



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: [REDACTED]

From: Debbie Kern, Vice President

Date: [REDACTED]

Subject: Fiscal Impact Analysis of the [REDACTED] Project

In accordance with your request for an evaluation of the fiscal impacts of converting the existing [REDACTED] to residential and other uses, as required by General Plan Policy L4-8.1, Keyser Marston Associates, Inc. (KMA) has evaluated the fiscal impacts that would be generated by the redevelopment [REDACTED] with the land use plan contained in the [REDACTED] Application. The analysis is presented in the attached set of tables. As shown in Table 2, the net fiscal benefits of the [REDACTED] program significantly exceed the benefits generated [REDACTED] in FY 2015/16. Redeveloping [REDACTED] with the [REDACTED] program will generate:

1. An annual fiscal surplus of \$4.1 million to the City's General Fund, which exceeds the estimated surplus generated [REDACTED] in 2015 by \$3.1 million per year.
2. \$15.9 million of new construction-related tax revenue to the City's General Fund, which only occurs if the Mall is redeveloped with the [REDACTED] program.
3. \$40.2 million of net new annual property tax revenues to local jurisdictions as a result of the [REDACTED] project, including:
 - \$16.6 million of additional annual property tax revenues to elementary and high school districts;
 - \$5.5 million of additional annual property tax revenues to Santa Clara County; and
 - \$6.1 million of additional annual property tax revenues to the Central Fire Protection District.

The tables are as follows:

- Table 1: [REDACTED] Land Use Program
- Table 2: Summary of Estimated Fiscal Impacts to the City of Cupertino General Fund
- Table 3: Population, Household, Employment and Resident Equivalent Estimates
- Table 4: Annual General Fund Property Tax, Property Tax In-Lieu of Motor Vehicle License Fees, and Property Transfer Tax Revenues
- Table 5: Annual General Fund Sales and Use Tax Revenues
- Table 6: Annual Franchise, Utility User Taxes, and Fines and Forfeitures and other Fees
- Table 7: Annual Business License Tax Revenues
- Table 8: One-time General Fund Revenue from Construction
- Table 9: Annual Property Tax Revenue Accruing to other Jurisdictions
- Table 10: Annual Incremental City of Cupertino General Fund Service Costs
- Table 11: City of Cupertino General Fund Revenue Source Assumptions FY 2017/18
- Table 12: City of Cupertino General Fund Service Cost Assumptions
- Table 13: Buildout and Net New Assessed Property Value
- Table 14: FY 2014/15 [REDACTED] Assessed Property Value
- Table 15: Detail on FY 2014/15 [REDACTED] Assessed Secured Property Value
- Table 16: Detail on FY 2014/15 [REDACTED] Assessed Unsecured Property Value
- Table 17: Property Tax Allocation Factors
- Table 18: Household Income of [REDACTED] Project Residents
- Table 19: City of Cupertino Demographics, 2017
- Table 20: [REDACTED] Employment, 2014
- Table 21: Summary of City of Cupertino General Fund Revenue Budget, FY 2017/18
- Table 22: Summary of City of Cupertino General Fund Expenditures Budget, FY 2017/18

Table 1

██████████ Land Use Program
 ██████████ Development Program
 Cupertino, CA

9/7/2018

Land Use	██████████ Redevelopment		
	<i>Num. Units</i>	<i>Avg. Unit Size (net sf)</i>	<i>% of Units</i>
Residential Units			
For Sale: Market Rate ¹	580	1,761	24%
For Rent: Market Rate ¹	621	1,137	26%
BMR Studio Rentals - VL Income	268	398	11%
BMR 1 Bedroom Rentals - VL Income	92	542	4%
BMR Studio Rentals - Low Income	626	398	26%
BMR 1 Bedroom Rentals - Low Income	215	542	9%
 Total Rental Apartments	 1,822	 674	 76%
For Sale	580	1,761	24%
Total Units	2,402	937	
 Non-Residential		 <i>Sq. Ft.</i>	
Retail ²			
Restaurants	@ 40%	160,000	
Shops	@ 60%	240,000	
		<u>400,000</u>	
Office		1,810,000	
Total Non Residential		<u>2,210,000</u>	

¹ Distribution of market rate units between for-sale units and for-rent units is an estimate.

² Distribution of retail space between restaurants and shops is an estimate.

Table 2
 Summary of Estimated Annual Fiscal Impacts to the City of Cupertino General Fund
 Cupertino, CA

9/7/2018

Summary of Net General Fund Impact		Net New Annual Impact		Condition in 2015/16		Total Impact Upon Buildout	
		% Total		% Total		% Total	
Annual Direct General Fund Revenues							
	<i>Table</i>						
Sales and Use Tax	5	\$1,648,000	26.8%	\$976,000	86.4%	\$2,624,000	36.1%
Property Taxes	4	\$2,329,000	37.9%	\$113,000	10.0%	\$2,442,000	33.6%
Property Tax In-Lieu of MVLF	4	\$1,322,000	21.5%	\$0	0.0%	\$1,322,000	18.2%
Utility User Tax	6	\$359,000	5.8%	\$16,000	1.4%	\$375,000	5.2%
Franchise Fees	6	\$341,000	5.5%	\$15,000	1.3%	\$356,000	4.9%
Business License Tax	7	\$17,000	0.3%	\$7,000	0.6%	\$24,000	0.3%
Fines, Forfeitures and Other Fees	6	\$69,000	1.1%	\$3,000	0.3%	\$72,000	1.0%
Property Transfer Tax	4	\$60,000	1.0%	\$0	0.0%	\$60,000	0.8%
Total Direct GF Revenues		\$6,145,000	100.0%	\$1,130,000	100.0%	\$7,275,000	100.0%
Annual General Fund Expenditures							
	<i>Table</i>						
Public Works ¹	10	\$1,372,000	40.4%	\$62,000	40.5%	\$1,434,000	40.4%
Law Enforcement	10	\$782,000	23.0%	\$35,000	22.9%	\$817,000	23.0%
Transfers Out	10	\$618,000	18.2%	\$28,000	18.3%	\$646,000	18.2%
Recreation Services	10	\$375,000	11.0%	\$17,000	11.1%	\$392,000	11.0%
Administration	10	\$139,000	4.1%	\$6,000	3.9%	\$145,000	4.1%
Administrative Services	10	\$87,000	2.6%	\$4,000	2.6%	\$91,000	2.6%
Councils and Commissions	10	\$24,000	0.7%	\$1,000	0.7%	\$25,000	0.7%
Public Affairs	10	-\$1,000	0.0%	\$0	0.0%	-\$1,000	0.0%
Community Development	10	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total GF Expenditures		\$3,396,000	100.0%	\$153,000	100.0%	\$3,549,000	100.0%
Net Annual Direct GF Revenue		\$2,749,000		\$977,000		\$3,726,000	
Additional Annual Indirect General Fund Revenues							
	<i>Table</i>						
Sales Tax: Resident Spending	8	\$318,000	83.5%	\$0	0.0%	\$318,000	82.6%
Sales Tax: Retail Employee Spending	8	\$1,000	0.3%	\$4,000	100.0%	\$5,000	1.3%
Sales Tax: Office Employee Spending	8	\$62,000	16.3%	\$0	0.0%	\$62,000	16.1%
Total Indirect GF Revenues		\$381,000	100.0%	\$4,000	100.0%	\$385,000	100.0%
Net Annual Dir. and Indir. GF Rev.		\$3,130,000		\$981,000		\$4,111,000	
One-Time General Fund Revenues from Construction							
	<i>Table</i>						
Use Tax/ Constr. Materials	8	\$6,511,000	41.0%	\$0	0.0%	\$6,511,000	41.0%
Construction Tax	8	\$8,891,000	56.0%	\$0	0.0%	\$8,891,000	56.0%
Property Transfer Tax (mkt. for-sale units)	8	\$477,000	3.0%	\$0	0.0%	\$477,000	3.0%
Total Construction Impacts		\$15,879,000	100.0%	\$0	0.0%	\$15,879,000	100.0%

