

## **DRAFT MEMORANDUM**

To: City of San Mateo

From: Economic & Planning Systems, Inc.

Subject: San Mateo General Plan Update: Fiscal Impact Analysis of General Plan Update; EPS #181001

Date: Revised February 20, 2024 (original version January 22, 2024)

*The Economics of Land Use*



The City of San Mateo retained Economic & Planning Systems (EPS) as part of a team led by PlaceWorks to assess the fiscal impacts of the land use plan indicated in the Land Use Element of the 2040 Strive San Mateo General Plan Update. The analysis updates a prior analysis and is based on a review of the current Fiscal Year 2023-24 adopted budget, as well as correspondence with City staff.

In the context of the City's General Plan update, the primary goal of the fiscal impact analysis is to quantify the impact of the land use plan on the City's long-term fiscal health to help formulate policies, growth patterns, and public service standards that are fiscally sustainable over the General Plan buildout. The fiscal impact analysis is focused on estimating impacts to the City's General Fund budget, comparing the annual and ongoing costs of providing public services and maintaining public facilities with the primary, recurring revenue sources available to cover these expenditures.

This analysis is designed to evaluate the net fiscal impact on the City's General Fund assuming adoption of General Plan 2040. The development capacity created through the General Plan is greater than what is likely to occur within the 2040 time horizon based on the City's past demographic and economic trends. This analysis evaluates an amount of development in 2040 that is based upon past demographic, economic, and market trends. Building upon the prior analysis (completed in 2021 for the land use and circulation alternatives evaluation), this analysis also addresses the marginal costs of providing public safety and public works services to higher-density redevelopment.

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The key General Plan-related policies and issues that are informed by the fiscal impact analysis include, but are not necessarily limited to, these:

- **Public service levels and standards:** The level of service provided by various departments is often quantified based on standards or ratios (e.g., sworn police officers per 1,000 service population for police, park acres per 1,000 population, etc.) related to either articulated goals or actual conditions. The fiscal analysis can be used to highlight the fiscal implications of “business as usual” relative to alternative ways of providing services.
- **Type of growth:** The General Plan includes specific guidance for a diverse range of land uses, with projections that differentiate between land use categories based on density, height, product type, and other factors.
- **Amount of growth:** The General Plan establishes allowable land uses and zoning regulations that dictate the maximum buildout capacity that can be supported. For this analysis, General Plan buildout reflects reasonably foreseeable development based on the City’s ability to grow according to historical trends and meet its current and future RHNA numbers.
- **City revenue and funding sources:** The General Plan also articulates various goals or standards related to financing mechanisms and requirements to ensure fiscal sustainability, promote economic development, and other objectives.

While some City departments are funded primarily from the General Fund, other departments rely on permit fees, user charges, or enterprise funds to offset costs. This analysis assumes these funding sources will continue to account for a similar proportion of each department’s budget and accounts only for the General Fund. It is important to stress that this analysis is being provided to evaluate the fiscal implications of the General Plan and not for actual budgeting purposes. Thus, the results will not and should not be used as a basis for making actual, department-level staffing decisions or annual revenue estimates.

It should also be noted that the fiscal results (annual surpluses or deficits) are simply indicators of fiscal performance; they do not mean that the City will automatically have surplus revenues or deficits because the City must have a balanced budget each year. Persistent shortfalls shown in a fiscal analysis may indicate the need to reduce service levels or obtain additional revenues; persistent surpluses will provide the City with resources to reduce liabilities such as deferred maintenance, improve service levels, or build up reserves. In addition, the findings are based on a set of “baseline” conditions and assumptions related to the key factors that affect General Fund costs and revenues, such as property assessed value, sales tax levels, State and Federal budget and tax policy and other factors. To the degree that these conditions change, the fiscal performance of new growth will differ from the estimates provided herein.

## Key Findings

- 1. The realistic General Plan 2040 buildout is projected to generate annual General Fund revenues that exceed the costs of providing public services under existing service standards. This suggests that as the General Plan builds out over time, the City may be able to improve the level and quality of those public services paid for with General Fund revenues.**

Over time, new growth is estimated to generate more General Fund revenues than expenditures under the City's current cost structure and service levels. This additional annual General Fund net surplus is estimated to be **\$15.8 million**, as illustrated in **Figure 1**, representing a 9.2 percent increase over the City's existing budget.

The improved fiscal performance projected to result from implementation of the General Plan stems, in varying degrees, from (1) an increasing orientation towards higher value development and (2) economies of scale in the provision of public services. Accordingly, for each of the alternatives, the highest revenue sources are related to Property Tax, including Property Transfer Tax. In terms of Department-level costs, Police and Fire make up the majority of General Fund costs (approximately 60 percent of total expenditures), followed by Parks and Recreation, Public Works, Library, and then other various general government functions. Departments like Community Development are primarily funded through permit and user fees and thus have a very small impact on the General Fund.

- 2. The General Plan accomplishes certain policy objectives related to economic development and fiscal sustainability such as concentration of new capacity along the El Camino Real corridor in proximity to transit and a broader array of residential product types.**

The General Plan focuses new capacity along the El Camino Real corridor, outside the existing residential neighborhoods and with access to transit and regional transportation connections. The new capacity is attributable to higher density development in these focused areas, and creates opportunities to diversify the housing stock by increasing the supply of residential multifamily units (e.g., rental apartments and for-sale condominiums and townhomes).

- 3. The recent renovation of the Hillsdale Shopping Center refreshed the regional retail landscape in the City; however, many of the other existing retail nodes in the City are dated. The General Plan provides an opportunity to redesignate underutilized commercial parcels with residential and mixed-use designations, as well as modify current commercial designations to allow higher-density residential use.**

Retail development often generates sales tax revenue, however, for this analysis, EPS forecasted the sales tax to the City's General Fund based on demand from population and employment growth rather than new retail development. In fact, the realistic 2040 General Plan buildout assumes a net decrease in retail square footage as broader retail trends signal a shift toward e-commerce and away from large "big box" retailers. For this reason, EPS's approach to forecasting sales tax ensures that the analysis is based on internal growth dynamics rather than an assumption that "supply creates demand," particularly given the ongoing trends in the retail industry. That said, depending on the performance of regional

retail developments and each retailer’s ability to capture regional demand, there could be positive sales tax revenue associated with the buildout that is not estimated in this analysis.

