

Stanford and Surrounding Communities: A Shared Space Benefitting Both

Stanford and Silicon Valley have prospered together over the last six decades—Silicon Valley producing the most important tech innovations in the world and Stanford emerging as one of the leading research universities in the world.

But increasingly congestion is putting both under severe threat. The dramatic increase in jobs to employed residents in and around Stanford and Palo Alto is producing traffic delays, unaffordable housing costs and rising cost of infrastructure that is threatening the unique mobility of people and ideas that have made this shared space so special.

There are two key issues at play—the extremely rapid growth in jobs compared to new residences and the rapidly escalating cost of essential infrastructure that is falling primarily on the residents.

The area in and immediately around Stanford currently has a jobs to employed resident ratio of over three to one—one of the highest in the country. This has important implications for the quality of life in the area (traffic, mobility, huge housing deficit and long-distance commuting) and for escalating costs of nearby infrastructure.

Stanford's Role and Responsibility in the Area

Stanford's proposed expansion under the Stanford GUP 2018 and the additional Development Agreement will play a critical role in the future of this shared space. They are proposing to add 2.275m sq ft of academic space. This will bring in 9600 new students, faculty and workers. They are proposing to add 3150 new housing units/beds. The original proposal will continue to add more than three new campus students/workers for every new residential space on campus. It compounds the regional jobs/housing imbalance. Stanford later offered an amendment through a Development Agreement that would build a total of either 4425 new residential units/beds or 5699.

But Stanford argues that it cannot be expected to solve regional problems. But Stanford does play a critical regional role beyond just their campus. During the period of the GUP (2018-2035) in addition to its campus expansion, Stanford will be adding 1.3m sq ft of non-residential space at the Stanford University Medical Center (within the Palo Alto City limits), an additional 0.8m of non-residential sq ft at the Stanford Research Park (also within the Palo Alto City limits), an additional 1.3m non-residential sq ft in Redwood City and a substantial number of new square feet in downtown Menlo Park. That's a total of close to six million sq ft of non-residential space to the area with only 3150 to 5700 new housing units (a ratio of between 4 and 7 new workers/students for every new regional residential space. So Stanford is one of one of the regional 'problems' that must be addressed.

Stanford has another regional 'issue'. The university due to its nonprofit educational goals is exempt from property taxes. It currently has a \$13.4 billion exemption within Santa Clara County as a whole that has doubled over the last five years. The nonprofit property tax exemption within the Palo Alto Unified School District (that includes both the City and the

Stanford campus) is \$11.4 billion; within the City of Palo Alto the property tax exemption is \$5.5 billion. Property tax is the most important local tax—it is the largest source of tax revenues for local governments, public schools, the country and community colleges.

The next most important tax source for local governments is the sales tax. The University accounts for less approximately six percent of sales tax in Palo Alto. Thus, although Stanford is a critical component of the non-residential jobs and services, it provides a very limited share of local government revenues. Since property and sales taxes are the key element of local infrastructure and school costs this means that the costs of Stanford expansion falls squarely on the shoulders of local government.

Stanford's Impact on the Infrastructure

Annual surveys in the local communities surrounding Stanford show a growing concern about traffic congestion, lack of affordable housing and regulating commercial development as the top three concerns (and these concerns have been growing over the last decade. The new Stanford growth will exacerbate these issues.

There are three key infrastructure issues that Stanford's growth will impact: traffic, availability of housing and schools.

Transportation

The Stanford GUP states that current traffic on surrounding streets and freeways are currently crowded and slow and there are no feasible traffic mitigations for any increased flows from Stanford. Stanford's solution for traffic is to shift drive alone mode share to Caltrain. This involves a growth in Stanford Caltrain commuters by over 60% and necessitates a dramatic increase in Caltrain capacity that involves electrification of the rail line, new coaches and more frequent trains and an expansion of the grade crossings. The grade crossings themselves in Palo Alto would cost up to \$800 million.

The customary approaches to paying for fixes on the rail line are either through increasing parcel taxes or raising sales taxes. This, of course, brings us back to our previous point: Stanford enjoys a huge tax exemption from property taxes and campus students and workers pay a very small share of sales taxes. So the burden of both local tax sources falls on local residents who find not only that housing is extremely expensive but that the local cost of living (sales taxes) is high as well. Stanford, who is counting on the benefits of Caltrain expansion, would pay little. The only fair solution is that Stanford makes a direct contribution to the expansion or that the county find its own sources of funding aside from sales or parcel taxes to pay for it.

Housing

In the Development Agreement, Stanford is proposing to put up more housing on campus to offset the number of people commuting. For the campus alone, they would drop the ratio of new students/jobs to new residents from 3:1 to just under 2:1. But they do find in their traffic analysis that this would increase the amount of daily traffic trips from and to the campus and thus impact traffic on local streets and parking. So the issue of traffic mitigation would remain an important consideration. And it would lead to another critical issue: schools.

Schools

Under the current GUP proposal, there would be some 9600 housing units/beds proposed. Most would be for students. But at least 550 of them would be families. If more houses are built there are likely to be more families. Families of faculty, graduate students and workers would have young children and call for an expansion of the school population. As we have seen, Stanford has close to an \$11 billion annual exemption from property taxes in the local school district. Since public schools get well over eighty percent of their funding through the property tax, it will be essential to the school district that Stanford provide space for a new school on campus and also provide an annual payment to the school district that would cover the costs of teachers and support personnel to the new children that would be added to the district. The County cannot negotiate a separate Development Agreement with Stanford and ignore the most fundamental ingredient of a healthy community—the schools.

Conclusion: County Is Responsible

The county has responsibility to negotiate an accord with Stanford that will provide for both the University and the communities around them with a healthy and prosperous future. Just as the two parties have worked together so well to create the vibrant Silicon Valley economy that both have prospered from, they need to negotiate an accord that will provide the infrastructure and supporting structure that will provide for a future that has increasing issues over density, congestion and infrastructure costs. This must be an accord that deals with the frightful imbalance which has emerged over the last decade of jobs growing three times faster than new residences and the needed new income flows that are a necessity to deal with the issues of congestion and density. This is especially true because of the special case of Stanford's \$13 billion annual exemption from property taxes and their low provision of sales taxes.

The County must be explicit in describing to the public how they will deal with the very real problems of transportation, housing costs, and schools raised by an aggressive Stanford expansion and where financing will come from other than raising the cost of living both of housing and of daily necessities for an endangered middle class.

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