




TOWN OF PORTOLA VALLEY

STAFF REPORT

TO: Mayor and Members of the Town Council

FROM: Laura Russell, Planning and Building Director 

DATE: January 25, 2023

RE: Fiscal Impact Analysis Consultant, Stanford Wedge Project

RECOMMENDATION

Staff recommends that the Town Council authorize the Mayor to enter into a contract with LandEcon Group for the preparation of a fiscal impact analysis and report for the Stanford “Wedge” housing project; and approve a budget for the analysis in the amount of \$33,750.

BACKGROUND

In September 2019, Stanford University submitted an application for a faculty housing project for the Stanford Wedge. The project, as submitted, proposes the construction of 24 faculty homes, and 12 units of Below Market Rate (BMR) housing. The property is approximately 75 acres in size and is located along Alpine Road. The property has a General Plan land use designation of Conservation Residential and is in the R-E/3.5A/SD-2/D-R Zoning District. The Housing Element of the General Plan contemplates development on the Stanford Wedge parcel. The project is currently undergoing review by staff and consultants, with review by select committees upcoming. The Town released a Draft Environmental Impact Report (DEIR) and a formal response to public comments is currently being prepared.

A common part of the review of a significant development project is a fiscal impact analysis. This analysis can help a community evaluate a project’s impact on the Town’s general fund by analyzing the cost of providing services against potential revenue from the project. The analysis can determine the financial impact on the Town, which can be significant, given the limited commercial business base to generate tax revenues for the general fund.

For this reason, the Town issued a Request for Proposals (RFP) to engage a qualified firm to complete a fiscal impact analysis. The RFP included following assumptions previously identified for the proposed development would be factored into the fiscal impact analysis.

1. Applicant will pay for all improvements including undergrounding of utilities.
2. No Town funding is available for the affordable units.

3. A pro forma or analysis of a pro forma is not required of consultant.
4. Fire services for the Town are currently provided by Woodside Fire Protection District and law enforcement services by the San Mateo County Sheriff.
5. Market rate units will include a ground lease between Stanford and the home buyer. Stanford has its own BMR program—for sale units are subject to resale to faculty/instructors. (At this time, the price of the for-sale units has not been determined.)
6. Below Market Rate (BMR) units are rental apartments.
7. The project is subject to the Town's park fees. In addition, the Applicant intends to dedicate the undeveloped portion of the site as private open space with a publicly accessible trail.
8. Community benefits are focused on the affordability of BMR units.

The RFP's scope of work identified specific assumptions and the customary general fund revenue sources and expenditures that may be affected by development for the analysis. In addition, two scenarios would be analyzed 1) if the development is a market rate housing project and 2) the difference between market value and subsidized unit value for faculty and affordable units for the purpose of determining the different in property tax revenue received by the County and the Town. Consultants were also asked to analyze the cost of specific fire and public safety services as well as potential community benefits.

DISCUSSION

An RFP was issued November 11, 2022. An effort was made to contact six firms in the Bay Area that provide fiscal and economic impact analyses, but heavy workloads and potential conflict of interest with the applicant prevented all but two firms from submitting a proposal. A proposal was received from LandEcon Group, a firm that has extensive experience completing economic and fiscal and land use analysis for commercial and mixed-use development projects and plans including UC Davis' West Village housing development in the City of Davis. A second proposal was received from Keyser Marston, a firm that provides land use, economic and fiscal impact analyses for commercial, residential, and affordable housing developments in California and throughout the U.S. Both firms have extensive experience working for public sector cities and agencies; both confirmed that Stanford has not been a client.

Both proposals address the requirements in the RFP's scope of work including analyzing the impacts for a market rate housing development and a subsidized development. Each firm uses a proprietary computer model for the fiscal impact analysis.

Keyser Marston's proposal has a budget of \$61,805 including a ten percent contingency. while LandEcon Group's budget \$30,250 with a ten percent contingency. There are two optional meetings and preparation of an FAQ online document for which Keyser Martson's cost is \$10,150. LandEcon Group's cost for these tasks would be billed based on time and expenses with a cap of \$3,500. The difference in cost for the two proposals can be explained in part by extra tasks Keyser Marston would undertake, higher hourly rates for their staff and higher administrative costs. Both firms could start work in February.

After interviewing both firms, staff concluded that LandEcon Group's methodology, approach, understanding of the project and Town requirements, and previous experience was selected to develop the fiscal impact report required for the project. In addition to the RFP scope requirements, LandEcon Group will research case studies of other communities where Stanford owns commercial or residential properties and will also analyze the likely changes in general fund impacts over the next twenty years from the market scenario and the below market scenario proposed by the applicant.

Staff recommends the Council authorize the Mayor to enter into a contract with LandEcon Group for the preparation of a fiscal impact analysis and report for the Stanford "Wedge" housing project and approve a budget for the analysis in the amount of \$33,750 including optional services. LandEcon Group will need six weeks from the date contract is approved to prepare a draft report.

The proposed budget for the fiscal impact analysis completed by LandEcon Group includes a 10 percent contingency in the amount of \$2,750. The contingency will only be used with written authorization by staff.

FISCAL IMPACT

The Town's policies require that the applicant pay the full cost of the fiscal impact analysis. The budget of \$33,750 will be fully reimbursed by the applicant.

ATTACHMENTS

1. Contract with Exhibits

Exhibit A: Signed and Dated Contract

Exhibit B: Scope of Work

Exhibit C: Budget