**Figure 1 Annual Fiscal Impact Summary at Assumed Buildout (Rounded)**

Item	Assumed Buildout
<b>General Fund Revenues</b>	
Property Tax - Secured	\$28,810,000
Motor Vehicle in Lieu of VLF	\$5,280,000
Sales Tax - Local 1%	\$5,310,000
Sales Tax - 1/4% Measure S <sup>1</sup>	\$1,400,000
Property Transfer Tax	\$12,400,000
Business License Tax	\$1,810,000
Franchises	\$1,310,000
Permits, Fees, and Fines	<u>\$2,000,000</u>
<b>Total Revenues</b>	<b>\$58,320,000</b>
<b>General Fund Expenditures</b>	
City Attorney	\$130,000
City Clerk	\$90,000
City Council	\$40,000
City Manager	\$280,000
Community Development	\$420,000
Finance	\$450,000
Human Resources	\$250,000
Information Technology	\$510,000
Library	\$3,110,000
Parks and Recreation <sup>2</sup>	\$6,310,000
Police	\$14,880,000
Public Works	\$5,260,000
San Mateo Consolidated Fire Dept. Contribution	<u>\$10,740,000</u>
<b>Total Expenditures</b>	<b>\$42,480,000</b>
<b>Net Annual Fiscal Impact</b>	<b>\$15,840,000</b>

<sup>1</sup>Although Measure S Sales Tax revenues are treated separately from the Local 1% Tax, they are included in this analysis to facilitate a full evaluation of General Fund resources.

<sup>2</sup>Amount reflects department expenditures net of user fees and

Analysis by Economic & Planning Systems, Inc.

## General Plan Update Development Program Overview

The San Mateo General Plan Update provides guidance for land use designations and policies that focuses development of higher-density residential and mixed-use commercial/residential space in and near Downtown, along the El Camino Real Corridor, and within half-mile radii of the Downtown San Mateo, Hayward Park, and Hillsdale Caltrain stations. A summary of the

development program evaluated in this analysis is summarized in **Figure 2**. This program, prepared by PlaceWorks, reflects reasonably foreseeable development that could occur within the General Plan horizon of 2040 and is based on the City’s ability to grow according to historical trends and meet its current and future RHNA numbers. This amount of development reflects the range and location of General Plan 2040 land use designations, from Very Low to the High I designations, which is aligned with the direction provided by the City Council at their November 13, 2023 meeting on the Land Use Element. The net decrease in retail square footage reflects both macroeconomic trends of brick-and-mortar retail closures, as well as the redevelopment of existing retail spaces and low-density shopping centers, such as Bridgepointe, with new higher density residential and mixed-use development.

**Figure 2 Development Program Summary – 2040 Assumed Buildout**

Item	Assumed Buildout
<b>New Residential Units<sup>1</sup></b>	<b>19,764</b>
<b>New Residents</b>	<b>48,042</b>
<b>Commercial (Sq.Ft.)</b>	
Retail	(528,000)
Office/Service	<u>3,714,000</u>
<b>Total New Commercial Sq.Ft.</b>	<b>3,186,000</b>
<b>New Jobs</b>	
Retail	2,041
Office/Service	<u>12,963</u>
<b>Total New Jobs</b>	<b>15,004</b>
<b>New Nonresident Employment<sup>2</sup></b>	<b>13,311</b>
<b>New Service Population<sup>3</sup></b>	<b>54,697</b>

<sup>1</sup>New residential units are assumed to be exclusively multifamily.

<sup>2</sup>Calculated by multiplying new employment by the proportion of current non-resident employees.

<sup>3</sup>Calculated by adding resident population and one-half of non-resident employment.

Sources: PlaceWorks, Inc.; Analysis by Economic & Planning Systems, Inc.

## Methodological Overview

As part of the General Plan Update, EPS developed a fiscal impact model designed to test how City policies, service standards, growth patterns, and socio-economic changes affect the City’s General Fund costs and revenues over time. The analysis is focused primarily on the City’s General Fund expenditure and revenue items that (1) represent a substantive component of the overall budget and (2) are likely to be affected by the General Plan policies and growth trends. Thus, the analysis excludes relatively small General Fund costs and revenues, including those

operated on a cost-recovery basis. This analysis uses San Mateo's Fiscal Year 2023-24 budget, the most recent budget adopted by the City, and assumes the budget represents reasonable "baseline" service level standards to project General Fund revenues and costs.

EPS uses several approaches to evaluate the General Fund costs and revenues based on the General Plan land use plan and the City's budget. **Figure 3** shows the primary budget categories and their estimating methodologies. The following descriptions provide detail about the estimating methodologies and factors:

- **Service Population or Resident Equivalent** - "Service population" or "resident equivalent" is a concept that allows the impacts of both residents and employees to be estimated, acknowledging that employees who work but do not live in the City do use and require City services but not to the same degree as full-time residents. **Figure 4** shows the calculation of the City's current service population.
- **Average Revenue/Expenditure per Service Population** - This approach estimates average revenues or expenditures per the City's current service population and applies that average revenue or expenditure to the proposed service population.
- **Case Study** - A case study approach is used to calculate those revenues that can be estimated using assumptions specific to the land use plan and associated realistic buildout assumptions. Items estimated using a case study approach in this analysis include property tax and sales and use tax.
- **Fixed vs. Variable Expenditures** - In calculating the estimates of General Fund expenditures attributable to the Project, a percent variable factor has been applied. Most City departments operate with some fixed amount of overhead that does not vary as the City's service population grows or contracts. For example, even as the City grows, the City only needs one City Manager or one City Clerk. This percent variable factor is applied to departmental expenditures to represent the proportion of expenditures that are assumed to vary and therefore would scale with increases in service population. Expenditures that are assumed to be fixed would include overhead costs, director salaries, and other costs that would not scale with service population and therefore would be unaffected by new development.
- **Not estimated** - Some budget items are not estimated because they are either generated on a cost-recovery basis, or are not directly related to growth and development.

