

# STANFORD WEDGE HOUSING DEVELOPMENT FISCAL IMPACT ANALYSIS

TOWN OF PORTOLA VALLEY, CALIFORNIA

Prepared for:  
Town of Portola Valley

Submitted by:



Date: February 5, 2024

## General and Limiting Conditions

Every reasonable effort has been made to ensure that the data and information contained in this report are accurate as of the date of this study. However, factors exist that are outside the control of Land Econ Group (LEG) that may affect the estimates and forecasts contained herein. This study is based upon research information, estimates, assumptions and forecasts developed by Land Econ Group and its subconsultants from independent research efforts and knowledge of the industry. LEG does not assume responsibility for inaccurate information provided by the clients, the client's agents and representatives, or other data sources used in the preparation of this study. The report is based upon information current as of April 2023. LEG has not undertaken any updates of its research since such date. Because future events and circumstances, many of which are not known or predictable as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by Land Econ Group that any of the projected values or results contained in the study will actually be achieved.

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## I. Introduction

The Town of Portola Valley retained the Land Econ Group (LEG) to conduct a fiscal impact analysis for the Stanford Wedge housing development of 39 residential units, consisting of 27 single-family and duet homes for Stanford faculty and 12 affordable rental apartment units. Stanford Wedge refers to a 75-acre property owned by Stanford University and located along Alpine Road. The proposed residential development, referred to as Portola Terrace or the residential development area, is located on 10.8 acres at the northeastern portion of Stanford Wedge.

The 27 single-family homes and duet units at Portola Terrace will be sold to eligible Stanford faculty on the University's Restricted Residential Ground Lease program. The program allows qualified buyers to purchase these homes at a discount of approximately 50 percent from market value in exchange for ground lease and resale restrictions. When the buyer decides to sell, the home can only be sold back to Stanford University, and at a restricted resale price capped at either an annual appreciation rate of 4.5 percent or 50 percent of market value, whichever is lower. Although the reduced sale price of the homes under the ground lease program creates affordable housing options for faculty, the current practice in San Mateo County is that these properties are assessed at market value for the purpose of calculating property tax and property transfer tax. This University subsidized housing program is an important tool for attracting highly qualified junior faculty from across the country, particularly from areas that have much lower housing ownership costs.

Stanford University recently filed a lawsuit against Santa Clara County seeking partial property tax exemptions on faculty homes on Stanford owned land. Stanford argues that the homes should be assessed at 75 percent of market value with 25 percent reflecting the property being "college interest." The litigation specifically addresses homes on Stanford's Unrestricted Ground Lease program. The for-sale units at Portola Terrace will be on the Restricted Ground Lease program, so the results of the lawsuit may not be relevant. However, if Stanford were to win the lawsuit, although unlikely the ruling could become a precedent and cause the San Mateo County Assessor to change its current valuation process by reducing the valuation on the single-family and duet units by up to 25 percent.

For the 12 below market rate (BMR) rental apartment units in Portola Terrace, the University will retain ownership and maintain a management role. The precise allocation of affordable units will be subject to a future Affordable Housing Agreement. For purposes of this analysis, we assumed two alternatives for the BMR apartments. In Alternative 1, the apartments will be rented to a mix of half moderate-income and half low-income households. In Alternative 2, all 12 apartments will be rented to low-income households. The BMR apartments at Portola Terrace are not restricted to Stanford affiliated personnel and therefore could be subject to being taxed.

We explored the issue of property taxes on affordable rental units at some length with different staff at the San Mateo County Assessor's Office and then discussed it with Stanford University staff. Some BMR

units are exempt from property taxes but others pay reduced taxes. The exact tax status of the BMR units at Portola Terrace will depend on the legal ownership and operating structure which has yet to be established at the point of this report publication.

Stanford plans to retain the remaining undeveloped property as open space, implement a vegetation management plan and dedicate a public trail. The Town would like the University to pay for trail maintenance costs. The proposed trail on the Stanford Wedge property is approximately 1.2 miles long. The estimated cost to maintain the trail is \$2,900 to \$3,500 per year<sup>1</sup>. The analysis is intended to address the Town's on-going operating revenues and costs. One-time upfront fees, such as a parks impact fee, are assumed to offset staff planning and processing costs and are excluded from the fiscal analysis.

In the past, California cities had wide latitude to levy impact fees. However, because of abuse by selected cities, the State passed legislation requiring a "Nexus Study" to justify the connection and amount of fees levied. In September of 2021, the State passed AB 602 which placed an even greater emphasis on such nexus studies to support and justify the calculation and imposition of development fees. This new legislation reflects a growing concern in Sacramento that local government impact fees impeded the production and affordability of housing in California. Among other requirements, this legislation directs the Department of Housing and Community Development to develop an "impact fee nexus study template" by January 1, 2024, for future use by local jurisdictions. That template shall include "a method of calculating the feasibility of housing being built with a given fee level."

For this analysis, LEG has detailed the resulting fiscal impact to Portola Valley's General Fund over a 20-year period, 2025 through 2045, for three scenarios (Table 1):

**Single-Family / Duet:** Property tax assessed on the single-family homes and duet units at full market value, with the 12 rental BMR units being tax exempt because they are restricted to Stanford faculty and staff.

**Single-Family / Duet + BMR Alt 1:** Property tax assessed on the single-family homes and duet units at full market value with the 12 BMR rental apartments assessed at values based on rental rates paid by 6 moderate-income and 6 low-income households. These units would not be restricted to Stanford personnel, and employees in Portola Valley are assumed to have first priority to the low- and moderate-income units.

**Single-Family / Duet + BMR Alt 2:** The same as above, but with the BMR rental apartments with assessed values based on rental rates at 12 low-income households. These units would not be restricted to Stanford personnel, and employees in Portola Valley are assumed to have first priority to the low- and moderate-income units.

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<sup>1</sup> According to an example provided by the City of Palo Alto

The summary table also details the impact of reduced property tax revenues. This scenario may be relevant if both Stanford wins its current lawsuit against Santa Clara County, and the San Mateo County Assessor changes current practice to make assessment at 75 percent of market value standard practice for all faculty housing under ground lease.

## Summary of Findings

Impact is measured to the Town's General Fund, as it is the primary source of unrestricted discretionary funding for municipal services. The analysis uses a combination of techniques to estimate the increase in revenues and expenditures. Where possible, the increases in revenues and expenditures are modeled following the manner in which they are collected and allocated, referred to as the "Development" methodology. In other cases, where this type of detailed modeling is not possible, LEG used revenue and cost multipliers that represent the average per service population, referred to as the "Service Population" methodology. The revenue and cost multipliers are based on actual figures for fiscal year 2021-2022 reported in the *Town of Portola Valley 3 Year Adopted Budget Comparison*.

The fiscal impact was measured at three points in time, 2027, when the units are assumed to be first sold or rented and occupied, 2037 and 2047. In 2027 the estimated net fiscal impacts for the three scenarios range from positive \$69,699 for Single-Family/Duet scenario to \$73,072 for the +BMR Alt 1 scenario. The estimated net fiscal impact in 2027 for the +BMR Alt2 scenario is about \$360 less, at \$72,716. The sole difference between the scenarios is the extent of property tax assessment on the BMR rental apartments.

The overall fiscal impact in any given year takes into account increased revenue, either due to property tax or transfer tax, and increased expenditures due to the cost to provide additional services. Growth in property tax revenue is constrained both due to Proposition 13 and the tax-reduced or tax-exempt status for the BMR rental apartments.

In 2027, the project shows a substantial revenue surplus because of the dominance of the property transfer tax, since all 27 ownership units will be sold. In all subsequent years, beginning in 2028, only the units that turnover on resale will pay property transfer tax. According to Stanford Real Estate, homes on Restricted Group Lease tend to turnover on average every five years, or about 20 percent each year. For this reason, the estimated annual net fiscal impact from 2028 onwards is roughly one-third that of 2027.

In 2037 the net fiscal impacts are estimated at positive \$22,511 for Single-Family/Duet scenario, \$26,504 for the +BMR Alt 1 scenario, and \$26,082 for the +BMR Alt2 scenario. By 2047, with service costs continuing to increase, the net fiscal impact is slightly lower, estimated at \$19,040 for Single-Family/Duet scenario, \$23,766 for the +BMR Alt1 scenario and \$23,266 for the +BMR Alt2 scenario.