¹ Excludes costs of maintaining new infrastructure, pending information from the applicant.

Table 3
Population, Household, Employment, and Resident Equivalent Estimates
Development Program
Cupertino, CA

9/7/2018

Demographic Measure				Redevelopment
Population	<i>per HH</i> ¹	<i>Units</i>		
Studios	1.00	1057	2.3% vacant ²	1,033
One Bedrooms	2.00	555	2.3% vacant ²	1,084
Two Bedrooms	3.00	265	2.3% vacant ²	777
Three Bedrooms	4.00	262	2.3% vacant ²	1,024
Four Bedrooms	5.00	203	2.3% vacant ²	992
Co-Housing - 5 Beds	5.00	50	2.3% vacant ²	244
6 Bedrooms	6.00	10	2.3% vacant ²	59
Total Population	2.22	2402	2.3% vacant ²	<u>5,212</u>
Employment Upon Buildout				
Retail				
Restaurants		200 sf / empl ³	5% vacant ³	760
Shops		350 sf / empl ³	5% vacant ³	651
				<u>1,411</u>
Office		200 sf / empl ³	5% vacant ³	8,417
Total Employment				9,828
Less (Existing Employment) ⁴				<u>(1,109)</u>
Net New Employment				8,719
Gross Resident Equivalents				
Residents				5,212
Employment		0.33 per emp		<u>3,276</u>
Gross Resident Equivalents				8,488
Less Existing Resident Equivalents		0.33 per emp		-370
Net New Resident Equivalents				8,119
Net New Households		5,212 residents	2.22 per HH	2,347

¹ Reflects assumed household size equal to the number of bedrooms plus one.

² Source: ESRI Total Residential Population

³ KMA estimate.

⁴ Table 20

Table 4
Annual General Fund Property Tax, Property Tax In-Lieu of Motor Vehicle License Fees, and Property Transfer Tax Revenues
[REDACTED]
Cupertino, CA

9/7/2018

<u>Summary of Net General Fund Impact</u>		<u>Net New Annual Impact</u>	<u>Condition in 2015/16</u>	<u>Total Impact Upon Buildout</u>
<u>Property Taxes</u>				
Assessed Value	<i>Table</i> 13, 14	\$4,017,489,125	\$195,426,475	\$4,212,915,600
Base Ad Valorem Property Tax - % of AV	11	1.00%	1.00%	1.00%
City GF Share of Ad Valorem Property Tax	11	5.80%	5.80%	5.80%
Annual Property Tax to General Fund		\$2,328,526	\$113,269	\$2,441,795
<u>Property Tax In Lieu of MVLF</u>				
Growth in Assessed Value		\$4,017,489,125		
Growth in VLF Revenue per \$1,000 increase in AV	11	\$0.33		
Annual Property Tax in lieu of MVLF Revenue		\$1,322,296		
<u>Property Transfer Taxes</u>				
Assessed Value of Market Rate For Sale Units	13	\$868,173,000	0	\$868,173,000
Property Transfer Tax Rate Per \$1,000 of AV	11	\$0.55	\$0.55	\$0.55
Estimated Turnover Rate	11	\$0.13	\$0.13	\$0.13
Annual Property Transfer Taxes		\$59,686,894	\$0	\$59,686,894

Table 5
Annual City General Fund Sales and Use Tax Revenues
Development Program
Cupertino, CA

		Net New Annual Impact	Condition in 2015/16		Total Impact Upon Buildout
	<i>Table</i>				
On-Site Taxable Sales					<u>Per sf</u>
Retail/Restaurant Taxable Sales	1,11				\$475 \$190,000,000
Office Taxable Sales	1,11				\$40 \$72,400,000
Total					\$262,400,000
City Sales Tax Rate	11				0.01
Annual Direct City Sales/Use Tax Revenue	11	\$1,648,415	<i>Table 11</i>	\$975,585	\$2,624,000
Indirect/Off-site Taxable Sales			<u>Per hhld/Emp.</u>		<u>Per hhld/Emp.</u>
Residents	3,11	\$31,777,905	\$13,541	\$0	\$13,541 \$31,777,905
Retail Employees	3,11	\$100,304	\$332	\$368,312	\$332 \$468,616
Office Employees	3,11	\$6,167,878	\$733	\$ -	\$733 \$6,167,878
Total		\$38,046,087		\$368,312	\$38,414,399
City Sales Tax Rate	11		0.01		0.01
Annual Indirect City Sales/Use Tax Revenue		\$380,461		\$3,683	\$384,144
Total Annual City Sales/Use Tax Revenue		\$2,028,876		\$979,268	\$3,008,144