**Figure 3 City of San Mateo 2023/34 General Fund Budget and Estimating Methodology**

Item	FY 2023/24 Total <sup>1</sup>	Estimating Methodology
<b>Operating Revenues</b>		
Property Tax	\$67,209,188	Case study
Property Tax - In Lieu of VLF	\$10,813,055	Case study
Sales Tax - Local 1%	\$23,902,400	Case study
Sales Tax - 1/4% Measure S	\$7,314,000	Case study
Property Transfer Tax	\$8,000,000	Case study
Transient Occupancy Tax	\$6,000,000	Not estimated
Business License Tax	\$6,302,889	Avg. Revenue per Employee
Franchises	\$3,193,385	Avg. Revenue per Residents and Employees
Golf Fees	\$3,174,250	Not estimated
Recreation Service Charges	\$3,567,724	Avg. Revenue per Resident
Permits, Fees, and Fines	\$4,632,500	Avg. Revenue per Resident Equivalent <sup>2</sup>
Intergovernmental	\$2,806,774	Not estimated
Interest and Miscellaneous	\$3,473,063	Not estimated
Transfers In	\$8,736,195	Not estimated
Use of Unassigned Fund Balance	<u>\$12,591,283</u>	Not estimated
<b>Total Revenues</b>	<b>\$171,716,707</b>	
<b>Operating Expenditures</b>		
City Attorney	\$1,212,087	Avg. Expenditure per Resident Equivalent
City Clerk	\$862,087	Avg. Expenditure per Resident Equivalent
City Council	\$356,898	Avg. Expenditure per Resident Equivalent
City Manager	\$2,617,253	Avg. Expenditure per Resident Equivalent
Community Development	\$1,946,275	Avg. Expenditure per Resident Equivalent
Finance	\$4,176,442	Avg. Expenditure per Resident Equivalent
Human Resources	\$2,284,816	Avg. Expenditure per Resident Equivalent
Information Technology	\$4,695,904	Avg. Expenditure per Resident Equivalent
Library	\$8,925,860	Avg. Expenditure per Resident
Parks and Recreation	\$21,666,729	Avg. Expenditure per Resident
Police	\$57,981,162	Avg. Expenditure per New Sworn Officer
Public Works	\$12,159,747	Avg. Expenditure per Resident Equivalent
Non-Departmental	\$4,349,833	Not estimated
Transfers Out	\$14,201,887	Not estimated
San Mateo Consolidated Fire Dept. Contribution and Fire Legacy Costs	<u>\$34,279,728</u>	Avg. Expenditure per Resident
<b>Total Expenditures</b>	<b>\$171,716,707</b>	

<sup>1</sup>While some City departments are funded primarily from the General Fund, other departments rely on permit fees and user charges to offset costs. This analysis assumes permit fees and user charges continue to account for a similar proportion of each department's budget and accounts only for the General Fund.

<sup>2</sup>A resident equivalent is defined as the sum of one resident and one-half of a non-resident employee, acknowledging that non-resident employees require reduced public services relative to a full-time resident.

**Figure 4 Current Citywide Assumptions**

Item	Total	Source
<b>Housing Units and Households</b>		
Housing Units	43,325	CA Dept. of Finance (2023)
Occupied Households	41,247	CA Dept. of Finance (2023)
Owner-Occupied Units	51.6%	Census ACS (2018-2022)
Renter-Occupied Units	48.4%	Census ACS (2018-2022)
Persons/Housing Unit <sup>1</sup>	2.47	CA Dept. of Finance (2023)
<b>Population and Employment</b>		
Population	103,318	CA Dept. of Finance (2021)
Employed Residents	48,427	Census LEHD (2021)
Employed in San Mateo	5,881	Census LEHD (2021)
Employed Elsewhere	42,546	Census LEHD (2021)
Employment in San Mateo	52,113	Census LEHD (2021)
by Residents	5,881	Census LEHD (2021)
by Non-Residents	46,232	Census LEHD (2021)
Service Population <sup>2</sup>	126,434	CA Dept of Finance (2023) and LEHD (2021)

<sup>1</sup>Persons per Housing Unit is lower than the Persons per Occupied Household because it accounts for vacant units.

<sup>2</sup>Calculated by adding total residential population and one-half of non-resident employment.

Sources: California Department of Finance; U.S. Census Bureau; Analysis by Economic & Planning Systems, Inc.

## Fiscal Impact Analysis

This section provides a detailed outline of the key General Fund revenues and expenditures estimated in this analysis. EPS’s case study approach calculates fiscal impacts for major General Fund revenues, while other revenues rely on an average revenue approach, including per-employee and per-resident equivalent (service population) methods. A per-resident equivalent approach calculates all but Library and Parks and Recreation costs, whereby average expenditure per resident is the appropriate method. Actual costs will vary by department and depend on future service demands, fiscal and economic conditions, and policy decisions to be made by the City Council on staffing and service levels. Cost estimates utilized in this analysis are strictly for comparison purposes, not for budgeting, to understand the implication of the General Plan Update on the City’s General Fund.

Provided below is a summary of the key methodological considerations for each budget item. All references to monetary value are in constant 2024 dollars.