In summary, because the property tax contribution to the General Fund from this development is relatively minor, the net fiscal impacts of the three alternatives do not vary significantly. The Real Property Transfer Tax on turnover from initial sale and resale is very important. The initial sale of the ownership units is the most significant contributor to the revenue surplus of an estimated \$69,700 in 2027. After this initial sale of all units, beginning in 2028 only the units that turnover on resale will pay property transfer tax. The decreasing fiscal impact over time is attributed to service costs increasing faster than property tax and property transfer tax revenues. The resulting estimated net fiscal impact to the Town of Portola Valley's General Fund in 2027, 2037 and 2047 are presented below in Table 1 and Figure 1 through Figure 3. Intermediary estimates between the decades are shown in Figure 4.

**Table 1: Summary of Net Fiscal Impact to Portola Valley General Fund**

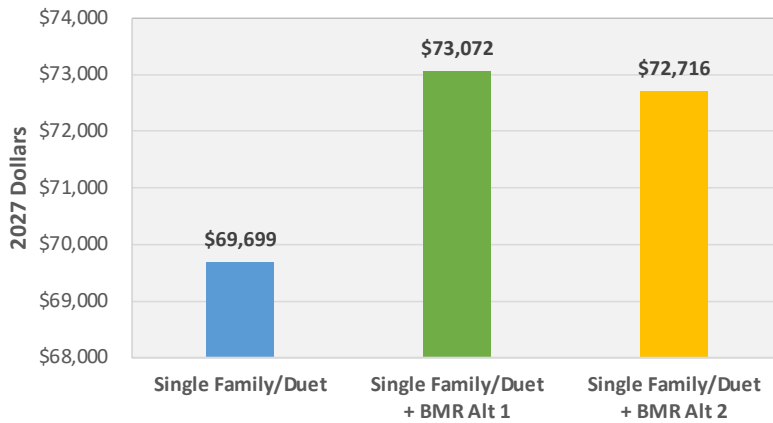
<b>Annual Impact - Single Family / Duet Units</b> (if BMR rental apartments are tax exempt)	<b>2027</b>		<b>2037</b>		<b>2047</b>	
Estimated General Fund Revenue Impact	\$149,706		\$135,369		\$178,238	
Estimated General Fund Expenditure Impact	(\$80,007)		(\$112,858)		(\$159,198)	
<b>Net Portola Valley General Fund Impact</b> (if BMR rental apartments are tax exempt)	<b>\$69,699</b>		<b>\$22,511</b>		<b>\$19,040</b>	

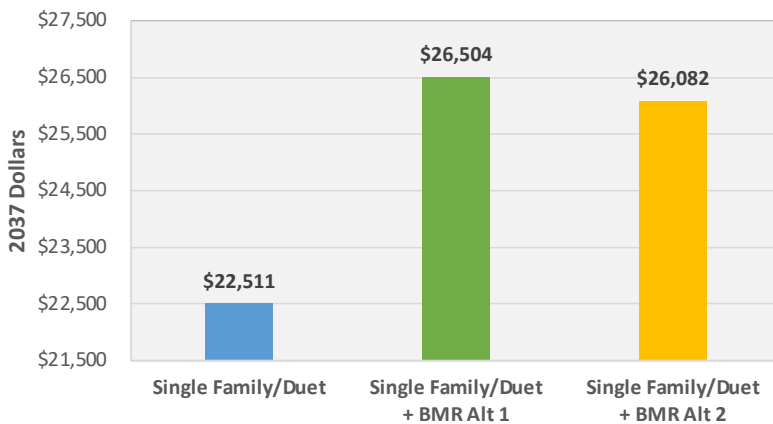
<b>Annual Impact - Single Family / Duet Units</b> <b>+ BMR Rental Apartments</b>	<b>2027</b>		<b>2037</b>		<b>2047</b>	
	Alternative 1 Mix Mod/Low BMR	Alternative 2 All Low Income BMR	Alternative 1 Mix Mod/Low BMR	Alternative 2 All Low Income BMR	Alternative 1 Mix Mod/Low BMR	Alternative 2 All Low Income BMR
Additional Revenues from Property Taxes on BMR rental apartments	\$3,374	\$3,017	\$3,993	\$3,571	\$4,726	\$4,226
<b>Net Portola Valley General Fund Impact</b> (including property taxes for BMR rental apartments)	<b>\$73,072</b>	<b>\$72,716</b>	<b>\$26,504</b>	<b>\$26,082</b>	<b>\$23,766</b>	<b>\$23,266</b>
<i>Net General Fund Impact if Stanford Lawsuit in Santa Clara County Results in a Precedent <sup>1</sup></i>	\$61,815	\$61,458	\$12,700	\$12,278	\$6,840	\$6,341

<sup>1</sup> Stanford is currently in a lawsuit with Santa Clara County to assess for-sale residential units at 75% of market value. While Portola Terrace is a Restricted Ground Lease and the litigation specifically addresses Unrestricted Ground Leases, this has been included in the fiscal analysis summary in the event that Stanford wins the lawsuit and it sets a precedent for San Mateo County.

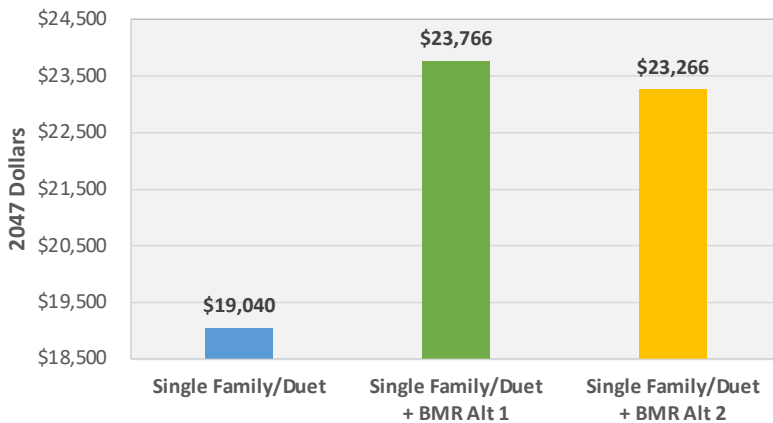
**Figure 1: Net Fiscal Impact to Portola Valley General Fund in 2027**

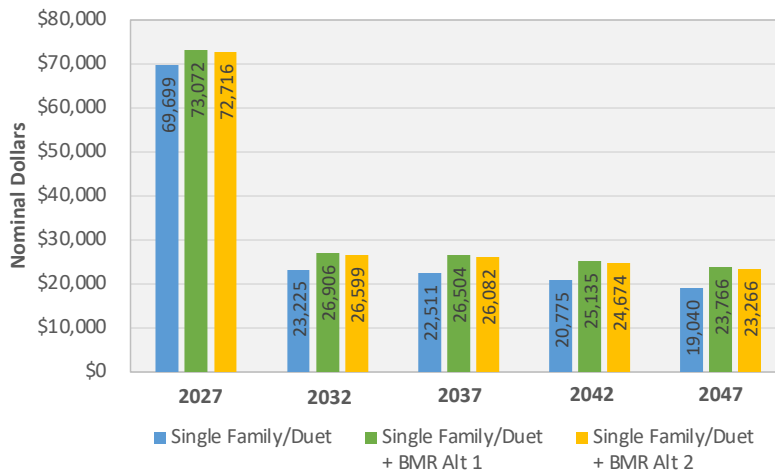


**Figure 2: Net Fiscal Impact to Portola Valley General Fund in 2037**



**Figure 3: Net Fiscal Impact to Portola Valley General Fund in 2047**



**Figure 4: Net Fiscal Impact to Portola Valley General Fund 2027-2047**

## Overview of Methodology

The fiscal impact analysis uses a combination of techniques to estimate the increase in revenues and expenditures. Where possible, the increases in revenues and expenditures are modeled following the manner in which they are collected and allocated, referred to as the “Development” methodology. For example, increases in property tax revenues are based on an estimate of the increase in assessed valuation associated with a given development project. In other cases, where this type of detailed modeling is not possible due to lack of adequate data, LEG used revenue and cost multipliers that represent the average per service population, based on actual figures for fiscal year 2021-2022 reported in the *Town of Portola Valley 3 Year Adopted Budget Comparison*. This methodology applies current fiscal conditions and municipal service levels to anticipate future costs upon completion and operation. Generally, this methodology presents a reasonably conservative analysis of the potential fiscal impacts of the plan for development.

In addition to applying development-based or service population-based estimates of General Fund revenues and expenditures, certain municipal line-item revenues or costs vary more with growth and development than others. For example, on the expenditures side, Fire Services expenditures vary more with population growth than Employee Services and Employee Benefits costs. Therefore, percentages of fixed and variable factors were included in the analysis of the major line items.

To generate the fiscal impact model LEG relied on information from Town of Portola Valley’s financial reports and conversations with the Town’s finance director to estimate revenues and expenditures that

could result from the proposed Portola Terrace development. All results of the analysis are presented in nominal dollars for the year reported.