Table 6
Annual Franchise, Utility User Taxes, and Fines and Forfeitures and Other Fees
██████████ Development Program
Cupertino, CA

	<i>Table</i>	Net New Annual Impact	Condition in 2015/16	Total Impact Upon Buildout
Number of Residents	3	5,212	0	5,212
Number of Resident Equivalents	3,20	8,119	370	8,488
Franchise Fees				
Per Resident Equivalent	11		\$42.01	\$42.01
Total		\$341,023	\$15,528	\$356,551
Utility User Tax				
Per Resident Equivalent	11		\$44.22	\$44.22
Total		\$358,972	\$16,345	\$375,317
Fines, Forfeitures, and Other Fees				
Per Resident - Animal Licenses	11		\$0.37	\$0.37
Per Resident Equivalent	11		\$8.29	\$8.29
Animal Licenses		\$1,947	\$0	\$1,947
Other		\$67,307	\$3,065	\$70,372
Total		\$69,255	\$3,065	\$72,319

Table 7
Annual Business License Tax Revenues
Development Program
Cupertino, CA

9/7/2018

<u>Measure</u>	<u>Tenants in 2014/15</u>		
	<u>Entertainment/ Fitness</u>	<u>Department Stores</u>	<u>Other Retail/ Restaurants</u>
Number of Businesses ¹	4	4	47
Total Sq Ft ²	208,000	496,000	194,000
2015 Occupancy (Estimated) ³	100%	77%	77%
Number of Businesses Adjusted ⁴	4	3	36
Occupied Sq Ft	208,000	379,807	148,553
Net Occupied Sq Ft	208,000	379,807	148,553
Per Active Business ⁴	52,000	124,000	4,000
<u>Business License Tax</u>			
Fee Rates ⁶			
Base Fee Per Business	\$282	\$144	\$144
Additional Fee	\$0.000	\$0.000	\$0.000
Estimated License Fees			
Business Fee	\$1,128	\$441	\$5,183
PSF Fee	\$0	\$0	\$0
	<u>\$1,128</u>	<u>\$441</u>	<u>\$5,183</u>
Estimated Existing Business License Tax Contribution			\$7,000

<u>Measure</u>	<u>Buildout</u>		
	<u>Retail</u>	<u>Office</u>	<u>Residential</u>
Square Feet	400,000	1,810,000	
Units			1,822
Vacancy Rate	5%	5%	
Avg. Size of Tenant	8,163	300,000	
Est. Number of Businesses	47	6	
<u>Business License Tax</u>			
Fee Rates ⁶			
Base Fee Per Business	\$144	\$144	\$187
Per every unit more than 4			\$12.95
Estimated License Fees			
Business Fee	\$6,768	\$825	\$187
Additional Fee			\$23,543
Future, Upon Buildout	<u>\$6,768</u>	<u>\$825</u>	<u>\$23,730</u>
Net New			\$16,730

Source: County Assessor Office, [redacted] website, Cupertino Municipal Code

¹ Reported on [redacted] website.

² Based on reported square feet for entertainment and department store uses. Remaining retail/restaurant uses implied from total existing square footage.

³ Entertainment uses assumed to be fully occupied. Remaining occupancy rates adjusted to reflect average occupancy rate of 82% reported for 2009-2014.

⁴ Assumes reduction in occupancy results in a proportional reduction in number of businesses.

⁵ KMA assumption. Business tax applied to usable building area.

⁶ Chapter 5.04 of Cupertino Municipal Code. See Table 11.

Table 8
One-time General Fund Revenue from Construction
██████████ Developmentn Program
Cupertino, CA

Estimated Materials Cost Subject to Use Tax¹		\$651,065,000	
City Use Tax Revenue from Construction	1.00% <i>tax</i>		\$6,510,650
Construction Tax			
Residential	\$747.88 <i>per du</i> ²		\$1,796,408
Commercial	\$3.21 <i>per sf</i> ²		\$7,094,100
Total			<u>\$8,890,508</u>
One time Property Transfer Tax (Market Rate Ownership Units)			\$477,495 ³
Total One-Time General Fund Revenues from Construction			<u><u>\$15,878,653</u></u>

¹ Table 11.

² Table 1 and 11.

³ Table 11 and 13.

Table 9
Annual Property Tax Revenue Accruing to Other Jurisdictions
Development Program
Cupertino, CA

9/7/2018

	Net Impact Plan Area	Existing Condition Plan Area	Gross Impact Plan Area
Annual Property Taxes¹			
Annual Property Tax (1%) to All Jurisdictions	\$40,174,891	\$1,954,265	\$42,129,156
Property Tax to Districts Covered in the Analysis			
City of Cupertino Property Tax	\$2,328,526	\$113,269	\$2,441,795
Cupertino Union Elementary ²	\$9,924,609	\$482,772	\$10,407,381
Fremont Union High	\$6,702,381	\$326,030	\$7,028,412
	<u>\$18,955,516</u>	<u>\$922,071</u>	<u>\$19,877,587</u>
Net Taxes to Other Jurisdictions³			
Central Fire Protection District	\$6,110,151	\$297,222	\$6,407,373
Santa Clara County	\$5,491,063	\$267,107	\$5,758,170
Educational Revenue Augmentation Fund	\$3,404,690	\$165,618	\$3,570,308
Foothill-DeAnza Community College	\$2,558,562	\$124,459	\$2,683,020
County School Service	\$1,248,377	\$60,726	\$1,309,103
Santa Clara County Library	\$1,029,481	\$50,078	\$1,079,559
Midpeninsula Regional Open Space District	\$625,511	\$30,427	\$655,938
Santa Clara Valley Water District North Central Zone	\$364,299	\$17,721	\$382,020
Santa Clara County Importation Water-Misc. District	\$196,382	\$9,553	\$205,935
Bay Area Air Quality Management District	\$74,315	\$3,615	\$77,930
Santa Clara Valley Water District North Central Zone	\$65,923	\$3,207	\$69,130
Santa Clara Valley Water District West Zone 4	\$50,620	\$2,462	\$53,082
Total	\$21,219,375	\$1,032,194	\$22,251,569

¹ Based on Plan Area assessed value, Table 13.