## General Fund Revenues

- **Property Tax** - Property tax revenue comes from applying the countywide 1.0 percent property tax rate to the incremental assessed value associated with the General Plan buildout. **Appendix A-1** shows the calculation of the total assessed value. The City's General Fund receives approximately 15 cents on every property tax dollar generated, as shown in **Appendix A-2**. General Fund property tax revenue estimated from new growth is **\$28.8 million**:
  - For calculating assessed value, residential "for sale" values are based on the current median sales price for condominiums in San Mateo, as shown in **Figure 5**, while residential rental values assume a capitalized value of net operating income, based on current market rents and standard operating costs. **Figure 6** shows these assumptions in detail.
  - EPS assumes that new office/service commercial building values will be approximately \$920 per square foot. The analysis also acknowledges some level of redevelopment of existing, lower density and underutilized retail parcels and assumes a base value of \$660 per square foot. **Figure 6** summarizes the net operating income capitalization approach used to derive these estimates. EPS gathered and synthesized market data on Class C retail establishments along El Camino Real built before the last 25 years to estimate the profile of retail development most likely to be redesignated under the General Plan.<sup>1</sup>
- **Property Tax In Lieu of VLF** - Property Tax in Lieu of Motor Vehicle License Fee (VLF) is an increasingly vulnerable revenue source for San Mateo County and its cities. Since the early 2010's, shortfalls of Property Tax in lieu of VLF due to cities in San Mateo County are occurring as a result of the declining number of nonbasic aid school districts countywide. In summary, nonbasic aid school districts satisfy their funding requirements with aid from the State General Fund and nonstate resources such as property tax through the Educational Revenue Augmentation Fund (ERAF). On the other hand, basic aid school districts generally meet statutory funding requirements with local property tax alone. Due to its high property values, San Mateo County has many basic aid school districts. This impacts In Lieu revenues as State law mandates the backfilling of revenues such as VLF with the property taxes and ERAF from nonbasic aid school districts.

The City has contended with this issue each year with assistance from the State General Fund. As of December 2023, however, the State of California faces a \$68 billion budget deficit for the 2024-25 fiscal year. To account for the uncertainty of future State aid, EPS assumes \$10 million in Citywide Fiscal Year 2023-24 Property Tax In-Lieu of VLF revenue as a basis for calculating the estimated Property Tax In-Lieu of VLF resulting from the development program herein. Although different from what the City actually budgeted for Fiscal Year 2023-24, the EPS assumption aims to account for the expected shortfall in State aid. The City's Finance Department vetted this assumption for EPS in preparation for this

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<sup>1</sup> Commercial inventory classified as Class C by the real estate brokerage community typically indicates a lack of modern amenities and improvements such as renovated interiors, upgraded utility systems (e.g., elevators, HVAC, telecommunications), security services and equipment, and the like.

analysis. As shown in **Appendix A-3**, Property Tax In-Lieu of VLF from new growth is estimated to be **\$5.3 million**.

- Property Transfer Tax** - The City receives real property transfer tax for any property sold within City boundaries. Property transfer tax revenues, therefore, depend upon sales activity. **Appendix A-4** details the estimated impact of the General Plan on the City’s General Fund property transfer tax revenues. San Mateo has historically collected a 0.5 percent of sale value transfer tax on all properties sold in the city. However, in November 2022, San Mateo Voters approved a separate 1.5 percent rate for transactions greater than \$10 million. For this analysis, EPS assumes that the average commercial or residential rental property transaction is greater than \$10 million, and each taxed at 1.5 percent of sale value, while the average residential for-sale property is less than \$10 million and taxed at 0.5 percent of sale value. General Fund property transfer tax revenue from new growth is estimated to be **\$12.4 million**.

**Figure 5 Market/Development Assumptions**

Item	Rental Vacancy Rate <sup>1</sup>	For-Sale Values	Capitalized Rental Values
<b>Residential<sup>2</sup></b>	6.4%	\$890,000 per unit	\$738,290 per unit
<b>Commercial<sup>3</sup></b>			
Retail	4.9%	n/a	\$660 per sq.ft.
Office/Service	9.5%	n/a	\$920 per sq.ft.

<sup>1</sup>Based on assumptions for current vacancy rates exhibited in San Mateo, from the California Department of Finance (2023) and CoStar Group.

<sup>2</sup>Residential "For Sale" value assumes the current median sales price of condominium units in San Mateo. "Rental" values assume a capitalized value of net operating income, based on current market trends. Values shown are on a per unit basis.

<sup>3</sup>Uses a capitalized value of net operating income approach, based on CoStar estimates of average rents in the City of San Mateo. Commercial rental rates are sourced from CoStar Group. All commercial rental rates are on a per square foot basis.

Sources: California Department of Finance; CoStar Group; San Mateo County Association of Realtors; Analysis by Economic & Planning Systems, Inc.

**Figure 6 Commercial Capitalized Value Assumptions**

Item	Existing Underutilized Retail <sup>1</sup>	Office	Multifamily Rental
<b>Average Rent</b>			
Rent Type	NNN	Full Service	
Monthly Rent	\$2.79	\$6.13	\$3,699
Annual Rent	\$33.43	\$73.51	\$44,388
Vacancy <sup>2</sup>	4.9%	9.5%	6.4%
Operating Expenses <sup>3</sup>	5.0%	30.0%	30.0%
Net Operating Income (NOI)	\$30.20	\$46.56	\$29,089
Cap Rate	4.6%	5.0%	3.9%
<b>Capitalized Value (rounded)<sup>4</sup></b>	<b>\$660</b> <i>per sq.ft.</i>	<b>\$920</b> <i>per sq.ft.</i>	<b>\$738,290</b> <i>per unit</i>

Note: Unless noted, data are current through Q3-2023 and reflect existing inventory built over the last ten years in San Mateo. Additionally, Residential For-Sale values are not calculated in this analysis, but were retrieved from the San Mateo County Association of Realtors.

<sup>1</sup>Reflects existing Class C retail inventory built before 2000 and along the El Camino Real Corridor in San Mateo.

<sup>2</sup>Multifamily rental vacancy, sourced from CoStar Group, aligns with the rental vacancy rate referenced in the Needs Analysis of the City's 2023-2031 Housing Element.

<sup>3</sup>Operating expenses vary depending on lease structure (rent type).

