

Redevelopment Overview

May 5, 2009

Introductions:

- Dave Knapp, City Manager
- Aarti Shrivastava, C.D. Director
- Carol Atwood, Admin. Svs. Dir.
- Kelly Kline, Redevelopment Mgr.
- Lynn Hutchins, Goldfarb & Lipman

Vallco Redevelopment Project

- Vallco Redevelopment Area adopted on August 21, 2000
- Redevelopment activities can occur through 2030

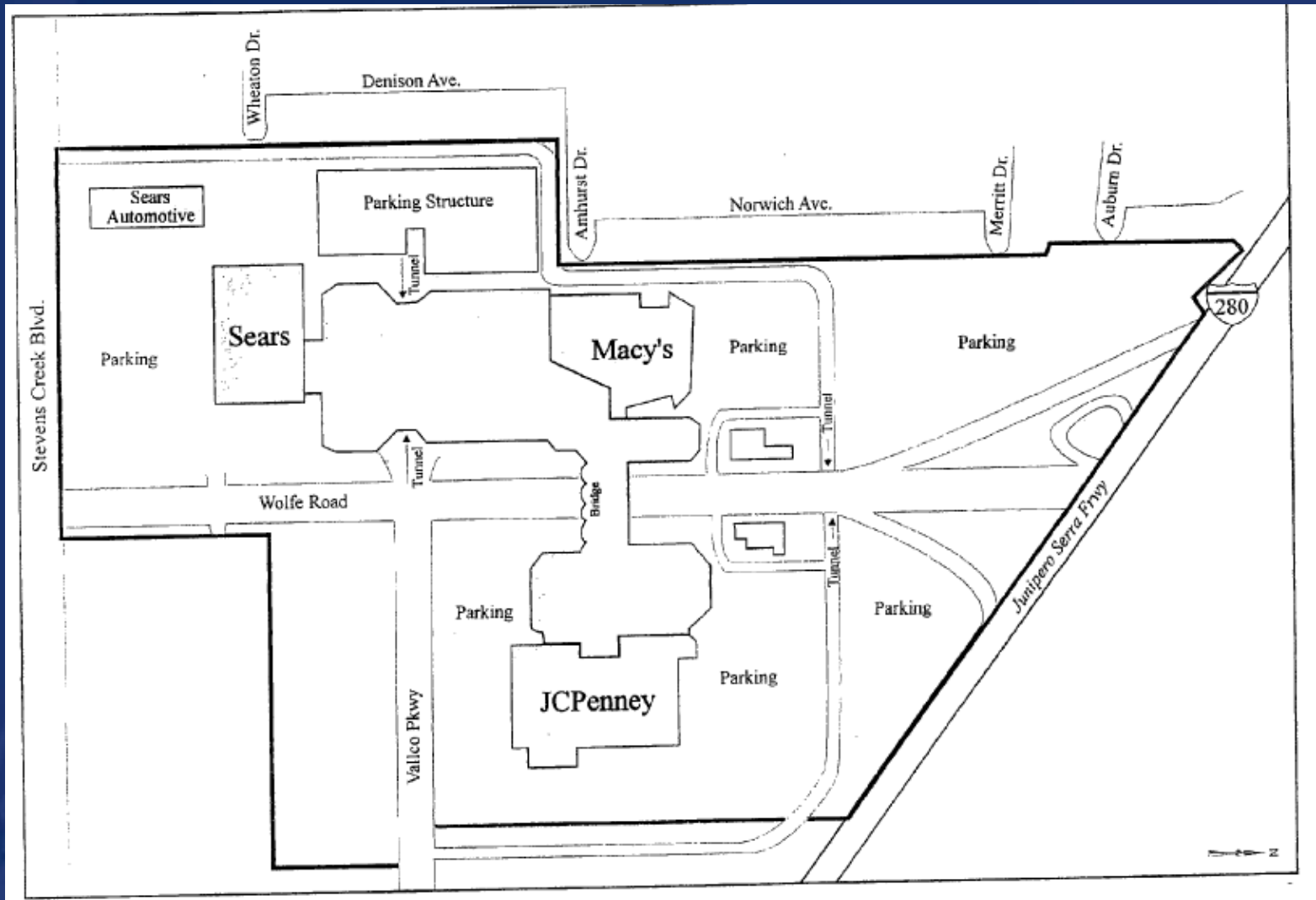


The Redevelopment Area Consists of:

- 64 Acres
- 1.13 million sf of retail space
- 3 parking garages
- Anchor Tenants: AMC 16-screen Theaters, JC Penney, Sears, Strike, & Macy's



Redevelopment Project Area Map:



Purpose of the Vallco RDA

To revitalize Cupertino Square by encouraging private sector investment and facilitating site rehabilitation through authority granted by Redevelopment Law



Redevelopment Law

May only be applied in predominately urbanized areas where blighted conditions currently exist that “cannot reasonably be expected to be reversed or alleviated by private enterprise or government action, or both without redevelopment.”

