. See Table A-3c for detail spending by store/good category.

Sources: Nielsen Solution Center; Brion Economics, Inc..

**Table A-3c**  
**Total and Average Annual Expenditures by Household - 2016 City of**  
**Millbrae**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	2016 City of Millbrae
Households	8,629
Median Household Income	\$94,832
Estimated total household expenditures (\$1,000s)	\$422,302
Average total household expenditures	\$48,940
<b>Expenditures as % of Household Income</b>	<b>52%</b>
<b>Projected retail expenditures in \$1000s</b>	
Food At Home	\$44,229
Alcoholic Beverages at Home	\$3,086
Alcoholic Beverages Away from Home	\$1,851
Food Away From Home	\$27,368
Medical Supplies	\$1,753
Prescription Drugs	\$28,764
Household Furnishings and Appliances	\$9,935
Household Supplies	\$9,654
Personal Care & Smoking Products	\$5,600
Pet Expenses	\$5,063
Sports, Computer & Entertain. Equip.	\$14,060
Vehicles	\$43,480
Auto Repair/Service Stations	\$37,584
Total Apparel	<u>\$20,344</u>
<b>Total estimated retail expenditures</b>	<b>\$252,770</b>
<b>Expenditures per household in \$1000s</b>	
Food At Home	\$5,126
Alcoholic Beverages at Home	\$358
Alcoholic Beverages Away from Home	\$214
Food Away From Home	\$3,172
Medical Supplies	\$203
Prescription Drugs	\$3,333
Household Furnishings and Appliances	\$1,151
Household Supplies	\$1,119
Personal Care & Smoking Products	\$649
Pet Expenses	\$587
Sports, Computer & Entertain. Equip.	\$1,629
Vehicles	\$5,039
Auto Repair/Service Stations	\$4,356
Total Apparel	<u>\$2,358</u>
<b>Total estimated retail expenditures</b>	<b>\$29,293</b>
<b>As % of household expenditures</b>	<b>59.9%</b>
<b>Taxable retail household expenditures</b>	<b>\$19,129</b>
<b>Taxable Sales as % of household expenditures</b>	<b>39.1%</b>

Note: Highlighted figures are excluded from total.  
 Sources: Nielsen Solution Center; Brion Economics, Inc.



**Table A-4**  
**Vehicle In-Lieu Fees Property Tax Swap**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Item	Assumption	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Citywide assessed value (AV) in FY 2014/15	(1) \$4,343,504,423		
Citywide assessed value (AV) in FY 2015/16	\$4,657,957,725		
Percent Change	7.24%		
Existing Assessed Value	\$7,684,406		
Site assessed value		\$235,600,096	\$502,166,026
Increase over current assessed value		\$227,915,690	\$494,481,620
Assessed value increase from project		4.9%	10.6%
Estimated VLF swap revenue FY 2015/16	(2) \$2,080,303		
<b>New VLF swap revenues</b>		<b>\$101,790</b>	<b>\$220,842</b>

(1) <http://www.smcare.org/assessor/documents/2015-16AssessmentRoll/2015LocalCombinedRoll.pdf>

(2) Since 2005-2006, VLF revenues have been shared with cities based on a new system. Under this system, VLF revenues are increased by the same percentage as increases in total assessed value of all property (secured and unsecured) in the City.

This estimate is based on FY 14-15 VLF swap revenue adjusted for growth in citywide AV.

Sources: City of Millbrae; Alameda County Auditors Office; Brion Economics, Inc.

**Table A-5**  
**Annual Fire Assessment Revenues for Services**  
**Millbrae Serra Station Project FIA - 2016 - Revised**

Land Use	Assessment Rate by Land Use (1)	Unit of Measurement	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Multi Family	\$125.19	per unit	\$29,920	\$55,584
Office	\$0.06	per sqft	\$6,186	\$17,406
Retail	\$0.23	per sqft	\$3,499	\$3,036
Hotel	\$6.43	per room		
<b>Total</b>			<b>\$39,606</b>	<b>\$76,026</b>

(1) See Table III-5: Annual Fire Assessment Revenue at Build-out. From THE FISCAL IMPACT OF THE PROPOSED GATEWAY AT MILLBRAE STATION DEVELOPMENT ON THE CITY OF MILLBRAE GENERAL FUND, Prepared for City of Millbrae by Gruen Gruen + Associates (June 2016).

Sources: City of Millbrae; Gruen Gruen + Associates; Brion Economics, Inc.