<sup>4</sup>Calculated by dividing net operating income by the associated cap rate.

Sources: CoStar Group; Analysis by Economic & Planning Systems, Inc.

- Sales Tax** - EPS estimates sales tax from population and employment growth rather than from new retail development. Leveraging increased demand ensures that internal growth dynamics support the analysis rather than assuming that "supply creates demand," particularly given ongoing trends towards online retail. New households' potential income and spending are used to determine the increase in sales tax revenue generated by new residential development. Similarly, the average taxable expenditures of new non-resident employees determine employment-driven sales tax. In both cases, the City receives 0.95 percent of taxable sales within its boundary. **Appendix A-5** details the estimated impact of the General Plan on the City's General Fund sales tax revenues. General Fund sales tax revenue from new growth is estimated to be **\$5.3 million**. Measure S revenue, a separate revenue stream with earmarked priorities, is estimated to be **\$1.4 million**, given the new growth indicated in the development program.

  - While not reflected in this analysis, online and out-of-state retail is a matter of growing importance. Currently, much of the tax revenue remitted by online and out-of-state retailers accrues to countywide use tax pools. Pool monies are distributed to each jurisdiction in a county based on each jurisdiction's share of overall tax receipts. While the City of San Mateo currently receives approximately 10 percent of the countywide pool, the pools are growing statewide due to pandemic-related consumption trends and

the increased dominance of nonstore retail. In the third quarter of 2023, proceeds from the countywide use tax pool made up 19 percent of the City's gross Local Sales and Use Tax distribution.<sup>2</sup>

- **Other Annual Revenues** - Other revenues associated with new development include business license taxes, franchises, permits, fines, fees, transient occupancy taxes (TOT), and recreation service charges. Most of these revenue items expand in relative proportion to population and employment growth. In the case of business license revenue, either a flat fee or a tax based on gross receipts is paid, based on the type of business. For this analysis, increases in employment are used as a proxy for increased gross receipts. Transient occupancy tax is not estimated as the land use plan does not specify any new lodging or hospitality components. This analysis does not assess Golf fees due to the low perceived impact on the General Plan. Recreation service charges are treated separately, on the expenditure side, in estimating net Parks and Recreation costs. **Appendix A-6** and **Appendix A-7** detail the impacts of the General Plan on other annual revenues.

### General Fund Expenditures

- **General Government** - General Government expenditures in the City of San Mateo include the City Attorney, City Clerk, City Council, City Manager, Finance, Human Resources, and Information Technology departments. While not as significant as other categories of expenditures, General Government costs will be affected by new growth in San Mateo. This analysis projects the costs for General Government functions based on a service population approach, as shown in **Appendix A-8**. EPS assumes a 25 percent variable share of General Fund costs for each department. More generally, the variable share of a budget is the proportion that is sensitive to population and job growth, resulting from new development.
- **Library** - Population growth will increase demand for library services in the City. This analysis uses an average expenditure per resident approach to estimate total library costs, as shown in **Appendix A-9**. General fund library costs from new development is estimated to be **\$3.1 million**.
- **Fire** - Fire services in the City of San Mateo are provided through the San Mateo Consolidated Fire Department (SMC Fire), a Joint Powers Authority (JPA) between Belmont, Foster City, and the City of San Mateo. San Mateo contributes 55 percent of SMC Fire's funding sources, with the rest made up of contributions from Foster City and Belmont, fire fees, grants, and other miscellaneous sources.<sup>3</sup> The City's share of costs is based on the number and location of stations and associated equipment. Staff reports that the existing stations are well located and adequately equipped to accommodate the type and amount of new growth assumed. A new, large development could trigger the need to reconsider future station locations. To be conservative and account for some cost increase as the assumed buildout occurs, this analysis utilizes an average expenditure per resident approach to

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<sup>2</sup> For more data on the countywide use tax pools, see the California Department of Tax and Fee Administration: <https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=LRBQtrAllocBradleyBurns>

<sup>3</sup> San Mateo contributes 60 percent of member agency contributions, with Belmont and Foster City each contributing 20 percent. Member agency contributions make up 92 percent of the JPA's funding sources.

calculate the impacts of the increased population on San Mateo's share of SMC Fire expenditures, as shown in **Appendix A-10**. A variable share of 84 percent reflects the proportion of SMC Fire operations expenditures to total expenditures. General Fund Fire costs estimated from new development is estimated to be **\$10.7 million**.

- **Police** - The General Fund cost implications of the various alternatives will depend on the relative cost of expanding or modifying patrol and beat structures and adding personnel. In the future, the police department would like to be able to increase the level of service provided and reported that an ideal service standard would be 1.5 sworn officers per 1,000 residents. This analysis uses a service population approach that is consistent with the current level of service rather than the aspirational level of service. For sworn personnel, the existing service level is 0.93 sworn officers per 1,000 resident equivalents, acknowledging that both residents and employees benefit from police services. This estimate is applied to the service population of each alternative to calculate an average cost of \$290,128 per officer. This analysis also uses a service population approach to estimate the costs of vehicles and equipment. **Appendix A-11** shows increased vehicle and equipment costs at \$3,784 per sworn officer. Of course, various development patterns can also have a differential impact on crime rates (and thus public safety costs). General Fund police costs estimated from new development is estimated to be **\$14.9 million**.
- **Public Works** - This category includes costs associated with operating and maintaining the City's infrastructure and facilities, including streets and parks maintenance. Public works staff typically think about required staffing in relationship to the number of projects and the number and type of facilities that require maintenance. To the extent that the assumed buildout results in the need for future facilities, there will be demand for additional public works staffing. This analysis uses a per resident equivalent approach to estimate the impacts of the General Plan on public work expenditures, as shown in **Appendix A-12**.
- **Parks and Recreation** - This analysis uses an average expenditure per resident approach to estimate total parks and recreation costs, as shown in **Appendix A-13**. General Fund parks and recreation costs from new development is estimated to be **\$6.3 million**.
- **Community Development** - San Mateo's Community Development Department comprises planning, building, code enforcement, and housing. While the majority of the City's Community Development costs are accounted for in the Construction Services Fund, this analysis is focused on the General Fund expenditures, as shown in **Appendix A-14**. Since Community Development is funded by permit and user fees, and all costs associated with new development permitting and inspections paid for by applicants, there would not be any new General Fund costs from Community Development from the new development.