## II. Portola Terrace Development Program

Details of the Portola Terrace housing development program were provided by Stanford Real Estate and summarized in Table 2. Of the 27 faculty units for sale under the university's ground lease program, 21 will be three- and four-bedroom single-family homes and six will be three-bedroom duet units. For the BMR rental apartments, Alternative 1 will have six units each at rental rates affordable to moderate-income and low-income households. Alternative 2 will have all 12 units offered at rents affordable to low-income households. The 12 BMR units will be a mix of studios, one-bedroom and two-bedroom apartments.

**Table 2: Summary of Portola Terrace Development Alternatives**

	SF per Unit Excluding Garage	Alternative 1	Alternative 2
		Mix Moderate/Low Income Rental Units	All Low Income Rental Units
<b>Single Family</b>			
3 Bedroom	1,945	13	13
4 Bedroom	2,058	8	8
<b>Duet Units</b>			
3 Bedroom, Duet	2,045	6	6
<b>BMR Rental Apartments</b>			
<i>Low Income Units</i>			
Studio Apartment	549	3	6
1 Bedroom Apartment	703	2	3
2 Bedroom Apartment	1,098	1	3
<i>Moderate Income Units</i>			
Studio Apartment	549	3	-
1 Bedroom Apartment	703	1	-
2 Bedroom Apartment	1,098	2	-
<b>Total Residential Units</b>		<b>39</b>	<b>39</b>

Source: Stanford Real Estate

When fully occupied the 39 housing units will add 100.6 new residents, as shown in Table 3. This represents an average ratio of 2.58 residents per housing unit and is consistent with the persons per

household used in the EIR, which are based on California Department of Finance estimates for the Town of Portola Valley overall.

The fiscal analysis estimates municipal service revenue and expenditure increases that can be attributed to the service needs of these new residents. In 2022 the Town of Portola Valley had a population of 4,393 residents and 1,300 employees. Government, Health Services and Education sectors account for over 40 percent of the employment in Portola Valley (Table 4).

**Table 3: Estimated New Residential Population at Portola Terrace**

	Population Per Unit	<u>Alternative 1</u>	<u>Alternative 2</u>
		Mix Low/Moderate Income Rental Units	All Low Income Rental Units
<b>Single Family</b>			
3 Bedroom	2.6	33.8	33.8
4 Bedroom	4	32	32
<b>Duet Units</b>			
3 Bedroom, Duet	2.6	15.6	15.6
<b>Rental Apartments</b>			
<i>Low Income Units</i>			
Studio Apartment	1	3	6
1 Bedroom Apartment	2	4	6
2 Bedroom Apartment	2.4	2.4	7.2
<i>Moderate Income Units</i>			
Studio Apartment	1	3	-
1 Bedroom Apartment	2	2	-
2 Bedroom Apartment	2.4	4.8	-
<b>Total New Residential Population</b>		<b>100.6</b>	<b>100.6</b>

Source: Land Econ Group

**Table 4: Portola Valley Employment by Sector**

	<b>No. of Employees</b>
Services - Other	378
Services - Health Services	228
Services - Education Institutions & Libraries	188
Government	148
Finance, Insurance, Real Estate	108
Retail - Food Stores	51
Retail - Eating & Drinking Places	26
Retail - Home Improvement	17
Retail - Other	14
Construction	32
Agriculture & Mining	30
Manufacturing	30
Wholesale Trade	7
Communication	3
Unclassified	40
<b>Total</b>	<b>1,300</b>

Source: Esri Business Analyst 2022

Impact varies with the demographic characteristics of the service population. The baseline measure of impact is for households. Employees tend to spend less time in the Town and therefore place a lower per capita burden on municipal services as compared to residents. In addition, intergovernmental and other municipal revenue sources are often related more directly to resident population than to the number of employees. Based on a large body of practice, each employee is estimated to impose one-third the service burden of one resident. Since residents and employees are accounted for separately with this approach, there is no double counting if the employees also live in the town. Based on the key demographic characteristics of population and employment, the Town of Portola Valley had a service population of 4,822 in 2022 (Table 5).

**Table 5: Estimated Current Demographic Factors in Portola Valley Service Population**

	Key Demographic Characteristics	Service Weight	Service Population
Population	4,393	1.00	4,393
Households	1,731		
Employment	1,300	0.33	429
<b>Total Service Population</b>			<b>4,822</b>

Source: Esri Business Analyst 2022



### III. Surveys of Comparable Units for Assessed Values

The assessed values were estimated based on surveys of single-family homes, duplexes and new rental housing developments in the surrounding market area. LEG used online sources of sales and rental records, such as Zillow and CoStar. The surveys looked at the asking price of for-sale single-family homes, townhomes and duplexes, and rental rates for both market rate and below market rate rental apartments. Average asking price and rent per square foot were used to estimate assessed values for the Portola Terrace housing unit types.

The average asking price per square foot based on a survey of single-family homes listed for sale in the greater Portola Valley market area in February of 2023 was \$1,570 (Table 6). The average asking price per square foot based on a survey of townhomes and duplexes for sale in the greater Stanford market area was \$1,072 per square foot (Table 7). A survey of newer rental apartments in the greater Stanford market area revealed asking rents that ranged from \$3.55 to \$7.45 per square foot (Table 8).

**Table 6: Survey of Asking Prices of Single-Family Homes for Sale in the Greater Portola Valley Market Area**

Town or City	Address	Asking Price	Size SF	Price per SF	Bedrms	Bath	Land Area	
							in Acres	Year Built
Portola Valley	1077 Portola Rd	\$5,195,000	3,600	\$1,443	5	4	1.23	1925
Portola Valley	846 Portola Rd	\$4,199,888	2,588	\$1,623	3	4	0.24	2022
Portola Valley	111 Carmel Way	\$2,300,000	1,980	\$1,162	3	2	0.33	1930
Sharon Heights	2327 Olympic Ave	\$3,488,000	2,260	\$1,543	3	3	0.29	1959
Sharon Heights	11 Susan Gale Ct.	\$2,995,000	2,270	\$1,319	3	3	0.11	1985
Stanford	728 Tolman Dr.	\$3,149,000	2,979	\$1,057	5	3	0.32	1970
Los Altos	14 Sunkist Ln.	\$4,995,000	2,780	\$1,797	3	4	0.30	1959
Palo Alto	784 Cereza Dr.	\$2,850,000	1,408	\$2,024	3	2	0.17	1950
Woodside	532 California Way	\$2,499,000	1,520	\$1,644	3	2	0.40	1976
Woodside	132 Otis Ave	\$3,495,000	2,500	\$1,398	4	4	0.23	2017
Woodside	486 Raymundo Dr.	\$3,995,000	1,980	\$2,018	3	2	3.18	1954
Woodside	1540 Portola Rd	\$4,495,000	2,820	\$1,594	3	2	1.00	1953
Woodside	190 Brookwood Rd	\$5,995,000	2,940	\$2,039	4	3	1.19	1960
<b>Average</b>		<b>\$3,819,299</b>	<b>2,433</b>	<b>\$1,570</b>	<b>3.5</b>	<b>2.9</b>	<b>0.69</b>	<b>1966</b>

Source: Zillow, 2.10.2023

**Table 7: Survey of Asking Prices of Townhomes and Duplexes for Sale in the Greater Stanford Market Area**

<b>Town or City</b>	<b>Address</b>	<b>Asking Price</b>	<b>Size SF</b>	<b>Price per SF</b>	<b>Bedrms</b>	<b>Bath</b>	<b>Year Built</b>	<b>HOA</b>
Sharon Heights	2369 Sharon Oaks Dr	\$1,999,980	2,180	\$917	3	3	1975	\$999
Palo Alto	4016 Villa Vera Dr	\$1,789,000	1,451	\$1,233	3	2	1977	487
Palo Alto	3903 Middlefield Rd	\$1,648,000	1,595	\$1,033	3	3	1961	766
Palo Alto	444 San Antonio Rd Apt 4A	\$1,898,000	1,826	\$1,039	3	3	1988	700
Mountain View	1947 San Luis Ave Apt 1	\$1,198,000	1,311	\$914	3	2	1980	\$598
Mountain View	436 Beaume Ct.	\$1,560,000	1,407	\$1,109	3	3	1988	\$380
Mountain View	641 Sierra Vista Ave	\$1,780,000	1,616	\$1,101	3	3	2017	\$418
Mountain View	1377 Middlefield Rd	\$1,618,000	1,471	\$1,100	3	3	2023	\$293
Mountain View	Verno Rd	\$2,368,000	1,991	\$1,189	4	4	2023	NA
Mountain View	1283 Verno Rd	<u>\$1,898,000</u>	<u>1,715</u>	<u>\$1,107</u>	<u>4</u>	<u>4</u>	<u>2022</u>	<u>\$293</u>
<b>Average</b>		<b>\$1,775,698</b>	<b>1,656</b>	<b>\$1,072</b>	<b>3.2</b>	<b>3.0</b>	<b>1995</b>	<b>\$548</b>