² CUSD is a "revenue limit" district; additional property taxes will not impact total operating budget.

³ See Table 17 for property tax allocation factors.

Table 10
Annual Incremental City of Cupertino General Fund Service Costs
In Comparison With Service Costs of Existing [REDACTED]
[REDACTED] Development Program
Cupertino, CA

9/7/2018

General Fund		[REDACTED] Redevelopment	Existing [REDACTED]
		<i>net new</i>	<i>existing</i>
	<i>net new/existing residents</i> ¹	5,212	0
	<i>net new/existing employees</i> ¹	8,719	1,109
	<i>net new/existing resident equivs</i> ¹	8,118	366
	<i>adjusted resident equivs</i>	8,118	366
	<i>Estimating Factors</i> ² <i>2017</i>		
Council and Commissions	\$2.93 /res eq	\$23,770	\$1,072
Administration	\$17.12 /res eq	\$138,960	\$6,264
Law Enforcement	\$96.33 /res eq	\$782,034	\$35,253
Public Affairs	-\$0.10 /res eq	-\$794	-\$36
Administrative Services	\$10.77 /res eq	\$87,468	\$3,943
Recreation Services	\$46.15 /res eq	\$374,644	\$16,889
Community Development	\$0.00 /res eq	\$0	\$0
Public Works ³	\$169.06 /res eq	\$1,372,449	\$61,869
Transfers Out	\$76.15 /res eq	\$618,192	\$27,868
Total General Fund Expenditures		\$3,396,724	\$153,121

¹ See Table 3.

² See Table 12.

³ Excludes costs of maintaining new infrastructure.

Direct General Fund Revenues

Property Tax	1.00% property tax assessment ¹ 5.80% City share of property tax allocation post-ERAF ²
Property Tax In-Lieu of MVLFF	\$3,135,617 property tax based revenues 2004-05 ^{3, 4} $\frac{\$9,526,841,379}{\text{2004-05 gross AV}^{3, 4}}$ \$0.33 per \$1,000 in AV growth
Sales Tax	1.00% of taxable sales ⁵
I. Retail/Restaurant Space	\$500 taxable sales PSF ⁶ $\frac{5\% \text{ vacancy}^7}{}$ \$475 net taxable sales PSF
II. Office Space	\$40 taxable sales PSF ⁹
III. Existing Sales Tax Revenue	\$975,585 Existing Taxable Sales [REDACTED] ¹²
Utility Users Tax	\$3,200,000 citywide revenues in FY 2017/18 ¹³ $\frac{72,372 \text{ resident equivalents}^{14}}{}$ \$44.22 per resident equivalent
Franchise Fees	\$3,040,000 citywide revenues in FY 2017/18 ¹⁵ $\frac{72,372 \text{ resident equivalents}^7}{}$ \$42.01 per resident equivalent
Property Transfer Tax	\$0.55 City transfer tax rate per \$1,000 AV ¹⁵ 12.5% estimated annual ownership residential turnover ⁷ 0% estimated annual commercial turnover ⁷
Charges for Services	\$0 citywide revenues in FY 2017/18 ¹³ $\frac{72,372 \text{ resident equivalents}^{14}}{}$ \$0.00 per resident equivalent
Fines and Forfeitures	\$600,000 citywide revenues in FY 2017/18 ¹³ $\frac{72,372 \text{ resident equivalents}^{14}}{}$ \$8.29 per resident equivalent
Gas Tax	\$0 citywide revenues in FY 2017/18 ¹³ $\frac{64,234 \text{ residents}^{14}}{}$ \$0.00 per resident

Table 11
 City of Cupertino General Fund Revenue Source Assumptions 2017/18
 [REDACTED] Development Program
 Cupertino, CA

9/7/2018

Other License Fees (Animal License) \$24,000 citywide revenues in FY 2015/16¹³
 64,234 residents¹⁴
 \$0.37 per resident

Indirect General Fund Revenues

Sales Tax from Indirect Sales 1% of taxable sales⁵

I. Resident Retail Spending \$140,900 estimated household income²¹
 21% income spent on taxable sales²²
 50% Cupertino capture rate²³
 10% Cupertino spending within the project⁷
 \$13,541 annual other Cupertino spending per household

II. Retail/Other Employee Spending including Building Services \$678 annual spending per employee²⁴
 70% Cupertino capture²³
 30% employee Cupertino spending within the project⁷
 \$332 annual other Cupertino spending per employee

III. Office Employee Retail Spending \$1,495 annual spending per employee²⁴
 70% Cupertino capture²³
 30% employee Cupertino spending within the project⁷
 \$733 annual other Cupertino spending per employee

One-Time General Fund Impacts During Construction

Construction Tax Revenue

I. Residential \$747.88 per unit²⁶
 II. Office and Retail \$3.21 per sf²⁶

Construction Use Tax Revenues 1% City Use Tax Rate⁵

I. [REDACTED] \$2,170,217,942 Estimated hard costs²⁷
 60% Estimated materials cost⁷
 50% Estimated share with Cupertino as point of sale²⁸
 \$651,065,000 Estimated Materials Purchases Subject to Use Tax

Property Transfer Tax \$0.55 City transfer tax rate per \$1,000 AV¹⁵

Table 11
City of Cupertino General Fund Revenue Source Assumptions 2017/18
Development Program
Cupertino, CA

