



100 Years of Service

Menlo Park Fire Protection District

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November 29, 2016

Honorable Mayor Cline and Members of the City Council

**Re: General Plan Update and EIR/FIA – Fire District Comments
November 29 City Council Meeting – Item G-1**

Honorable Mayor Cline and Members of the City Council:

The Menlo Park Fire Protection District has reviewed the responses in the staff report for tonight's meeting as they relate to the issues raised by the Fire District throughout the General Plan process.

Impact Fees:

On a positive note, we appreciate City staff's acknowledgement that the adoption of a fire and emergency services impact fee remains an option under Program LU-1.E. The Fire District also appreciates the work of the City and Fire Board sub-committees and City and District staff to preserve the option of the adoption of a fire services impact fee for consideration. We also appreciate the Council sub-committee looking carefully at the financial information in the Impact Fee Nexus Study adopted by the Fire District Board on February 16, 2016. The Fire District believes that the Nexus Study establishes the negative financial impact on the District of future development under the proposed General Plan. We look forward to meeting again with the sub-committee to resolve these issues.

EIR:

The Fire District's prior comment letter explains why the expansion of Station 77 is caused by the Project and was not already planned. In the District's comment letter, evidence is presented to show that the Station 77 expansion is clearly caused by growth under the General Plan. The District's CIP should not be used to show that the rebuild and expansion of Station 77 caused by the General Plan was "already planned." Conversely, the General Plan will cause Station 77 to be expanded in a different form, and in a much sooner timeframe, than the current projected replacement based on the typical 50 year normal life of fire stations.

The claim that the need pre-dates the General Plan Update is not factual. Station 77 is only 21 years old and was built to meet the projected demand under the existing General Plan for the M2 which allowed for a much lower development density, a maximum building height of three stories and primarily a daytime service population. The Fire District has other fire stations that are over 60 and 70 years old in need of immediate replacement in other parts of the City and District.

The future plans for Station 77 are being driven by the proposed Project, the impact to the Fire District and the community is “**significant**” and we ask that the Council tell the staff to change this language to support the Fire Districts claim.

FIA:

The responses to the Fire District’s concerns on the Fiscal Impact Analysis (FIA) have not been adequately addressed by BAE and City staff in the staff report. At the November 15 meeting, the Fire District raised specific concerns about the FIA, in addition to the concerns raised in the District’s October 19 letter to the Planning Commission. Council members also expressed concerns about the analysis in the FIA, including the lack of information of the costs of capital improvements caused by development under the General Plan, and how those costs would be paid. Councilmembers asked BAE to provide specific information on these items. In addition, in response to Fire District comments, the Council requested that BEA talk with MuniServices (the Fire District’s financial consultant) on the significantly different property tax projections by BAE and MuniServices from future development. None of these requested actions occurred. BAE has not provided cost estimates for capital improvements necessitated by the General Plan. BAE has not proposed specific mechanisms to pay for these costs, only a general reference to potential use of development impact fees. BAE also did not reach out or call MuniServices to discuss these issues and we still strongly recommend that this occur.

Therefore, the Fire District believes, based on its studies and analysis which have been provided to the City, that the development under the General Plan will have a negative financial impact on the Fire District for the following reasons: (1) General Plan development will necessitate the rebuilding and expansion of Station 77 and other capital improvements, the costs of which are not included in the FIA. BAE acknowledges that the FIA does not include capital improvement costs; (2) due to the sheer volume of projects and long term hypothetical nature of such projects, the property tax revenue projections in the FIA cannot be substantiated. MuniServices acknowledges that “there is little to no overlap” between the analysis conducted by them and BAE. However, the BAE analysis does cover projects in which a FIA had been specifically prepared. For completed projects, the FIA’s commonly overstate the actual completed assessed value and corresponding property tax revenue. Additional information on this deficiency is discussed below and in attachments to this letter prepared by MuniServices; and (3) the overall expenses to the Fire District to serve new development under the General Plan are underestimated.

The Fire District asked MuniServices to review the FIA and staff report. MuniServices believes that the property tax projections are significantly overstated. First of all, the ConnectMenlo FIA “analyzes all of the remaining development potential from the existing General Plan” and assumes that all of the potential projects will be completed. Experience has shown that this is not the case. For example, a project at 1300 El Camino Real was planned, an FIA prepared and projections established. This project was then changed from the original plan due to circumstances with the owner and is an entirely different plan than was originally proposed.

Second, experience has shown that the property tax projections in other BAE FIA reports has been significantly higher than the actual tax revenue received by the local agencies. BAE reviewed the projected versus actual property tax revenue for certain projects including the following: Rosewood Hotel, Facebook East and West, and 389 El Camino Real. A copy of the analysis is attached as Exhibit A to this letter. The analysis shows that the actual tax revenue received from the projects is well below BAE projections. The discrepancy between estimated and actual property tax revenue in past BAE studies supports the Fire District’s objections to the General Plan FIA.

The bottom line is that the ConnectMenlo FIA is too large of a development plan to validate in its entirety and should be broken down to a project level to attain any kind of accurate assumptions of increased property tax revenue. While the District understands the need for a long range plan to accept the assumptions in the FIA as accurate, estimates of actual future property tax revenues cannot be relied upon. It's too hypothetical. Therefore, allowing for additional avenues (i.e. impact fees) is imperative to preserve the future services provided by the District.

Based on the foregoing, the Fire District believes that the costs of development under the General Plan will greatly exceed property tax revenue. This negative fiscal impact must be addressed. In addition, the FIA does not include capital costs or a mechanism to pay for them. Therefore, the Fire District requests that the Council direct staff to work with the Fire District to establish the true costs and revenues of the General Plan to the Fire District. This information will be used in developing a plan to address these costs. The Fire District, as a fellow public agency, looks forward to continuing to work with the City in a collaborative manner to address these issues.

Thank you,

Harold Schapelhouman, Fire Chief

Cc: Fire District Board