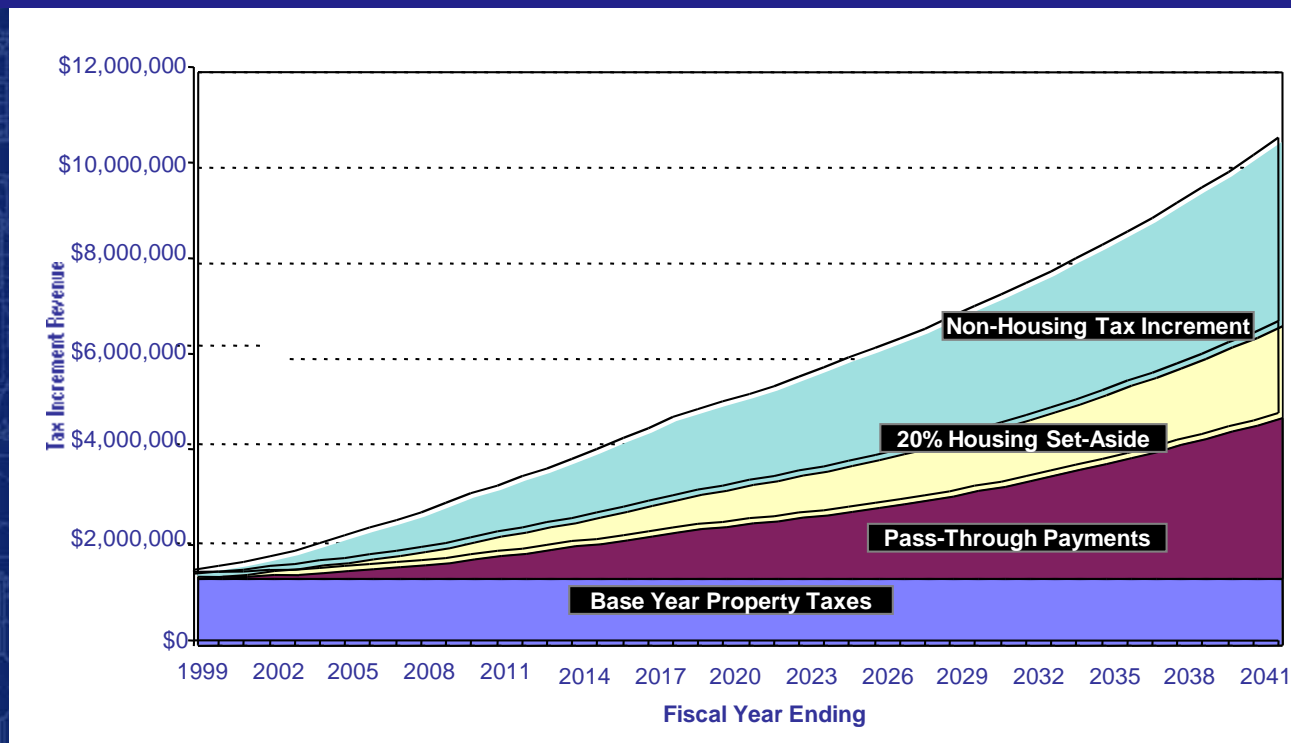
Tax Increment Financing

- TIF is the primary funding mechanism for redevelopment.
- It allows the Agency to receive a portion of future property tax revenue growth (or “TI”) above the base year (“Frozen Base”) that arises from future development and associated increases in property value within RDA boundaries.

What About Schools?

A portion of property tax revenue growth is forwarded in the form of state-mandated “pass-throughs” to the various other taxing entities such as the local school districts, which continue to accrue property taxes within the project area.

Example of Property Tax Distribution in a Project Area



Source: Seifel Consulting, Inc.

goldfarb lipman attorneys

Planned Expenditures from Tax Increment:

- Infrastructure Improvements
- Economic Development Programs
- Low and Moderate Income Housing Programs (including a 25% set aside for construction of low and moderate income housing in Cupertino.)

Status of Tax Increment

- Sufficient tax increment has not been generated to allow the City Council to fund redevelopment in the area (specifically, to go to the bond market to leverage future tax increment.)
- During the Redevelopment Project Area's first few years of existence, tax increment actually dipped below the line drawn at the RDA's inception.

RDA Status 2006-2008

- Hired RDA Manager
- Enacted ordinance in 10/07 to comply with mandated state laws
- Promotions/Communication with the Council and Community

RDA Status 2006-2008 cont.

- Significant new Development and Improvements including:
 - Completion of two new Parking Garages
 - Opening of two new anchor tenants, the 16-screen AMC Theaters, and Strike Cupertino.



RDA Status 2006-2008 cont.

- Rebranding of mall to “Cupertino Square” including new signage program.
- Many exterior and interior upgrades (Sears, outside paint, food court, HVAC, childcare relocation, etc.)

CUPERTINO  SQUARE

Recent RDA News

- In Fall of 2007, the mall was purchased by Orbit Resources, and three out-parcels were sold to the Evershine Group (KCR Development)
- In September of 2008, Orbit declared bankruptcy as a result of a lawsuit with their lender, Grammercy.

Recent Actions

Clarified by Resolution on 6/5/07 that 50% of RDA discretionary funds be earmarked for infrastructure/tenant improvements.

Expected to earn enough to bond in 20??.

Current Financial Picture

- Total outstanding debt:
\$263,324 -- advance from the general fund
Can establish a Loan & Repayment (Coop) Agreement
- Total Tax Increment Received
\$570,854
- Total Projected Net Increment
\$ 91.4 M

The Future of Redevelopment

- As a CRA Member (CA Redevelopment Association), we heard on 4/30 that CRA's Lawsuit prevailed. State ERAF payments have been declared unconstitutional, Agencies will not be required to transfer \$350M to fund State obligations.
- Cupertino's share was among the lowest in the state at approximately \$8k.
- It is expected that the State Dept. of Finance will appeal the decision.

QUESTIONS & ANSWERS