**Table B-1**  
**Rental Trends by City in Constant 2015 \$ from Real Facts**  
**Millbrae Station FIA**

County	Average 2015	Studio 2015	1 Bed, 1 Bath 2015	2 Bed, 1 Bath 2015	2 Bed, 2 Bath 2015	2 Bed TH 2015	3 Bed, 2 Bath 2015	3 Bed TH 2015
<b>San Mateo County</b>								
Menlo Park	\$3,644	\$0	\$2,920	\$3,135	\$4,016	\$0	\$4,767	\$0
Redwood City	\$3,002	\$1,482	\$2,636	\$3,119	\$3,616	\$4,358	\$4,435	\$0
San Mateo	\$2,897	\$2,112	\$2,633	\$2,949	\$3,394	\$3,215	\$4,569	\$3,499
<b>San Francisco</b>	\$3,557	\$2,839	\$3,366	\$3,607	\$4,666	\$3,706	\$4,322	\$5,028
<b>Santa Clara County</b>								
Mountain View	\$2,790	\$1,938	\$2,568	\$2,742	\$3,493	\$3,415	\$3,920	\$4,114
Palo Alto	\$3,333	\$2,424	\$2,871	\$2,999	\$3,821	\$3,656	\$4,124	\$4,580
San Jose	\$2,403	\$1,750	\$2,179	\$2,155	\$2,727	\$2,919	\$3,197	\$3,568
Santa Clara	\$2,645	\$1,851	\$2,383	\$2,478	\$2,958	\$2,552	\$3,634	\$2,315
Sunnyvale	\$2,574	\$1,835	\$2,366	\$2,568	\$3,066	\$2,982	\$3,517	\$3,925
Fremont	\$2,241	\$1,579	\$2,013	\$2,231	\$2,628	\$2,395	\$2,934	\$2,537

Sources: RealFacts Online; ABAG; Brion Economics, Inc.

**Table B-2**  
**Average Rents from Zillow by City - June 2016**  
**Millbrae Station FIA**

Cities by County	June 2016 Average Rents
<b>San Mateo County</b>	
EAST PALO ALTO	\$3,434
DALY CITY	\$3,439
BRISBANE	\$3,489
SOUTH SAN FRANCISCO	\$3,598
PACIFICA	\$3,664
SAN BRUNO	\$3,734
SAN MATEO	\$3,982
HALF MOON BAY	\$4,092
REDWOOD CITY	\$4,351
<b>MILLBRAE</b>	<b>\$4,432</b>
FOSTER CITY	\$4,497
BELMONT	\$4,800
SAN CARLOS	\$4,843
BURLINGAME	\$5,234
MENLO PARK	\$5,694
WOODSIDE	\$9,072
PORTOLA VALLEY	\$11,365
HILLSBOROUGH	\$12,035
ATHERTON	\$18,291
COLMA	Insufficient Data
<b>Average San Mateo County (1)</b>	<b>\$4,219</b>
<b>SAN FRANCISCO</b>	\$4,436
<b>Santa Clara County</b>	
CAMPBELL	\$3,584
CUPERTINO	\$4,522
GILROY	\$3,204
LOS ALTOS	\$7,146
LOS GATOS	\$4,627
MILPITAS	\$3,324
MONTE SERENO	\$7,319
MORGAN HILL	\$3,419
MOUNTAIN VIEW	\$4,216
PALO ALTO	\$6,302
SAN JOSE	\$3,406
SANTA CLARA	\$3,519
SARATOGA	\$6,281
SUNNYVALE	\$3,918
LOS ALTOS HILLS	\$11,264
<b>Average Santa Clara County (2)</b>	<b>\$4,628</b>

Note: High End Markets are excluded as below.

(1) Excludes Woodside, Atherton, Portolla Valley and Hillsborough and Colma

(2) Excludes Los Altos Hills

Sources: Zillow; Brion Economics. Inc.

<http://www.zillow.com>

**Table B-3**  
**Comparison of Average Rents in FIA to Comps**  
**Millbrae Station FIA**

Item	Alternative 1: Base TOD Zoning	Alternative 2: Project w/ Density Bonus
Average Gross Rent per Sqft	\$3.80	\$3.80
Average Sqft per Unit	889	1,020
<b>BEI FIA Average Rents (1)</b>	<b>\$3,378</b>	<b>\$3,876</b>
<b>Real Fact Averages</b>		
Menlo Park	\$3,644	\$3,644
Redwood City	\$3,002	\$3,002
San Mateo	\$2,897	\$2,897
<b>3 City Average</b>	<b>\$3,181</b>	<b>\$3,181</b>
<b>FIA Rent as Percent of Average</b>	<b>106%</b>	<b>122%</b>
<b>Zillow Area Average Rents (2)</b>	<b>\$4,219</b>	<b>\$4,219</b>
<b>FIA Rent as Percent of Average</b>	<b>80%</b>	<b>92%</b>
Zillow Millbrae Average Rent	\$4,432	\$4,432

(1) Assumes 30% of gross rent is operating expenses and reserves. Gross rent is assumed at \$3.80 per sqft.

(2) See Table B-2, excludes Woodside, Atherton, Portolla Valley and Hillsborough and Colma. Sources: Real Facts Online; Zillow.com; Berkson Associates; Brion Economics, Inc.