9/7/2018

- ¹ As established by Proposition 13 (1978), excluding voter-approved debt rates.
- ² Property Tax Allocation Factor for Tax Rate Area 013-301, FY 2015/16. Santa Clara County Controller-Treasurer. See Table A-17.
- ³ Per SB 1096, growth of property tax in lieu of VLF is proportional to growth in AV since 2004/05. Before 2004/05, VLF was distributed proportion to population.
- ⁴ VLF distribution in 2004/05 per the California State Controller's Office.
- ⁵ The City of Cupertino receives 1% of the total 8.75% sales tax collected on taxable sales, per the City of Cupertino Adopted Budget Fiscal Year 2015-16.
- ⁶ Based on taxable sales for Valley Fair Shopping Mall (\$506 per square foot), Santana Row (\$467 per square foot), and Stanford Shopping Center (\$464 per square foot), derived from City of Palo Alto Sales Tax Digest Q4 2014, City of Palo Alto Office of the City Auditor, June 2015.
- ⁷ KMA assumption.
- ⁸ Based on average revenue per screen and share of total revenue attributable to concessions as reported in 2014 10-k financial reports Cinemark and AMC Entertainment.
- ⁹ Per Elections Code 9212 Report on Initiative Amending Cupertino's General Plan, prepared by Seifel Consulting (2016), taxable B-to-E sales range from \$37 to \$53 per square foot in Cupertino (excluding Apple). KMA's analysis of State Board of Equalization data suggests that the countywide average is lower, at approximately \$30 per square foot.
- ¹⁰ Based on reported sales performance of café at Bay Club. Assumes sales would be similar at a smaller fitness facility.
- ¹¹ California State BOE and HVS Hotel Market Update (2015). Reduced by 25% to account for limited commercial offer at property.
- ¹² City of Cupertino sales tax data.
- ¹³ See Table 21.
- ¹⁴ See Table 19.
- ¹⁵ Chapter 3.04 of City of Cupertino Municipal Code.
- ¹⁶ Chapter 5.04 of Cupertino Municipal Code.
- ¹⁷ Assumes 180,000 sf entertainment uses will consist of three existing entertainment tenants.
- ²¹ Table 18
- ²² Retail expenditure potential as percentage of aggregate income, reported by ESRI Business Analyst in its Retail Marketplace Profile (2015) for Cupertino. Figure excludes non-store retail and auto dealerships.
- ²³ KMA conservatively assumes City will capture 70% of resident/employee expenditure potential. Based on a retail leakage analysis using 2013 BOE sales tax data, Cupertino exhibits a surplus in all retail categories except for Miscellaneous Retail.
- ²⁴ Based on weekly employee restaurant spending in the vicinity of the workplace, as reported in the ICSC report, "Office Worker Retail Spending in a Digital Age" (2012), for suburban workers, assuming 50 weeks at work per year. It has been assumed that retail and building services employees will spend in the same range as clerical office workers. Figures adjusted to 2015 using national CPI.
- ²⁶ Section 3.32.030 of Cupertino Municipal Code.
- ²⁷ Cost estimate based on unit cost estimates prepared by Economic and Planning Systems.
- ²⁸ For purposes of this analysis it has been assumed that 50% of materials costs will generate "use tax" revenue to the City of Cupertino general and sub-contractors designating the job site in Cupertino as the "point of sale" for the materials.
- ²⁹ Marshall and Swift construction costs (2015) for full service hotel.

Table 12
City of Cupertino General Fund Service Cost Assumptions
Development Program
Cupertino, CA

9/7/2018

General Fund

City Council and Commissions	\$847,628	Net Expenses in 2017/18 ¹
	25%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	\$2.93	Per Resident Equivalent
Administration ⁴	\$4,955,173	Net Expenses in 2017/18 ¹
	25%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	\$17.12	Per Resident Equivalent
Law Enforcement	\$317,889	Average Cost Per Deputy 2012 ⁵
	10,000	Employees Per Deputy
	0.33	Employee-Resident Equivalent Factor
	<u>3,300</u>	Resident Equivalents Per Deputy
	\$96.33	Per Resident Equivalent
Public Affairs	(\$28,300)	Net Expenses in 2017/18 ¹
	25%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	-\$0.10	Per Resident Equivalent
Administrative Services	\$3,119,008	Net Expenses in 2017/18 ¹
	25%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	\$10.77	Per Resident Equivalent
Recreation Service	\$5,138,221	Net Expenses in 2017/18 ¹
	65%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	\$46.15	Per Resident Equivalent
Community Development	-\$3,387,502	Net Expenses in 2017/18 ¹
	0%	Percent Variable Costs ⁶
	<u>72,372</u>	Resident Equivalents ³
	\$0.00	Per Resident Equivalent

Table 12
City of Cupertino General Fund Service Cost Assumptions
Development Program
Cupertino, CA

9/7/2018

General Fund (continued)

Public Works	\$18,823,076	Net Expenses in 2017/18 ¹
	65%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	\$169.06	Per Resident Equivalent
Maintenance of New Infra.	data unavailable	
Transfers Out ⁷	\$8,478,473	Net Expenses in 2017/18 ¹
	65%	Percent Variable Costs ²
	<u>72,372</u>	Resident Equivalents ³
	\$76.15	Per Resident Equivalent

¹ See Table 22.

² A portion of each General Fund expense category is fixed, and does not vary regardless of the amount of development. The estimated percent of variable costs is based on the experiences of other cities.

³ See Table 19.

⁴ Includes City Manager, City Clerk and City Attorney.

⁵ Santa Clara County estimate used in 2013 Economic Impact Study of Apple Campus 2 prepared by KMA, escalated at 2% per year.

⁶ It is the goal of the Community Development Department to cover service costs with fees, per the City of Cupertino Finance Department. Limited net expenditures are assumed to be fixed costs.

⁷ Ongoing General Fund transfers to funds that provide City services, including stormwater program, pavement maintenance, compensated absence and retiree health.

Table 13
Buildout and Net New Assessed Property Value
Development Program
Cupertino, CA

9/7/2018

Secured Values			Redevelopment
Residential			
	<i>#units</i>	<i>unit value, inc. land</i> ¹	
For-Sale Market Rate	580	\$1,496,850	\$868,173,000
For- Rent Market Rate	621	\$943,716	\$586,047,776
BMR Studio Rentals - VL Income	268	\$0	\$0
BMR 1 Bedroom Rentals - VL Income	92	\$0	\$0
BMR Studio Rentals - Low Income	626	\$88,290	\$55,269,679
BMR 1 Bedroom Rentals - Low Income	215	\$120,234	\$25,850,401
			\$1,509,490,000
Non-Residential			
	<i>SF</i>	<i>value, inc. land</i> ¹	
Retail	400,000	\$903 psf	\$361,000,000
Office	1,810,000	\$1,236 psf	\$2,236,725,600
			\$2,597,725,600
Total Secured Assessed Value			\$4,107,215,600
Less (Existing AV) ²			(\$157,742,000)
Net New Secured Assessed Value			\$3,949,473,600
Unsecured Values			
		<i>unsecured AV</i>	
Retail Stores		\$30 psf	\$7,200,000
Restaurants		\$50 psf	\$8,000,000
Office		\$50 psf	\$90,500,000
Total Unsecured Assessed Value			\$105,700,000
Less (Existing AV) ²			(\$37,684,518)
Net New Unsecured Assessed Value			\$68,015,482
Total Assessed Value			
Total Assessed Value			\$4,212,915,600
Net New Assessed Value			\$4,017,489,082
Residential			\$1,509,490,000
Commercial			\$2,507,999,082

¹ Valuation estimates reflect per square foot valuation estimates prepared by City of Cupertino's consultant (EPS), adjusted for size of residential units.

