**To:** City of Palo Alto Rail Program Management, City of Palo Alto City Council

**From:** Palo Alto residents living in/around the Churchill/Alma intersection

**RE:** Response to Rail Financing White Paper Draft entitled Funding for Palo Alto Grade Separation and Crossing Improvements (dated November 20, 2017)

To whom it may concern,

We the residents of Palo Alto living in/around the Churchill/Alma intersection appreciate the efforts of the city to improve our public transportation systems in the Bay area. We also appreciate the research data you have provided us and have reviewed the Rail Financing White Paper Draft entitled Funding for Palo Alto Grade Separation and Crossing Improvements (dated November 20, 2017). After reviewing the documents, we have the following comments:

**The study does not list cost estimates for Raised Railway options.**

There are no options for a Raised Railway considered in the study even though this option is more cost-effective than trenching or tunneling. Other information available from the City lists options that include a Raised Railway, so why were costs not considered in this paper?

**In Table 1, there are cost figures for the "Individual Grade Separation" at Churchill Ave and Alma St that we believe to be much too low due to the need for eminent domain that would be necessary for this option.**

The cost range in the table is listed as $98M - $200M. However, this option does not include the cost of eminent domain, which could involve the City taking 36 parcels along Churchill Ave and Alma St which we estimate to be in the range of $200-250MM. The crossings at Meadow Dr and Charleston Rd also do not seem to have this cost factored into their estimates. We believe that leaving out this critical cost component of the project in the listed cost for the Individual Grade Separations is very deceiving. As such, eminent domain figures need to be added into future cost figures for such a scenario to accurately reflect their cost.

**The White Paper adopts a biased assumption toward certain financing options. Placing most funding burden on homeowners suggests significant increase (~5-21%) in property tax and special parcel tax. On the other hand, potential tax revenue from other options, such as business license tax and Caltrain fare surcharge, is underestimated substantially.**

Based on the proposed 0.05%-0.25% increase in property tax, each homeowner will see an average increase in their property tax bill in the range of $1,750-$6,500. On average, each employed residents will bear additional $500-$2000 (2% increase annually) property tax burden each year for the next 30 years. This is on top of existing average $16,819 per tax property bill (2017), which is about 12.3% of the mean household income. The assess property tax value (2016-17) is at $32B (vs. $29.4B in 2015-2016 referred in this paper). We feel that options that take the burden off of Palo Alto homeowners could look as follows:

**User based funding**: Since commuters, businesses and employers (including Stanford University) in Palo Alto will be the main beneficiaries to train electrification (and needed grade separation), i.e., enabling their workers to gain easy access to jobs/workplaces in Palo Alto, the funding burden ought to come from (and shared by) the main beneficiaries rather than Palo Alto homeowners/residents. As a matter of fact, homeowners/residents are likely to suffer the most due to construction and overloading road infrastructure with large daytime population. Please refer to the general statistics from City of Palo Alto at http://www.cityofpaloalto.org/news/displaynews.asp?NewsID=596&TargetID=52

**Business license tax:** We propose increasing the business license tax per job from $10 to $173 (lower end) and from $40 to $691 (higher end) which will generate the same amount of tax revenue, $713M, as an increase in property tax of $1,838 from each employed resident. If the tax increase is $1000 per job, the tax revenue for 30 years will be $2.55B. Please note that San Francisco has currently imposed a $1,029 business license tax per employee.

**Caltrain Fare Surcharge:** Raising the Caltrain Fare Surcharge from $0.25 to $1.00 (lower end) and $1.00 to $3.00 (higher end) will also generate substantial revenue of ~$30M one way (or $60M for in/out) at the high end. Note that SFO Bart station has imposed a surcharge of $4.40 per trip to/from SFO station (6,448 exits/day) to fund the SFO Bart station construction debt. Palo Alto stations has 9,052 average weekday boardings.

We urge Palo Alto City to negotiate with **Stanford University for an In-lieu fee** (like Yale and Harvard/MIT to their host city to help cover the cost of municipal services) to support funding of the grade separation, given the fact that Stanford University receives $11.6 billion exemption from property taxes. Note that Stanford University contributes to significant traffic increase due to recent residential development (Mayfield) and on-campus appointment/employment.

**Value Capture Funding from New Development** on the land/space freed up from grade separation can be an effective way to create a win-win situation with significant funding if the development can be confined to only surrounding areas of existing stations, rather than throughout the rail track areas. This will minimize development impact on the existing residential neighborhood.

**Incorrect Assumed EIFD/CFD Boundaries (Figure 1)**
EIFD/CFD identified areas are to be a defined district to divert the property tax or impose special taxes on property owners, as the areas will be benefited most from the grade separation project.
However, based on the assumed EIFD/CFD boundary map attached (Figure 1), aside from the local businesses surrounding existing Caltrain corridor, the rest of the identified areas are all residential neighborhoods (along Churchill Ave and Meadow Dr) which are likely to suffer the most due to construction and traffic. As previously discussed, the benefited district should encompass more commercial areas.

**Conclusion:**

We believe that the issues mentioned above exist in the Rail Financing White Paper Draft entitled Funding for Palo Alto Grade Separation and Crossing Improvements (dated November 20, 2017) and should be rectified before further information is presented and any decisions are made.  We also urge the City of Palo Alto to focus on getting funding support mainly from Regional, State, and Federal Resources and follow the successful examples of our neighboring cities as the Case Studies has shared in Appendix A. Based on the grade separation case studies of 7 cities, 4 were able to finance their grade separation projects by mainly obtaining funding from regional, state, and federal Resources.

- San Mateo (2017): $180M with only $12M funded by the City of San Mateo itself
- San Bruno (2014): $147M fully funded by County, State, and Federal sources
- San Gabriel (2018): $293.7M fully funded by County, State, and Federal sources
- San Diego (2016): $2.08B fully funded by County and Federal sources

Of the other 3 cities, 2 are still in discussions of their funding sources (Mountain View and Menlo Park). Only Berkeley in 1966 formed a Special Service District and taxed its citizens to pay the difference in cost of $18M between a Bart aerial line and an underground option.