Source: Zillow, February 2023

**Table 8: Survey of Rents in Newer Apartments in the Greater Stanford Market Area**

Town or City	Address & Owner	Year Built	Total		Average		Asking	Asking Rent	Concessions
			No. Units	Unit Type	Count	Size SF	Rent	Per SF	
Palo Alto	585 Hamilton Ave Downtown Lighthouse REIT	2022	19	Studio	2	500	\$4,101	\$8.20	1.1%
				One-Bedroom	7	721	\$5,454	\$7.56	1.8%
				Two-Bedroom	10	970	\$7,093	\$7.31	2.0%
				Three-Bedroom	-	-	\$0	\$0.00	0.0%
				<b>Average/Total</b>	<b>19</b>	<b>829</b>	<b>\$6,174</b>	<b>\$7.45</b>	<b>1.9%</b>
Palo Alto	195 Page Mill Park Plaza Kylix Enterprises Inc	2018	82	Studio	-	-	\$0	\$0.00	0.0%
				One-Bedroom	20	865	\$2,894	\$3.35	0.4%
				Two-Bedroom	58	1,046	\$3,750	\$3.59	0.4%
				Three-Bedroom	4	1,426	\$5,500	\$3.86	0.4%
				<b>Average/Total</b>	<b>82</b>	<b>1,020</b>	<b>\$3,637</b>	<b>\$3.55</b>	<b>0.4%</b>
Palo Alto	425 Page Mill Rd Page Mill Realty	2020	16	Studio	-	-			
				One-Bedroom	16	766	\$4,386	\$5.70	0.3%
				Two-Bedroom	-	-			
				Three-Bedroom	-	-			
				<b>Average/Total</b>	<b>16</b>	<b>766</b>	<b>\$4,386</b>	<b>\$5.70</b>	<b>0.3%</b>
Redwood City	1405 El Camino Real Highwater Greystar Real Estate Partners	2021	350	Studio	95	584	\$2,784	\$4.77	0.4%
				One-Bedroom	190	773	\$3,788	\$4.90	0.4%
				Two-Bedroom	54	1,182	\$4,915	\$4.16	0.4%
				Three-Bedroom	11	1,748	\$7,663	\$4.38	0.4%
				<b>Average/Total</b>	<b>350</b>	<b>815</b>	<b>\$3,811</b>	<b>\$4.68</b>	<b>0.4%</b>
Mountain View	2580-90 California St The Crossings Greystar Real Estate Partners	2022	632	Studio	30	602	\$4,104	\$6.82	6.0%
				One-Bedroom	410	697	\$4,063	\$5.83	6.0%
				Two-Bedroom	189	1,070	\$5,692	\$5.32	6.0%
				Three-Bedroom	3	1,247	\$6,734	\$5.40	6.0%
				<b>Average/Total</b>	<b>632</b>	<b>806</b>	<b>\$4,565</b>	<b>\$5.66</b>	<b>6.0%</b>
Market Area	All Projects		1,099	Studio	127	587	\$3,117	\$5.31	1.7%
				One-Bedroom	643	727	\$3,969	\$5.46	4.0%
				Two-Bedroom	311	1,082	\$5,240	\$4.84	3.9%
				Three-Bedroom	18	1,593	\$7,028	\$4.41	1.3%
				<b>Average/Total</b>	<b>1,099</b>	<b>825</b>	<b>\$4,281</b>	<b>\$5.19</b>	<b>3.6%</b>

Source: CoStar, 2023

LEG referenced these surveys of comparable housing units to estimate the assessed value for the single-family homes, duet units and BMR rental apartments planned at Portola Terrace. Values assessed at market rate for the single-family homes and duet units are presented in Table 9. Assessed values for BMR rental apartments are presented in Table 10. Estimates for the assessed value of BMR rental apartments were calculated based on a capitalization rate on net operating income.

**Table 9: Single-Family and Duet Units – Assessed at Market Value**

Unit Type	Unit Count	Size (SF) Exclude Garage	Total SF for Type	Residents per Unit	Market Price Per SF	Market Price Per Unit	Total Price For Unit Type
<b>Single Family Units</b>							
Three Bedroom	13	1,945	25,285	3	\$1,750	\$3,403,750	\$44,248,750
Four Bedroom	<u>8</u>	<u>2,058</u>	<u>16,464</u>	4	<u>\$1,700</u>	<u>\$3,498,600</u>	<u>\$27,988,800</u>
Total or Average	21	1,988	41,749		\$1,730	\$3,439,883	\$72,237,550
<b>Duplex Units</b>							
Three Bedroom	<u>6</u>	<u>2,045</u>	<u>12,270</u>	<u>3</u>	<u>\$1,550</u>	<u>\$3,169,750</u>	<u>\$19,018,500</u>
Total or Average	6	2,045	12,270		\$1,550	\$3,169,750	\$19,018,500
Grand Total	27			89			\$91,256,050
<b>Assessed Value Total for SF and Duplex Units</b>							<b>\$91,256,050</b>
<b>Assessed Value per Unit</b>							<b>\$3,379,854</b>
<b>Assessed Value per SF</b>							<b>\$1,689</b>

Source: Land Econ Group

**Table 10: Multi-Family Units – Assessed Value with Below Market Rental Rates**

Unit Type	Count	Size (SF)	Total SF for Type	Residents per Unit	Qualifying Income	Market Rent Per SF	Monthly Rent @ 30% of Income	Gross Annual Rent
<b>Low Income Units</b>								
Studio	3	475	1,425	1	\$102,450	\$5.39	\$2,561	\$92,205
One Bedroom	2	600	1,200	2	\$117,100	\$4.88	\$2,928	\$70,260
Two Bedroom	<u>1</u>	<u>975</u>	<u>975</u>	3	\$131,750	<u>\$3.38</u>	<u>\$3,294</u>	<u>\$39,525</u>
Total or Average	6	600	3,600			\$4.68	\$2,805	\$201,990
<b>Moderate Income Units</b>								
Studio	3	475	1,425	1	\$125,650	\$6.61	\$3,141	\$113,085
One Bedroom	1	600	600	2	\$143,600	\$5.98	\$3,590	\$43,080
Two Bedroom	<u>2</u>	<u>975</u>	<u>1,950</u>	3	\$161,550	<u>\$4.14</u>	<u>\$4,039</u>	<u>\$96,930</u>
Total or Average	6	663	3,975			\$5.31	\$3,515	\$253,095
Annual Gross Rent Revenue								\$455,085
Less Vacancy Allowance @ 5%								-\$22,754
Annual Rent Revenue After Vacancy Allowance								\$432,331
Less Operating Cost @ 35%								-\$151,316
Net Operating Income								\$281,015
Capitalization Rate @ 4%								
<b>Capitalized Value or Assessed Value for Rental Project</b>								<b>\$7,025,375</b>
<b>Assessed Value per Unit</b>								<b>\$585,448</b>
<b>Assessed Value per SF Rentable Space</b>								<b>\$927</b>

Source: Land Econ Group

## IV. Annual Fiscal Impact to General Fund

### General Fund Revenues

The detailed methodology used to estimate General Fund revenues by line item are shown in Table 11. Property Taxes, Real Property Transfer Tax and Sales and Use Tax are estimated based on the proposed new development at Portola Terrace.