² Table 14.

Table 14
 FY 2014/15 [REDACTED] Assessed Property Value
 [REDACTED] Development Program
 Cupertino, CA

9/7/2018

[REDACTED] Development Program
 Existing Facilities
 FY 2014-2015

<u>APN¹</u>	<u>Owner/Use</u>	<u>Secured Taxable Value²</u>	<u>Unsecured Taxable Value³</u>	<u>Combined Taxable Value</u>
I. Town Center/Community Park Project				
316-20-080	[REDACTED]	\$29,071,525	\$17,278,899	\$46,350,424
316-20-081	[REDACTED]	\$16,557,577		\$16,557,577
316-20-082	[REDACTED]	\$1,284,910	\$6,854	\$1,291,764
316-20-094	[REDACTED]	\$14,451,745	\$3,259,332	\$17,711,077
316-20-095	[REDACTED]	\$6,215,185		\$6,215,185
316-20-099	[REDACTED]	\$3,151,816	\$331,073	\$3,482,889
316-20-100	[REDACTED]	\$18,260,478	\$10,324,872	\$28,585,350
316-20-101	[REDACTED]	\$10,684,900	\$5,059,280	\$15,744,180
316-20-103	[REDACTED]	\$17,903,198		\$17,903,198
316-20-104	[REDACTED]	\$3,184,565	\$143,259	\$3,327,824
316-20-105	[REDACTED]	\$6,918,162		\$6,918,162
316-20-106	[REDACTED]	\$7,397,697	\$10,250	\$7,407,947
316-20-107	[REDACTED]	\$22,660,199	\$1,270,699	\$23,930,898
Total, Town Center/Comm. Park		\$157,741,957	\$37,684,518	\$195,426,475
IV. Total Baseline (Included)		\$157,741,957	\$37,684,518	\$195,426,475

Source: RealQuest, County Assessor Office

¹ APNs and acreages reflect current data from the County Assessor's office and reflect the property for purposes of calculating assessed value.

² See Table 15 for detail.

³ Includes retail tenants. In certain cases, the designated APN does not reflect the exact location of retail tenants within the project. For example, the situs of unsecured property owned by [REDACTED] is assigned to APN 316-20-100.

⁴ Block 13 (containing previously approved hotel project) excluded from fiscal impact analysis.

Table 15
 Detail on FY 2014/15 [REDACTED] Assessed Secured Property Value
 [REDACTED] Development Program
 Cupertino, CA

9/7/2018

Existing Facilities
 FY 2014/15

APN ¹	Owner/Use	Land SF	Building SF	Secured Tax Value			
				Land	Improvement	Total	Taxable
I. Town Center/ Community Park Project							
316-20-080	[REDACTED]	540,580	264,629	\$2,456,116	\$24,443,590	\$26,899,706	\$29,071,525
316-20-081	[REDACTED]	190,793	95,613	\$9,572,021	\$6,985,556	\$16,557,577	\$16,557,577
316-20-082	[REDACTED]	0	15,556	\$147,820	\$1,137,090	\$1,284,910	\$1,284,910
316-20-094	[REDACTED]	434,293	202,360	\$3,698,818	\$10,752,927	\$14,451,745	\$14,451,745
316-20-095	[REDACTED]	118,048	0	\$6,215,185	\$0	\$6,215,185	\$6,215,185
316-20-099	[REDACTED]	39,204	10,330	\$2,064,076	\$1,087,740	\$3,151,816	\$3,151,816
316-20-100	[REDACTED]	146,797	88,869	\$7,724,230	\$10,536,248	\$18,260,478	\$18,260,478
316-20-101	[REDACTED]	199,529	176,962	\$843,297	\$9,841,603	\$10,684,900	\$10,684,900
316-20-103	[REDACTED]	0	81,065	\$1,419,644	\$16,483,554	\$17,903,198	\$17,903,198
316-20-104	[REDACTED]	47,045	8,960	\$2,476,954	\$707,611	\$3,184,565	\$3,184,565
316-20-105	[REDACTED]	29,621	49,553	\$1,552,637	\$5,365,525	\$6,918,162	\$6,918,162
316-20-106	[REDACTED]	140,699	0	\$7,397,697	\$0	\$7,397,697	\$7,397,697
316-20-107	[REDACTED]	287,383	208,778	\$14,184,238	\$8,475,961	\$22,660,199	\$22,660,199
Total, Town Center/Comm. Park		2,173,992	1,202,675	\$59,752,733	\$95,817,405	\$155,570,138	\$157,741,957
		49.9	Acres				

IV. Total Baseline (Included)				\$95,817,405	\$155,570,138	\$157,741,957
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Source: RealQuest

¹APNs and acreages reflect current data from the County Assessor's office and reflect the property for purposes of calculating assessed value. The acreages do not coincide precisely with the site area that the City will be using for purposes of calculating density. The City's calculation of site acreage is 51.424 acres, which includes portions of the perimeter road.

Table 16
Detail on FY 2014/15 [REDACTED] Assessed Unsecured Property Value
[REDACTED] Development Program
Cupertino, CA

9/7/2018

Existing Facilities
FY 14/15 and 15/16

	<u>Sample Size</u>	<u>Estimated Sq Ft</u>	<u>Unsecured Values</u>		<u>Unsecured Values PSF</u>	
			<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>
Select Retail Tenants¹						
Entertainment	4	208,000	\$20,039,224	\$21,879,430	\$96	\$105
Retail Stores	7	506,898	\$6,428,592	\$7,210,214	\$13	\$14
In-line retail ²	4	11,350	\$409,202	\$385,427	\$36	\$34
Department Store	3	495,548	\$6,019,390	\$6,824,787	\$12	\$14
Restaurant	8	65,297	\$5,099,250	\$5,584,832	\$78	\$86
Total Sample	26	780,195	\$31,567,066	\$34,674,476	\$40	\$44
Total Existing Project		1,202,675	\$32,666,586	\$37,684,518	\$27	\$31

Source: County Assessor Office, news reports, retailer websites.