## APPENDIX A:

Detailed Fiscal Impact Analysis Tables for  
General Fund Revenues and Expenditures



**Appendix A-1**  
**Assessed Value Estimates**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumptions	Assumed Buildout
<b><u>Commercial Uses</u></b>		
Retail Space (Sq.Ft.)		(528,000)
Office/Service Space (Sq.Ft.)		<u>3,714,000</u>
Total Commercial Sq.Ft.		3,186,000
Retail Assessed Value	\$660 per Sq.Ft. Capitalized Value	(\$348,480,000)
Office/Service Assessed Value	\$920 per Sq.Ft. Capitalized Value	<u>\$3,416,880,000</u>
<b>Commercial Assessed Value</b>		<b>\$3,068,400,000</b>
<b><u>Residential Uses<sup>1</sup></u></b>		
Ownership	52% of Residential Units	10,198
Rental	48% of Residential Units	<u>9,566</u>
Total Residential Units		19,764
Ownership Assessed Value	\$890,000 per Unit Home Value	\$9,076,419,360
Rental Assessed Value	\$738,290 per Unit Capitalized Value	<u>\$7,062,316,763</u>
<b>Residential Assessed Value</b>		<b>\$16,138,736,123</b>
<b>Total Assessed Value from New Growth</b>		<b>\$19,207,136,123</b>

Note: Capitalized values are calculated in Figure 6.

<sup>1</sup>Ownership/rental split reflects the existing split between owner-occupied and renter-occupied housing units, from the U.S. Census Bureau's American Community Survey (2018-2022).

Sources: Placeworks, Inc.; Analysis by Economic & Planning Systems, Inc.

**Appendix A-2  
Property Tax Estimates  
San Mateo General Plan Update; EPS #181001**

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<b>Item</b>	<b>Assumed Buildout</b>
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<b>Property Tax</b>	
New Assessed Value <sup>1</sup>	\$19,207,136,123
1% Property Tax <sup>2</sup>	\$192,071,361
Tax Allocation Factor <sup>3</sup>	15%
<b>Total Property Tax to General Fund</b>	<b>\$28,810,704</b>

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<sup>1</sup>New assessed value calculated in Appendix A-1 using the market assumptions presented in Figures 5 and 6 and the development program presented in Figure 1.

<sup>2</sup>Proposition 13 basic property tax calculated at 1 percent of assessed value.

<sup>3</sup>On average, the City of San Mateo receives approximately 15 cents on every property tax dollar generated in the City.

Sources: City of San Mateo; Analysis by Economic & Planning Systems, Inc.



**Appendix A-3**  
**Motor Vehicle in Lieu of VLF Estimates**  
**San Mateo General Plan Update; EPS #181001**

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<b>Item</b>	<b>Assumed Buildout</b>
City of San Mateo Citywide Assessed Value	\$36,377,390,925
Assessed Value of New Growth	\$19,207,136,123
Percentage Increase in Assessed Value	53%
Motor Vehicle in Lieu of VLF (FY 2023-2024 Adopted Budget) <sup>1</sup>	\$10,000,000
<b>Total Motor Vehicle in Lieu of VLF Revenue to General Fund</b>	<b>\$5,279,965</b>

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<sup>1</sup>Reflects an estimated shortfall due to an expected reduction in State assistance.

Sources: 2023-24 Local Combined Roll (San Mateo County Assessor Clerk-Recorder); City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-4**  
**Property Transfer Tax**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumption	Assumed Buildout
<b><u>Residential For-Sale</u></b>		
New For-Sale Value		\$9,076,419,360
Average Residential Turnover <sup>1</sup>	10.0% a Year	\$907,641,936
<b>Transfer Tax From For-Sale Uses<sup>2</sup></b>	<b>0.5% of Sale Value</b>	<b>\$4,538,210</b>
<b><u>Other Uses<sup>3</sup></u></b>		
Office/Service Value		\$3,416,880,000
Residential Rental Value		<u>\$7,062,316,763</u>
Subtotal		\$10,479,196,763
Average Turnover <sup>4</sup>	5.0% a Year	\$523,959,838
<b>Transfer Tax From Other Uses<sup>5</sup></b>	<b>1.5% of Sale Value</b>	<b>\$7,859,398</b>
<b>Total Property Transfer Tax to General Fund</b>		<b>\$12,397,607</b>

<sup>1</sup>The EPS assumption of 10 percent is based on long-term averages and takes into account the increased turnover rate associated with new development. A turnover rate of 10 percent suggests that homes sell approximately once every 10 years.

<sup>2</sup>Assumes the average Residential For-Sale transaction price in San Mateo is less than \$10 million, and thereby taxed at the City's property transfer tax rate of 0.5% of sale value.

<sup>3</sup>Does not account for one-time transactions of retail properties sold and redeveloped.

<sup>4</sup>EPS assumption based on long-term averages. A turnover rate of 5 percent suggests that commercial/investment properties sell approximately once every 20 years.