**Table 11: General Fund Revenues and Forecasting Method by Selected Line Item**

General Fund Revenue	Amount (2022\$)	Method	Gross per Service Population	Fixed	Variable	Net per Additional Service Population
Property Taxes	\$ 3,687,212	Mixed				
Property Taxes - Secured	2,669,370	Development	--	--	--	--
Real Property Transfer Tax	206,668	Development	--	--	--	--
Other Taxes	811,174	Service Population	\$168.22	50%	50%	\$84.11
Charges for Services	2,190,831	Service Population	\$454.34	50%	50%	\$227.17
Intergovernmental Revenue	1,652,401	Not Applicable	--	--	--	--
Fund Balance	-	Not Applicable	--	--	--	--
Operating Transfers In	-	Not Applicable	--	--	--	--
Franchise Fees	374,317	Service Population	\$77.63	75%	25%	\$19.41
Licenses and Permits	377,603	Service Population	\$78.31	75%	25%	\$19.58
Sales and Use Tax	357,391	Development	--	--	--	--
Use of Money and Property	(57,688)	Not Applicable	--	--	--	--
Other Taxes / Business License Tax	171,339	Service Population	\$35.53	75%	25%	\$8.88
Miscellaneous Revenue	55,272	Service Population	\$11.46	50%	50%	\$5.73
Fines and Forfeitures	18,609	Not Applicable	--	--	--	--
<b>Total Revenues</b>	<b>\$ 8,827,287</b>					<b>\$364.88</b>

Source: Town of Portola Valley FY 2022-23 Mid-Year Budget Review Report, 2021-22 Actual; Land Econ Group

### Assessed Value of New Development and Property Tax

Stanford University's ground lease programs allows eligible faculty to purchase the 27 single-family and duet units at Portola Terrace at a reduced sale price. However, the property taxes and property transfer taxes paid on these units are assessed at the full market value rather than the reduced sale price. The assessed values were estimated based on surveys of comparable residential units in the surrounding market area, as detailed in the previous section and tables. Once the assessed values were determined

for the market value single-family homes and duet units and the BMR rental apartments, the total assessed value over the 20-year analysis period was calculated taking into account the following:

- Proposition 13 annual property appreciation rate of 1.7 percent (the average over the last 20 years) for units that do not turn over.
- A 20 percent annual turnover of the 27 single-family and duet units on ground lease (according to Stanford Real Estate, homes on restricted ground lease tend to turnover on average every five years).
- Reassessment of the 20 percent units that turnover to market value at 3.5 percent annual increase.

The BMR rental apartments would likely be tax exempt if restricted to Stanford University affiliated personnel. The BMR apartments at Portola Terrace are not restricted and therefore could be subject to property tax. The key determinants are the legal structures of the developer and the deal. Prior to knowing the legal structure of the BMR units of this development, the County Assessor's Office would not opine on whether this project would pay property taxes. The Stanford staff who we met with indicated it was premature for them to have determined the exact legal structure of this development project and that it was up to the Town Council of Portola Valley to determine the criteria.

Based upon our case studies of other Stanford projects in the vicinity, we found that the faculty ownership units were sold at approximately half of the assessed market value at time of purchase, but assessed at their full market value. The rental units were assessed at lower than the market rate rental units. Therefore, we have estimated the assessed property taxes for the faculty ownership units at their full market value and for the BMR rental units at the capitalized value based upon their below market rents. Real property is taxed at one percent of the assessed value, per Proposition 13. The share of San Mateo County's one percent that is allocated to the Town of Portola Valley's General Fund is 4.3 percent.

Stanford University filed a lawsuit against Santa Clara County seeking partial property tax exemptions on faculty homes on Stanford owned land. Stanford argues that the homes should be assessed at 75 percent of market value with 25 percent reflecting the property being "college interest." The litigation specifically addresses homes on Stanford's Unrestricted Ground Lease program. The for-sale units at Portola Terrace will be on the Restricted Ground Lease program, so the results of the lawsuit may not be relevant. Should Stanford win the lawsuit against Santa Clara County, it would not automatically impact San Mateo County. Nonetheless, the San Mateo County Assessor may change its policies and property taxes on the single-family homes and duet units could be reduced by 25 percent. The estimated assessed value and property taxes for all these scenarios are presented in Table 12, Table 13 and Table 14.

## Property Transfer Tax

The Town of Portola Valley has a Property Transfer Tax that applies to the sale of real property at a rate of \$0.55 per \$1,000 of the sale price. New developments will generate property transfer tax as new homes are sold. In 2027, the first year the Portola Terrace development is built out, LEG assumes that all for-sale units will be sold. In that year the Town will collect property transfer taxes on all 27 single-family homes and duet units, assessed at market value. In subsequent years, property transfer taxes will be assessed on the 20 percent of properties that turnover. The estimated property transfer taxes are presented in Table 15.

For the BMR rental apartments, Stanford University plans to maintain ownership of the 12 units. No turnover is anticipated on the rental apartments in the next 20 years and therefore they will not be subject to property transfer taxes in this analysis.

**Table 12: Estimated Assessed Value and Property Tax for Single-Family and Duet Units**

Development at Build Out <sup>1</sup>	Units	SF per Unit Excluding Garage	Value per SF (2023\$)	2027			2037			2047		
				Assessed Value per Unit	Total Assessed Value (000's)	Gross Property Tax @ 1%	Assessed Value per Unit	Total Assessed Value (000's) <sup>2</sup>	Gross Property Tax @ 1%	Assessed Value per Unit	Total Assessed Value (000's) <sup>2</sup>	Gross Property Tax @ 1%
<b>Single Family</b>												
3 Bedroom	13	1,945	\$1,750	\$3,905,881	\$50,776	\$507,765	\$4,789,329	\$62,261	\$622,613	\$5,872,599	\$76,344	\$763,438
4 Bedroom	8	2,058	1,700	4,014,724	32,118	321,178	4,922,790	39,382	393,823	6,036,247	48,290	482,900
<b>Duet Units</b>												
3 Bedroom, Duet	6	2,045	1,550	3,637,361	21,824	218,242	4,460,074	26,760	267,604	5,468,871	32,813	328,132
<b>Total</b>	<b>27</b>				<b>\$104,718</b>	<b>\$1,047,184</b>		<b>\$128,404</b>	<b>\$1,284,040</b>		<b>\$157,447</b>	<b>\$1,574,470</b>
<b>Portola Valley General Fund Share @ 4.3%</b>												<b>\$67,702</b>
<i>If Stanford Wins Lawsuit @ 75%<sup>3</sup></i>												<i>\$50,777</i>

<sup>1</sup> Estimated property taxes for BMR rental apartments are shown in Table 13.  
<sup>2</sup> Total assessed values based on 1.7% Proposition 13 annual inflation (average over the last 20 years) and assuming 20% annual turnover reassessed at market value. Market value calculated retroactively at 3.5% annual increase.  
<sup>3</sup> Stanford is currently in a lawsuit with Santa Clara County to assess for-sale residential units at 75% of market value.

Source: Land Econ Group



**Table 13: Estimated Assessed Value and Property Tax for Below Market Rate Apartments by Alternative**

Development at Build Out <sup>1</sup>	Units	SF per Unit Excluding Garage	Value per SF (2023\$)	2027			2037			2047		
				Assessed Value per Unit	Total Assessed Value (000's)	Gross Property Tax @ 1%	Assessed Value per Unit	Total Assessed Value (000's) <sup>2</sup>	Gross Property Tax @ 1%	Assessed Value per Unit	Total Assessed Value (000's) <sup>2</sup>	Gross Property Tax @ 1%
<b><u>Alternative 1: Mix Low &amp; Moderate Income BMR Units</u></b>												
<i>Low Income Units</i>												
Studio Apartment	3	549	\$703	\$442,883	\$1,329	\$13,286	\$524,202	\$1,573	\$15,726	\$620,452	\$1,861	\$18,614
1 Bedroom Apartment	2	703	703	567,116	1,134	11,342	671,246	1,342	13,425	794,495	1,589	15,890
2 Bedroom Apartment	1	1,098	703	885,766	886	8,858	1,048,404	1,048	10,484	1,240,904	1,241	12,409
<i>Moderate Income Units</i>												
Studio Apartment	3	549	862	543,051	1,629	16,292	642,763	1,928	19,283	760,782	2,282	22,823
1 Bedroom Apartment	1	703	862	695,383	695	6,954	823,064	823	8,231	974,189	974	9,742
2 Bedroom Apartment	2	1,098	862	1,086,103	2,172	21,722	1,285,525	2,571	25,711	1,521,563	3,043	30,431
<b>Total - Alternative 1</b>	<b>12</b>				<b>\$7,845</b>	<b>\$78,454</b>		<b>\$9,286</b>	<b>\$92,859</b>		<b>\$10,991</b>	<b>\$109,909</b>
<b>Portola Valley General Fund Share @ 4.3%</b>						<b>\$3,374</b>			<b>\$3,993</b>			<b>\$4,726</b>
<b><u>Alternative 2- All Low Income BMR Units</u></b>												
<i>Low Income Units</i>												
Studio Apartment	6	549	\$703	\$442,883	\$2,657	\$26,573	\$524,202	\$3,145	\$31,452	\$620,452	\$3,723	\$37,227
1 Bedroom Apartment	3	703	703	567,116	1,701	17,013	671,246	2,014	20,137	794,495	2,383	23,835
2 Bedroom Apartment	3	1,098	703	885,766	2,657	26,573	1,048,404	3,145	31,452	1,240,904	3,723	37,227
<b>Total - Alternative 2</b>	<b>12</b>				<b>\$7,016</b>	<b>\$70,159</b>		<b>\$8,304</b>	<b>\$83,042</b>		<b>\$9,829</b>	<b>\$98,289</b>
<b>Portola Valley General Fund Share @ 4.3%</b>						<b>\$3,017</b>			<b>\$3,571</b>			<b>\$4,226</b>

<sup>1</sup> Estimated property taxes for Single-Family and Duet for-sale units are shown in Table 12.