¹ KMA categorized a sample of contributors to unsecured AV and relied on news reports and retailer websites to determine their square footage.

² In-line retailer category includes four formula retailers. Square footage based on average store sizes.

Table 17
Property Tax Allocation Factors
Development Program
Cupertino, CA

9/7/2018

FY 2015/2016

Jursidiction	Pre ERAF and TEA Allocation Factor	Post ERAF and TEA Allocation Factor
Santa Clara County	0.23950633	0.13667897
Santa Clara County Library	0.04304213	0.02562499
City of Cupertino	0.02236005	0.05795973
Cupertino Union Elementatry	0.24703511	0.24703511
Fremont Union High	0.16683011	0.16683011
Foothill-DeAnza Community College	0.06368559	0.06368559
County School Service	0.03107356	0.03107356
Central Fire Protection District	0.15091263	0.15208881
Midpeninsula Regional Open Space District	0.01556970	0.01556970
Santa Clara Valley Water District North Central Zone	0.00966858	0.00906782
Santa Clara Valley Water District North Central Zone	0.00178511	0.00164091
Bay Area Air Quality Management District	0.00184979	0.00184979
Santa Clara County Importation Water-Misc. District	0.00531209	0.00488819
Santa Clara Valley Water District West Zone 4	0.00136921	0.00125999
Total	1.00000000	0.91525328

Source: Santa Clara County Controller-Treasurer

Table 18
Household Income of [REDACTED] Project Residents
[REDACTED] Development Program
Cupertino, CA

9/7/2018

Housing Units	Units ¹	Avg. Rent/	HH Income ³
For Sale: Market Rate ¹	567	\$1,496,850	\$257,133
For Rent: Market Rate ¹	607	\$4,719	\$188,742
BMR Units	1,173	\$1,503	\$60,120
Weighted Average	2,347		\$140,900

¹ Unit count reduced by vacancy

² Affordable rents provided [REDACTED]. Reflect 30% of HCD income limits by affordability level, adjusted for household size, and including utilities. Market rate rents reflect rents provided by City's consultant, Economic and Planning Systems.

³ Assumes 30% of income spent on housing.

Table 19
City of Cupertino Demographics, 2017
[REDACTED] Development Program
Cupertino, CA

9/7/2018

Demographic Measure	2017
Population ¹	64,234
Employment ¹	24,415
Day and Nighttime Population ²	88,649
Resident Equivalents	<i>0.33 per employee</i> 72,372

¹ Source: ESRI Total Residential Population forecasts for 2017.

² Total population plus total employment.

Table 20

██████████ Employment, 2014
 ██████████ Development Program
 Cupertino, CA

9/7/2018

Demographics in 2014

██████████
Mall

I. Existing Retail Employment (Base for Per Capita Revenue Estimates)

Entertainment/Fitness	208,000 sf ¹	0% vacant ⁵	1,000 sf / empl ⁶	208
Restaurants	80,000 sf ²	23% vacant ⁵	200 sf / empl ⁶	306
Department Stores	496,000 sf ³	23% vacant ⁵	1,100 sf / empl ⁷	345
In-Line Shops	114,000 sf ²	23% vacant ⁵	350 sf / empl ⁶	249
Total Retail SF	898,000 sf ⁴	18% vacant		<u>1,109</u>

II. Existing Resident Equivalents

Resident Equivalents	1,109 emp	0.33 per empl	366
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¹ Based on square footage of movie theater, gym, ice rink, and bowling alley.

² KMA assumption based on total size of project.

³ Square footage of ██████████.

⁴ Santa Clara County property assessor data, excluding parking.

⁵ Entertainment/fitness uses assumed to be fully occupied. Remaining occupancy rates adjusted to reflect average occupancy rate of 82% reported for 2009-2014.

⁶ KMA estimate of employment density based on past experience.

⁷ Based on employment density of ██████████ at time of closure as reported in state layoff notices. Adjusted upward by 20% to account for employees not reflected in layoff notice.

Table 21

Summary of City of Cupertino General Fund Revenue Budget, FY 2017/18 ¹

Development Program
Cupertino, CA

9/7/2018

Revenue Category	FY 2017-18 Budget	Basis of KMA Projections
<u>Included in the Analysis</u>		
Taxes		
Property Tax (incl. In-Lieu of MVLF ²)	\$20,757,000	assessed value, City sh. of 1% tax
Sales and Use Tax	\$22,790,000	est. project sales, empl. and resid. spending
Utility Users Tax	\$3,200,000	resident equivalents
Franchise Fees	\$3,040,000	resident equivalents
Other Taxes (bus. lic., prop. transf., cxn.)	\$2,850,000	rates from Municipal Code applied to program
	\$52,637,000	
Intergovernmental		
Gas Tax	\$0	per resident
Animal License Fees	\$24,000	per resident
	\$24,000	
Fines and Forfeitures	\$600,000	resident equivalents
Total Revenue Included	\$53,261,000	
<u>Deducted from Service Costs</u>		
Licenses and Permits -		
Insp. & Building Permits	\$2,121,000	deduct from Community Development
Additional Developer Deposits (410.401)	\$0	deduct from Community Development
	\$2,121,000	
Miscellaneous Revenue		
To Community Development	\$80,699	deduct from Community Development
To Recreation	\$3,801	deduct from Recreation
	\$84,500	
Other Financing Sources		
Transfer In	\$2,000,000	
Refundable Deposit Revenue	\$210,000	deduct from Community Development
Other Sources	\$0	deduct from Recreation
	\$2,210,000	
Charges for Services - Planning, Eng., and Enterprise		
Zoning and Planning Fees	\$3,795,000	deduct from Community Development
Engineering Fees	\$300,000	deduct from Public Works
Enterprise Service Fees	\$734,750	deduct from Recreation
General Service Fees	\$1,700	
	\$4,831,450	