<sup>5</sup>Assumes the average Office/Service and Residential Rental transaction in San Mateo is valued at greater than \$10 million, and therefore, taxed at the City's property transfer tax rate of 1.5% of sale

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-5  
Sales Tax Estimates  
San Mateo General Plan Update; EPS #181001**

<b>Item</b>	<b>Assumptions</b>	<b>Assumed Buildout</b>
<b><u>Sales Tax Generated by New Residents</u></b>		
Median Household Income <sup>1</sup>		\$149,152
Retail Expenditure per Household <sup>2</sup>	23% of Median Household Income	\$34,858
New Occupied Households <sup>3</sup>		18,816
Total Retail Expenditure		\$655,885,909
Taxable Expenditures Captured in San Mateo	75% of Total Retail Expenditure	\$491,914,432
<b>Sales Tax from New Residents<sup>4</sup></b>	<b>0.95% of Taxable Expenditures</b>	<b>\$4,673,187</b>
<b><u>Sales Tax Generated by New Employees</u></b>		
New Employment		15,004
Non-Resident Employment <sup>5</sup>	89% of total employment	13,311
Daily Taxable Employee Spending in San Mateo <sup>6</sup>	\$20 per employee	\$266,216
Annual Taxable Spending by Employees <sup>7</sup>	250 Days per Work Year	\$66,553,924
<b>Sales Tax from New Employees<sup>8</sup></b>	<b>0.95% of Annual Taxable Sales</b>	<b><u>\$632,262</u></b>
<b>Total Sales Tax to General Fund</b>		<b>\$5,305,449</b>
<b>Measure S Transactions and Use Tax (1/4% Sales Tax)<sup>9</sup></b>	<b>0.25% of Annual Taxable Sales</b>	<b>\$1,396,171</b>

<sup>1</sup>Based on the existing San Mateo household median income, from the U.S. Census Bureau's American Community Survey (2022).

<sup>2</sup>Based on the average taxable expenditure of households earning \$150,000 to \$199,999 per year, from the Bureau of Labor Statistics' Consumer Expenditure Survey (2022).

<sup>3</sup>Based on the proportion of housing units occupied in San Mateo, from the U.S. Census Bureau's American Community Survey (2022).

<sup>4</sup>Based on the existing Bradley-Burns 1% Local Sales Tax split between the City of San Mateo and the County, from the California Department of Tax and Fee Administration (2024).

<sup>5</sup>Based on the existing split between resident and non-resident employees in San Mateo, from the U.S. Census Bureau's LEHD program (2021).

<sup>6</sup>Daily Spending per employee is based on research from the International Council of Shopping Centers (2012).

<sup>7</sup>Reflects 250 work days per year.

<sup>8</sup>Based on the existing Bradley-Burns 1% Local Sales Tax split between the City of San Mateo and the County, from the California Department of Tax and Fee Administration (2024).

<sup>9</sup>Measure S is a 1/4-cent transactions and use tax approved by voters in 2015. While approved as a general tax, Measure S is used to fund earmarked priorities, so this analysis treats it separately from discretionary sales tax revenue to the General Fund.

Sources: California Department of Tax and Fee Administration; International Council of Shopping Centers; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Analysis by Economic & Planning Systems, Inc.

**Appendix A-6  
 Business License Tax and Franchises  
 San Mateo General Plan Update; EPS #181001**

Item	Assumed Buildout
<b>Franchises</b>	
2023-2024 Revenue to General Fund	\$3,193,385
Current Residents and Non-Resident Employees	149,550
Revenue per Current Residents and Employees	\$21.35
New Residents and New Non-Resident Employees	61,353
<b>Revenue from New Residents and Employees</b>	<b>\$1,310,084</b>
<b>Business License Tax</b>	
2023-2024 Revenue to General Fund	\$6,302,889
Current Employees	52,113
Revenue per Current Employee	\$120.95
New Jobs	15,004
<b>Revenue from New Employees</b>	<b>\$1,814,682</b>

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-7**  
**Permit, Fee, and Fine Revenue**  
**San Mateo General Plan Update; EPS #181001**

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<b>Item</b>	<b>Assumed Buildout</b>
<hr/>	
<b><u>Permits, Fees, and Fines</u></b>	
2023-2024 Revenue to General Fund	\$4,632,500
Current Service Population	126,434
Revenue per Current Resident Equivalent	\$36.64
New Service Population	54,697
<b>Revenue from New Service Population</b>	<b>\$2,004,094</b>

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Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-8  
General Government Expenditures Estimate  
San Mateo General Plan Update; EPS #181001**

<b>Item</b>	<b>Assumption</b>	<b>Assumed Buildout</b>
Current Service Population		126,434
New Service Population		54,697
<b><u>Cost Estimating Factors</u></b>		
<b>City Attorney</b>		
General Fund Budget		\$1,212,087
Variable Costs	25% of General Fund budget	\$303,022
Per Current Service Population		\$2.40
<b>New Costs</b>		<b>\$131,092</b>
<b>City Clerk</b>		
General Fund Budget		\$862,087
Variable Costs	25% of General Fund budget	\$215,522
Per Current Service Population		\$1.70
<b>New Costs</b>		<b>\$93,238</b>
<b>City Council</b>		
General Fund Budget		\$356,898
Variable Costs	25% of General Fund budget	\$89,225
Per Current Service Population		\$0.71
<b>New Costs</b>		<b>\$38,600</b>
<b>City Manager</b>		
General Fund Budget		\$2,617,253
Variable Costs	25% of General Fund budget	\$654,313
Per Current Service Population		\$5.18
<b>New Costs</b>		<b>\$283,066</b>
<b>Finance</b>		
General Fund Budget		\$4,176,442
Variable Cost	25% of General Fund budget	\$1,044,111
Per Current Service Population		\$8.26
<b>New Costs</b>		<b>\$451,699</b>
<b>Human Resources</b>		
General Fund Budget		\$2,284,816
Variable Cost	25% of General Fund budget	\$571,204
Per Current Service Population		\$4.52
<b>New Costs</b>		<b>\$247,112</b>
<b>Information Technology</b>		
General Fund Budget		\$4,695,904
Variable Cost	25% of General Fund budget	\$1,173,976
Per Current Service Population		\$9.29
<b>New Costs</b>		<b>\$507,881</b>

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning

**Appendix A-9**  
**Library Operating Cost Estimates**  
**San Mateo General Plan Update; EPS #181001**

<b>Item</b>	<b>Assumption</b>	<b>Assumed Buildout</b>
General Fund Expenditures <sup>1</sup>		\$8,925,860
Variable Costs	75% of General Fund Budget	\$6,694,395
Library Cost Per Current Resident	103,318 Current San Mateo Residents	\$64.79
New San Mateo Resident Population		48,042
<b>New Cost to General Fund</b>		<b>\$3,112,837</b>

<sup>1</sup>Includes Personnel, Operating, and Capital Outlay costs funded by the General Fund.