<sup>2</sup> Total assessed values based on 1.7% Proposition 13 annual inflation (average over the last 20 years). Rental apartments are owned by Stanford University and ownership turnover is not expected.

**Table 14: Estimated Property Transfer Tax for New Development**

(Rental apartments are owned by Stanford University and ownership turnover is not expected)

Development at Build-Out	2027				2037				2047			
	Total Assessed Value (000's)	Avg Annual % Sold <sup>1</sup>	Subject to Property Transfer Tax (000's)	Property Transfer Tax @ 55¢ per \$1,000 of Value	Total Assessed Value (000's) <sup>2</sup>	Avg Annual % Sold <sup>1</sup>	Subject to Property Transfer Tax (000's) <sup>3</sup>	Property Transfer Tax @ 55¢ per \$1,000 of Value	Total Assessed Value (000's) <sup>2</sup>	Avg Annual % Sold <sup>1</sup>	Subject to Property Transfer Tax (000's) <sup>3</sup>	Property Transfer Tax @ 55¢ per \$1,000 of Value
<b>Single Family</b>												
3 Bedroom	\$50,776	100%	\$50,776	\$27,927	\$62,261	20%	\$12,123	\$6,668	\$76,344	20%	\$14,865	\$8,176
4 Bedroom	32,118	100%	32,118	17,665	39,382	20%	7,668	\$4,218	48,290	20%	9,403	\$5,172
<b>Duet Units</b>												
3 Bedroom, Duet	21,824	100%	21,824	12,003	26,760	20%	5,211	\$2,866	32,813	20%	6,389	\$3,514
<b>Total at Build-Out</b>	<b>\$104,718</b>			<b>\$57,595</b>	<b>\$128,404</b>			<b>\$13,751</b>	<b>\$157,447</b>			<b>\$16,862</b>

<sup>1</sup> All units assumed to turnover in 2025. According to Stanford Real Estate, homes on Restricted Ground Lease tend to turn over on average every 5 years<sup>2</sup> Total assessed values based on 1.7% Proposition 13 annual inflation (the average over the last 20 years) and assuming 20% annual turnover.<sup>3</sup> 20% annual turnover reassessed at market value, calculated at 3.5 percent annual increase.<sup>4</sup> The rental apartments are owned by Stanford University and ownership turnover is not expected.

Source: Land Econ Group

## Sales Tax and Use Tax

Sales and Use Tax is derived from sales at retail stores, restaurants or business-to-business transactions. The proposed development does not include new retail or commercial space. As such all new sales tax generated will be from spending by the 100.6 new Portola Terrace residents. Based on U.S. Census data for San Mateo County, the total retail sales per capita is estimated at \$38,500 in 2027. According to market-based estimates, LEG approximated that 60 percent is sales to residents, as opposed to business-to-business sales, and that 15 percent would be spent at the retail and restaurant establishments within Portola Valley. The resulting sales generated by new residents were then multiplied by the Town of Portola's sales tax rate of one percent (Table 17). The annual sales tax revenue impact is estimated to be \$3,486 in 2027, \$4,907 in 2037 and \$6,926 by 2047.

**Table 15: Estimated Sales Tax from New Residential Population at Portola Terrace**

<b>Total at Build-Out</b>		<b>2027</b>	<b>2037</b>	<b>2047</b>
New Residential Population		100.6	100.6	100.6
Per Capita Retail Store Sales <sup>1</sup>		\$38,500	\$54,200	\$76,500
Sales to Residents estimate <sup>2</sup>	60%	\$23,100	\$32,520	\$45,900
<b>Total Retail Store Sales by New Residential Population</b>		<b>\$2,323,860</b>	<b>\$3,271,512</b>	<b>\$4,617,540</b>
Capture Rate within Town of Portola Valley	15%	\$348,579	\$490,727	\$692,631
Capture Rate within Portola Terrace Development <sup>3</sup>	0%	\$0	\$0	\$0
<b>New Resident Retail Sales within Portola Valley</b>				
Less Sales in Portola Terrace Development <sup>3</sup>		\$348,579	\$490,727	\$692,631
Portola Valley Sales Tax Rate	1%			
<b>Total at Build-Out</b>		<b>\$3,486</b>	<b>\$4,907</b>	<b>\$6,926</b>
<b>Sales Tax per New Resident</b>		<b>\$35</b>	<b>\$49</b>	<b>\$69</b>

<sup>1</sup> Based on San Mateo County total retail sales per capita, U.S. Economic Census Data, and calculated at 3.5 percent annual inflation.

<sup>2</sup> Excludes estimated business-to-business sales.

<sup>3</sup> No commercial space is planned in the Portola Terrace development program

Source: Land Econ Group

## General Fund Expenditures

On the expenditures side, the Town of Portola Valley contracts with the County for Police Services and with the Fire District. The Town had a negotiated contract with the San Mateo County Sheriff Department to provide law enforcement services in-lieu of having its own police department. The contract that just expired at the end of June 2023 with the extension in negotiations showed a cost of \$1,493,845 for FY 2022-23. The negotiated cost started at \$1,058,278 in FY 2018-19 and increased by nine percent per year. The five-year total that the Town agreed to pay was \$6,333,486.

In the negotiations for the new contract, the Sheriff's Department proposed an increase of \$852,739 per year. The Town Council approved a short-term extension at the previous annual rate while it studies the issue in greater detail. From the Town's fiscal perspective, the aggressiveness of the County's negotiating position would suggest that the Sheriff's Department has built in cost increases due to both inflation and the growth of the town. In the near to intermediate term, the development of Portola Terrace is not expected to affect the Town's law enforcement cost. However, because law enforcement cost correlates strongly with population over the long term, an increase in local population will contribute to greater service requirements and an increase in law enforcement cost. For this reason, we have applied the service population approach to this expenditure line item.

Fire Services are provided by the Woodside Fire Protection District through and paid for directly through a share of the one percent property tax split. The Town only contracts for additional Fire Mitigation measures with the Woodside Fire Protection District for services such as wood chipping, etc. These are shown in the General Fund expenditures under Fire Services. Estimates for expenditure line-items are based on the service population method, as detailed in Table 16.

**Table 16: General Fund Expenditures and Forecasting Method by Selected Line Item**

General Fund Expenditures	Amount (2022\$)	Method	Gross per Service Population	Fixed	Variable	Net per Additional Service Population
Services and Supplies	\$3,801,370	Mixed				
PUBLIC SAFETY	1,678,837					
Police Services <sup>1</sup>	1,370,500	Service Population	\$284.22	25%	75%	\$213.16
San Mateo County Sheriff's Office	1,000,021					
COPS Additional Traffic Patrols	370,479					
Fire Services <sup>2</sup>	240,224	Service Population	\$49.82	5%	95%	\$47.33
WFPD-Fuel Mitigation Program	164,731					
Fire Prevention	75,493					
Dispatch Services	68,113	Service Population	\$14.13	5%	95%	\$13.42
Other Services and Supplies	2,122,533	Service Population	\$440.18	50%	50%	\$220.09
Employee Services	1,983,688	Service Population	\$411.38	75%	25%	\$102.85
Fixed Assets	869,370	Not Applicable	--	--	--	--
Employee Benefits	562,389	Service Population	\$116.63	75%	25%	\$29.16
Maintenance and Utilities	420,691	Service Population	\$87.24	50%	50%	\$43.62
Operating Transfers Out	-	Not Applicable	--	--	--	--
Reserves	-	Not Applicable	--	--	--	--
Education and Travel	32,235	Not Applicable	--	--	--	--
Total Expenditures	\$7,669,743					\$669.62

<sup>1</sup> Police Services provided by San Mateo County Sheriff's Office through contract in effect from July 2018 through June 2023. Costs based on fixed annual fee schedule negotiated every 5 years.

<sup>2</sup> Basic Fire Protection Services provided by Woodside Fire Protection District through a MOU, cost shown are extra services paid by the General Fund

Source: Town of Portola Valley FY 2022-23 Mid-Year Budget Review Report, 2021-22 Actual; Land Econ Group

## Overall General Fund Impacts

The overall General Fund impacts from the 39 new housing units and 100.6 new residents proposed in the Portola Terrace development are summarized by major revenue and expenditure line item in Table 17 and Table 18. The largest impact from the Portola Terrace development on General Fund revenue line items are Property Transfer Tax, Other Taxes and Charges for Services, which includes utility user taxes for energy and water and Town planning, inspection, and plan check fees. The largest impact on expenditure items are Services and Supplies and Employee Services, which includes the Town attorney, consultants, and other government administrative services. The resulting net new impacts are summarized in Table 19.