Table 21

Summary of City of Cupertino General Fund Revenue Budget, FY 2017/18 ¹

Development Program
Cupertino, CA

9/7/2018

Revenue Category	FY 2017-18 Budget	Basis of KMA Projections
Other Service Charges		
Other Charges - Community Development	\$4,700,095	deduct from Community Development
Other Charges - Recreation	\$2,241,108	deduct from Recreation
Other Charges - Public Affairs	\$100,735	deduct from Public Affairs
Other Charges - Administration	\$512,724	deduct from Administration
Other Charges - Administrative Services	\$875,176	deduct from Administrative Services
Other Charges - Council and Commission	\$76,609	deduct from Council and Commission
	\$8,506,447	
Intergovernmental - COPS Grant	\$100,000	deduct from Law Enforcement
Use of Money and Property - Facility Rentals		
Recreation Facility Rentals	\$1,507,090	deduct from Recreation
Public Works Facility Rentals	\$140,700	deduct from Public Works
	\$1,647,790	
Total Deducted from Service Costs	\$19,501,187	
 Excluded from the Analysis		
Intergovernmental		
440-401 - Intergovernmental	\$0	independent of project
Other Intergovernmental	\$384,000	
Transient Occupancy Tax	\$6,708,000	independent of project
Use of Money and Property		
420-401 - Use of Money	\$0	independent of project
Miscellaneous		
Admin Fee (480.405)	\$141,460	
Total Excluded	\$7,233,460	
Total General Fund Revenue	\$79,995,647	

Source: City of Cupertino Adopted Budget Fiscal Year 2015-16, City of Cupertino Financial Data Transparency Portal.

¹ For funding City departmental services.

² Per Cupertino's 2013/2014 Comprehensive Annual Financial Report, Property Tax was \$9.17 million and Property Tax In-Lieu of Motor Vehicle Fees was \$5.29 million.

Table 22

Summary of City of Cupertino General Fund Expenditures Budget, FY 2017/18 ¹

Development Program
Cupertino, CA

9/7/2018

<u>Expenditure Category</u>	<u>FY 2017/18 Budget</u>
Council and Commissions	
City Council	\$538,784
Commissions	\$385,453
	<u>\$924,237</u>
(Less) Other Service Charges	(\$76,609)
	<u><u>\$847,628</u></u>
Administration	
City Attorney	\$2,039,588
City Manager	\$2,743,041
City Clerk	\$685,268
	<u>\$5,467,897</u>
(Less) Other Service Charges	(\$512,724)
	<u><u>\$4,955,173</u></u>
Law Enforcement	\$12,344,307
(Less) Intergovernmental - COPS Grant	(\$100,000)
	<u><u>\$12,244,307</u></u>
Public Affairs	
Public Affairs	\$72,435
Government Channel	\$0
	<u>\$72,435</u>
(Less) Other Service Charges	(\$100,735)
	<u><u>(\$28,300)</u></u>
Administrative Services	
Human Resources	\$1,855,265
Finance	\$1,348,409
Adm Svcs Administration	\$790,510
	<u>\$3,994,184</u>
(Less) Other Service Charges	(\$875,176)
	<u><u>\$3,119,008</u></u>

Table 22

Summary of City of Cupertino General Fund Expenditures Budget, FY 2017/18 ¹

Development Program
Cupertino, CA

9/7/2018

Expenditure Category	FY 2017/18 Budget
Recreation and Community Services	
Facilities and Community Events	\$3,030,792
Senior Programs	\$3,007,191
Parks and Rec Admin	\$1,127,798
Youth and Teen Programs	\$1,219,650
Community Services	\$1,074,492
Sports and Fitness	\$165,047
	<u>\$9,624,971</u>
(Less) Miscellaneous Revenue	(\$3,801)
(Less) Enterprise Service Fees	(\$734,750)
(Less) Other Financing Sources	\$0
(Less) Other Service Charges	(\$2,241,108)
(Less) Recreation Facility Rentals	(\$1,507,090)
	<u>(\$4,486,750)</u>
	<u>\$5,138,221</u>
Community Development	
Building	\$3,450,556
Planning	\$3,891,943
Planning & Community Development	\$154,300
Housing Services	\$22,494
	<u>\$7,519,292</u>
(Less) Licenses and Permits - Inspection and Building Permits	(\$2,121,000)
(Less) Licenses and Permits - Additional Developer Permits	\$0
(Less) Refundable Deposit Revenue	(\$210,000)
(Less) Zoning and Planning Fees	(\$3,795,000)
(Less) Miscellaneous Revenue	(\$80,699)
(Less) Other Service Charges	(\$4,700,095)
	<u>(\$10,906,794)</u>
	<u>(\$3,387,502)</u>
Public Works	
Grounds and Fleet	\$4,166,680
Facilities	\$3,327,067
Trees and Right of Way	\$3,146,213
Developmental Services	\$2,972,145
Transportation	\$1,839,518
Service Center	\$1,804,912
Streets	\$1,240,526
Administration	\$766,715
	<u>\$19,263,776</u>
(Less) Public Works Facility Rentals	(\$140,700)
(Less) Engineering Fees	(\$300,000)
	<u>(\$440,700)</u>
	<u>\$18,823,076</u>

Table 22

Summary of City of Cupertino General Fund Expenditures Budget, FY 2017/18 ¹

Development Program
Cupertino, CA

9/7/2018

Expenditure Category	FY 2017/18 Budget
Transfers Out ²	
Stormwater Program/ Non-Point Source	\$175,863
Pavement Maintenance	\$4,100,050
Recreation Enterprise Funds	\$2,233,858
Compensated Absence	\$601,341
Retiree Health	\$1,367,360
	<hr/>
	\$8,478,473
Total Expenditures	\$67,689,572
Expenditures Net of Off-Setting Revenues	\$50,190,085
Transfer Expenditures Excluded	
Annual Debt Payment	\$6,079,758
Other Financing Uses	\$10,000
	<hr/>
	\$6,089,758

Source: City of Cupertino Adopted Budget Fiscal Year 2015-16, City of Cupertino Financial Data Transparency Portal.

¹ Cost recovery items (negative amounts) are from revenue items listed in Table 21.

² Ongoing General Fund transfers to funds that provide City services.