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-10**  
**Fire Service Cost Estimates**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumption	Assumed Buildout
<b><u>Fire Service Cost Estimating Factors</u></b>		
<b>City of San Mateo FY 2023-24 Contribution<sup>1</sup></b>		<b>\$27,509,727</b>
Operations Expenditures (Variable Cost) <sup>2</sup>	84% of FY 2023-24 Contribution	\$23,100,295
Operations Expenditure per Current Resident	103,318 Current San Mateo Residents	\$223.58
<b>New Resident Population</b>		<b>48,042</b>
<b>Annual General Fund Expenditure</b>		<b>\$10,741,443</b>

Note: Fire services in the City of San Mateo are provided through the San Mateo Consolidated Fire Department (SMC Fire), a Joint Powers Authority (JPA) between the cities of Belmont, Foster City, and San Mateo. Typically, San Mateo contributes 55% of SMC Fire's costs.

<sup>1</sup>Based on the City's share of SMC Fire costs. While the City's General Fund funds SMC Fire contribution and fire legacy costs, EPS assumes that the new resident population will only significantly impact SMC Fire operations.

<sup>2</sup>Assumption based on SMC Fire's operations expenditures as a percentage of total expenditures, from SMC Fire's FY 2023-24 Adopted Budget.

Sources: San Mateo Consolidated Fire Department, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.



**Appendix A-11**  
**Police Service Cost Estimates**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumption	Assumed Buildout
<b><u>Police Department Cost Estimating Factors<sup>1</sup></u></b>		
Total FTE Personnel <sup>2</sup>		170.40
Sworn Officers <sup>3</sup>		117
Current Service Level (per 1,000 Resident Equivalents)	126,434 Current San Mateo Service Population	0.93
General Fund Expenditure - Personnel <sup>4</sup>		\$49,437,894
Per Total FTE Personnel		\$290,128
General Fund Expenditure- Vehicles & Equipment <sup>5</sup>		\$644,765
Per Total FTE Personnel		\$3,784
<b>Cost Associated with General Plan Buildout</b>		
New Service Population		54,697
New Sworn Officers Needed <sup>6</sup>	0.93 per 1,000 Resident Equivalents	50.62
New Personnel Cost <sup>7</sup>	Per Total FTE Personnel Cost for New Sworn Officers	\$14,685,170
New Vehicle & Equipment Costs <sup>8</sup>		\$191,523
<b>Annual General Fund Expenditure</b>	<b>New Personnel, Vehicle, and Equipment Costs</b>	<b>\$14,876,693</b>

<sup>1</sup>Based on current levels of service detailed in San Mateo's Fiscal Year 2023-24 Adopted Budget, including positions funded by the General Fund.

<sup>2</sup>FTE stands for Full Time Equivalent.

<sup>3</sup>Includes 117 Police Lieutenants, Police Sergeants, Police Officers, and Community Service Officers.

<sup>4</sup>Average annual cost includes full personnel cost funded by the General Fund and the Special Revenue Fund.

<sup>5</sup>Cost represents total capital outlay.

<sup>6</sup>Indicates the number of police personnel needed to maintain the existing level of service.

<sup>7</sup>Equals \$290,128 General Fund personnel expenditure per total FTE personnel multiplied by 50.62 new sworn officers needed.

<sup>8</sup>Equals \$3,784 General Fund vehicles and equipment expenditure per total FTE personnel multiplied by 50.62 new sworn officers needed.

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-12**  
**Public Works Operating Cost Estimates**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumption	Assumed Buildout
<b>General Fund Expenditures<sup>1</sup></b>		\$12,159,747
<b>Variable Costs</b>	100% of General Fund Budget	\$12,159,747
Public Works Cost per Resident Equivalent	126,434 Current San Mateo Service Population	\$96.17
New San Mateo Service Population		54,697
<b>New Cost to General Fund</b>		<b>\$5,260,503</b>

<sup>1</sup>Includes Personnel, Operating, and Capital Outlay costs funded by the General Fund.

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis by Economic & Planning Systems, Inc.

**Appendix A-13**  
**Parks and Recreation Operating Cost Estimates**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumption	Assumed Buildout
General Fund Expenditures <sup>1</sup>		\$21,666,729
General Fund Revenue - Recreation and Service Charges		<u>\$3,567,724</u>
Net General Fund Expenditures		\$18,099,005
Variable Costs	75% of Net General Fund Expenditures	\$13,574,254
Parks and Recreation Cost per Current Resident	103,318 Current San Mateo Residents	\$131.38
New San Mateo Residents		48,042
<b>New Cost to General Fund</b>		<b>\$6,311,914</b>

<sup>1</sup>Includes Personnel, Operating, and Capital Outlay costs funded by the General Fund.

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis Economic & Planning Systems, Inc.

**Appendix A-14**  
**Community Development Operating Cost Estimates**  
**San Mateo General Plan Update; EPS #181001**

Item	Assumption	Assumed Buildout
General Fund Expenditures <sup>1</sup>		\$1,946,275
Variable Costs	50% of General Fund Budget	\$973,138
Community Development Cost per Current Resident Equivalent	126,434 Current San Mateo Service Population	\$7.70
New San Mateo Service Population		54,697
<b>New Cost to General Fund</b>		<b>\$420,995</b>

<sup>1</sup>Includes Personnel, Operating, and Capital Outlay costs funded by the General Fund.

Sources: City of San Mateo, Fiscal Year 2023-24 Adopted Budget; Analysis Economic & Planning Systems, Inc.