**Table 17: General Fund Revenues Impact from Portola Terrace Development**

General Fund Revenue	Net per Additional Service Population (2022\$)	2027		2037		2047	
		Net per Addtl Service Pop <sup>1</sup>	General Fund Rev Impact	Net per Addtl Service Pop <sup>1</sup>	General Fund Rev Impact	Net per Addtl Service Pop <sup>1</sup>	General Fund Rev Impact
New Residential Population		100.6		100.6		100.6	
<b>Revenue Line Items</b>							
Property Taxes							
Property Taxes - Secured							
Single Family / Duet Homes	--		\$45,029		\$55,214		\$67,702
Rental BMR Apartments - Alt 1	--		3,374		3,993		4,726
Rental BMR Apartments - Alt 2	--		3,017		3,571		4,226
Real Property Transfer Tax	--		57,595		13,751		16,862
Other Taxes	\$84.11	\$99.90	10,050	\$140.92	14,176	\$198.78	19,997
Charges for Services	227.17	269.81	27,143	380.59	38,287	536.86	54,008
Intergovernmental Revenue	--		--		--		--
Fund Balance	--		--		--		--
Operating Transfers In	--		--		--		--
Franchise Fees	19.41	23.05	2,319	32.51	3,271	45.86	4,614
Licenses and Permits	19.58	23.25	2,339	32.80	3,300	46.27	4,654
Sales and Use Tax	--		3,486		4,907		6,926
Use of Money and Property	--		--		--		--
Other Taxes / Business License Tax	8.88	10.55	1,061	14.88	1,497	20.99	2,112
Miscellaneous Revenue	5.73	6.81	685	9.60	966	13.54	1,363
Fines and Forfeitures	--		--		--		--
<b>Total Revenues (no property tax from Rental BMR Apts)</b>			<b>\$149,706</b>		<b>\$135,369</b>		<b>\$178,238</b>
<b>Total Revenues (include property tax from Rental BMR Apts - Alt 1)</b>			<b>\$153,080</b>		<b>\$139,362</b>		<b>\$182,964</b>
<b>Total Revenues (include property tax from Rental BMR Apts - Alt 2)</b>			<b>\$152,723</b>		<b>\$138,940</b>		<b>\$182,464</b>

<sup>1</sup> Net revenue per additional service population calculated at 3.5 percent annual increase.

Source: Land Econ Group

**Table 18: General Fund Expenditures Impact from Portola Terrace Development**

General Fund Expenditures	Net per Additional Service Population (2022\$)	2027		2037		2047	
		Net per Addtl Service Pop <sup>3</sup>	General Fund Exp Impact	Net per Addtl Service Pop <sup>3</sup>	General Fund Exp Impact	Net per Addtl Service Pop <sup>3</sup>	General Fund Exp Impact
New Residential Population		100.6		100.6		100.6	
<b>Expenditure Line Items</b>							
Services and Supplies							
PUBLIC SAFETY							
Police Services <sup>1</sup>	\$213.16	\$253.17	\$25,469	\$357.12	\$35,927	\$503.76	\$50,678
San Mateo County Sheriff's Office							
COPS Additional Traffic Patrols							
Extra Fire Protection Services <sup>2</sup>	\$47.33	\$56.21	\$5,655	\$79.29	\$7,977	\$111.85	\$11,252
WFPD-Fuel Mitigation Program							
Fire Prevention							
Dispatch Services	13.42	15.94	1,603	22.48	2,262	31.71	3,190
Other Services and Supplies	220.09	261.40	26,296	368.72	37,094	520.12	52,324
Employee Services	102.85	122.15	12,288	172.30	17,334	243.05	24,451
Fixed Assets	--	--	--	--	--	--	--
Employee Benefits	29.16	34.63	3,484	48.85	4,914	68.91	6,932
Maintenance and Utilities	43.62	51.81	5,212	73.08	7,352	103.09	10,371
Operating Transfers Out	--	--	--	--	--	--	--
Reserves	--	--	--	--	--	--	--
Education and Travel	--	--	--	--	--	--	--
<b>Total Expenditures</b>			<b>\$80,007</b>		<b>\$112,858</b>		<b>\$159,198</b>

<sup>1</sup> Police Services provided by San Mateo County Sheriff's Office through contract in effect from July 2018 through June 2023. Costs based on fixed annual fee schedule negotiated every 5 years.

<sup>2</sup> Basic Fire Protection Services provided by Woodside Fire Protection District through a MOU, cost shown are extra services paid by the General Fund

<sup>3</sup> Net expenditure per additional service population calculated at 3.5 percent annual increase.

Source: Land Econ Group

**Table 19: Summary of Fiscal Impact of Portola Terrace Development**

<b>Annual Impact - Single Family / Duet Units</b> (if BMR rental apartments are tax exempt)	<b>2027</b>		<b>2037</b>		<b>2047</b>	
Estimated General Fund Revenue Impact	\$149,706		\$135,369		\$178,238	
Estimated General Fund Expenditure Impact	(\$80,007)		(\$112,858)		(\$159,198)	
<b>Net Portola Valley General Fund Impact</b> (if BMR rental apartments are tax exempt)	<b>\$69,699</b>		<b>\$22,511</b>		<b>\$19,040</b>	

<b>Annual Impact - Single Family / Duet Units</b> <b>+ BMR Rental Apartments</b>	<b>2027</b>		<b>2037</b>		<b>2047</b>	
	Alternative 1 Mix Mod/Low BMR	Alternative 2 All Low Income BMR	Alternative 1 Mix Mod/Low BMR	Alternative 2 All Low Income BMR	Alternative 1 Mix Mod/Low BMR	Alternative 2 All Low Income BMR
Additional Revenues from Property Taxes on BMR rental apartments	\$3,374	\$3,017	\$3,993	\$3,571	\$4,726	\$4,226
<b>Net Portola Valley General Fund Impact</b> (including property taxes for BMR rental apartments)	<b>\$73,072</b>	<b>\$72,716</b>	<b>\$26,504</b>	<b>\$26,082</b>	<b>\$23,766</b>	<b>\$23,266</b>
<i>Net General Fund Impact if Stanford Lawsuit in Santa Clara County Results in a Precedent <sup>1</sup></i>	<i>\$61,815</i>	<i>\$61,458</i>	<i>\$12,700</i>	<i>\$12,278</i>	<i>\$6,840</i>	<i>\$6,341</i>

<sup>1</sup> Stanford is currently in a lawsuit with Santa Clara County to assess for-sale residential units at 75% of market value. While Portola Terrace is a Restricted Ground Lease and the litigation specifically addresses Unrestricted Ground Leases, this has been included in the fiscal analysis summary in the event that Stanford wins the lawsuit and it sets a precedent for San Mateo County.

Source: Land Econ Group

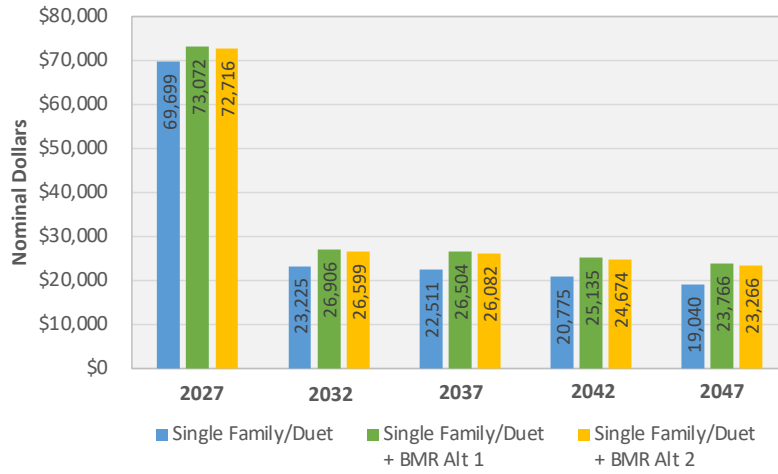
In 2027 the estimated positive net fiscal impacts for the three scenarios range from \$69,699 for Single-Family/Duet scenario to \$73,072 for the +BMR Alt 1 scenario. The estimated net fiscal impact in 2027 for the +BMR Alt2 scenario is just \$357 less at \$72,716. The differences between the scenarios are from property taxes assessed on the BMR rental apartments. In 2027, the project shows a larger revenue surplus because of the importance of the property transfer tax, since all 27 ownership units will be sold. In all subsequent years, beginning in 2028, only the units that turnover on resale will pay property transfer tax. According to Stanford Real Estate, homes on Restricted Group Lease tend to turnover on average every five years, or about 20 percent each year. For this reason, the estimated annual fiscal impact from 2028 onwards is roughly one-third of the initial year.

In 2037 the positive net fiscal impacts are estimated at \$22,511 for Single-Family/Duet scenario, \$26,504 for the +BMR Alt 1 scenario, and \$26,082 for the +BMR Alt2 scenario. By 2047 the fiscal impact is about 10 to 15 percent less, estimated at \$19,040 for Single-Family/Duet scenario, \$23,766 for the +BMR Alt1 scenario and \$23,266 for the +BMR Alt2 scenario. In addition to the timing of turnover and property transfer mentioned above, the declining fiscal impact over time is primarily due to increasing costs to provide services coupled with constrained property tax revenues from Proposition 13 and reduced or



tax-exempt status for the BMR rental apartments. Intermediary estimates between the decades are shown in Figure 5 to illustrate the declining net fiscal impact over time.

**Figure 5: Net Fiscal Impact to Portola Valley General Fund 2027-2047**



## V. Case Studies of Other Stanford Housing Developments

### Mayfield Place (Palo Alto)

Mayfield Place is an apartment complex that includes 180 market rate units, 70 BMR units and 7,000 square feet of retail and commercial space located at 2500 El Camino Real in Palo Alto. The \$35 million project was completed in March 2017 on a 1.8 acre site located on Stanford Research Park land.

Stanford developed this project in partnership with Related California, an affordable housing developer, and the City of Palo Alto.

The mixed-use development is comprised of 70 affordable apartments across 3 floors over 7,000 square feet of street level retail. Amenities for the residents include a fitness center, multi-purpose room, barbeque area, courtyard, and bike storage. The retail space is leased to a café and the Vista Center for the Blind and Visually Impaired, a nonprofit that was a tenant of the commercial building previously on the site.

Mayfield Place resulted from a 2005 development agreement between the City of Palo Alto and Stanford in which the City granted development rights to Stanford in exchange for construction of a soccer complex known as “Stanford/Palo Alto Community Playing Fields” and 70 units of affordable housing. Stanford agreed to lease the soccer complex to the City for 51 years at \$1 per year. Upon termination of the lease the soccer complex and any improvements on the site will revert to Stanford. The City granted Stanford the rights to demolish and relocate 300,000 square feet office space within Stanford Research Park and build 180 market rate homes for Stanford faculty. Under the development agreement the City will not impose development impact fees on the 300,000 square feet to be relocated; however, development impact fees were imposed on 50 of the 70 BMR units at Mayfield Place.

**Figure 6: Mayfield Place BMR Apartment Building in Palo Alto**



The 70 apartments consist of: 24 one-bedroom units of 650 square feet, 24 two-bedroom units of 950 square feet and 22 three-bedroom units of 1,200 square feet. Tenants cannot make more than 60 percent of the area median income. The maximum income is \$50,160 for a single tenant, \$57,360 for a household of two, and \$64,500 for three. Rent ranges from \$1,076 to \$1,792. Tenants at Mayfield Place do not appear to be restricted to Stanford affiliates.

The 70 affordable apartments and the space leased to the nonprofit are exempt from property tax. The most recent Santa Clara County property tax bill shows the property was assessed at \$23,658, 872 and received exemptions for \$22,089,482. The taxable value after exemptions was \$1,569,390. This is presumably the assessed value of the commercial space.

## University Terrace (Palo Alto)

University Terrace was developed under the 2005 Mayfield Development Agreement and consists of two buildings housing 112 condominiums and 68 market rate single-family homes (58 detached, 10 attached). All properties are subject to Stanford's ground lease program. The single-family homes range in size from 1,809 to 2,612 square feet and are three or four bedrooms. Condominium units are two- and three-bedroom units ranging from 1,010 to 1,478 square feet. Condominium sale prices listed for direct sales from Stanford are around \$948,000 to \$1.35 million, or around \$970 to \$1,020 per square foot.

**Figure 7: University Terrace Housing Development in Palo Alto**



LEG reviewed sales records, county assessor's property information and county property tax bills of recently sold homes in University Terrace. The records confirm that under the Restricted Ground Lease program the sale price is approximately 50 percent of the assessed value and property taxes are assessed at full market value.

- A three-bedroom 2,302 square foot single-family home was listed at \$1.71 million. The property was assessed at \$3.25 million according to Santa Clara County's Assessor's office.
- A four-bedroom 2,553 square foot single-family home last sold in June 2020 for \$1.78 million. The property is currently assessed at \$3.57 million.
- A 1,177 square foot condominium unit sold in July 2022 for \$908,500 and was assessed at \$1.6 million.
- All the properties in University Terrace only attract the homeowner exemption of \$7,000; no other exemptions are listed in the assessor's rolls.



## Olmsted Terrace and Rental Units (Palo Alto)

Olmsted Terrace is a development of 39 single-family homes on Stanford University's restricted ground lease, exclusively for eligible faculty and staff. The homes are built along a narrow 7.6 acre site between Olmsted Road and Stanford Avenue in Palo Alto. The development features a clustered design where homes share courtyards and jogging paths. Of the 39 single-family homes, seven have four bedrooms and the remaining 32 are three-bedroom homes. The average lot size is about 4,900 square feet.

LEG reviewed sales records, county assessor's property information and county property tax bills of recently sold homes in Olmsted Terrace. The documents confirm that the sale price is approximately 50 percent of the assessed value and property taxes are assessed on the full market assessed value. Two examples are:

- A three-bedroom 1,936 square foot home sold in July 2020 for \$1.03 million is currently valued at \$2.27 million according to Santa Clara County's Assessor's office. The most recent property tax bill for the address is assessed at \$2.27 million with no exemptions.
- A three-bedroom 2,300 square foot home sold in December 2020 for \$1.59 million is currently valued at \$3.02 million by the assessor's office. The most recently property tax bill is assessed at \$3.02 million with only a small homeowner's exemption.

**Figure 8: Olmsted Terrace Single-Family Homes in Palo Alto**



### Olmsted Rental Units

Around the corner from Olmsted Terrace, between Olmsted Road and El Camino Real, are 25 rental homes owned by Stanford University. The 25 homes consist of four duplex buildings (eight units) and 17 single-family homes. Current Santa Clara County property tax bill show that these rental units are tax

exempt. The exemption was the full amount of the assessed value and the taxable value after exemption was zero.

## Cardinal Apartments (Redwood City)

The Cardinal Apartments is a 175-unit residential community for Stanford employees, located near Downtown Redwood City at 1 Franklin Street. Completed in November 2019 the Cardinal Apartments were built by Greystar Development, developer and property manager of multifamily rental properties and student housing. The building has five residential floors over two above-ground parking levels. Amenities includes a fitness center, rooftop deck and outdoor courtyard.

The 175 units are comprised of 20 studio apartments, 110 one-bedroom units, and 45 two-bedroom units. Studio apartments start at \$2,413, one-bedroom units start at \$2,725, and two-bedroom apartments start at \$2,972. Of the 175 units, 37 are designated as deed restricted BMR housing for very low and low-income households. These units are available only to households earning up to 50 percent and 80 percent of San Mateo County's Area Median Income. The entire property is tax exempt.

**Figure 9: Cardinal Apartments in Redwood City**





## Middle Plaza (Menlo Park)

Stanford University is redeveloping an 8.4-acre site at 500 El Camino Real in Menlo Park. The development, called Middle Plaza, will have approximately 10,300 square feet of retail and restaurant space, 142,840 square feet of non-medical office space and 215 rental apartment units restricted for eligible Stanford faculty and staff. Amenities for residents include fitness facilities, swimming pool and spa, community spaces, work-from-home spaces such as office pods, meeting rooms and outdoor workspaces. The project will also include a large public plaza near Middle Avenue for community-centered outdoor activities and retail spaces. The property started leasing in April 2023 and was not yet fully occupied at the time of this report.

**Figure 10: Middle Plaza Apartment in Menlo Park**



The San Mateo County Assessor's Office confirmed that Stanford University received property tax exemption for the 215 units of Stanford affiliated rental apartments. The University has committed to pay a lump sum of \$1.5 million to the Menlo Park-Atherton Education Foundation, which supports the Menlo Park City School District. The funds would be provided one year after the last building permit is issued for the housing and office buildings. The university has also committed to paying for half the cost up to \$5 million of a bicycle and pedestrian crossing over or under the Caltrain tracks at Middle Avenue. If the bicycle and pedestrian crossing costs less than \$10 million and Stanford's \$5 million offer is not maxed out, the remaining funds, up to \$1 million, will be donated in a lump sum to the education foundation.