

APPENDIX N

Fiscal Impact Analysis - City of Santa Clara



MEMORANDUM

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From: Strategic Economics

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Project: VTA's BART to Silicon Valley Phase II TOD and Access Study

Subject: DRAFT Fiscal Impact Analysis Methodology & Assumptions – City of Santa Clara

1. INTRODUCTION

The Santa Clara Valley Transportation Authority (VTA) is leading the development of a TOD Study to support the implementation of transit-oriented development (TOD) in VTA's planned BART Phase II Corridor extension. The study focuses specifically on the Alum Rock/28th Street, Downtown San José, and Santa Clara station areas. **Figure 1** shows the station area boundaries as defined for the study.

This memorandum presents key findings and assumptions for the analysis of fiscal impacts to the City of Santa Clara's General Fund, resulting from expected future TOD in the Santa Clara station area. Note that the Santa Clara station area includes development opportunities in the City of Santa Clara as well as in San José; an analysis of fiscal impacts for the City of San José are provided in a separate deliverable.

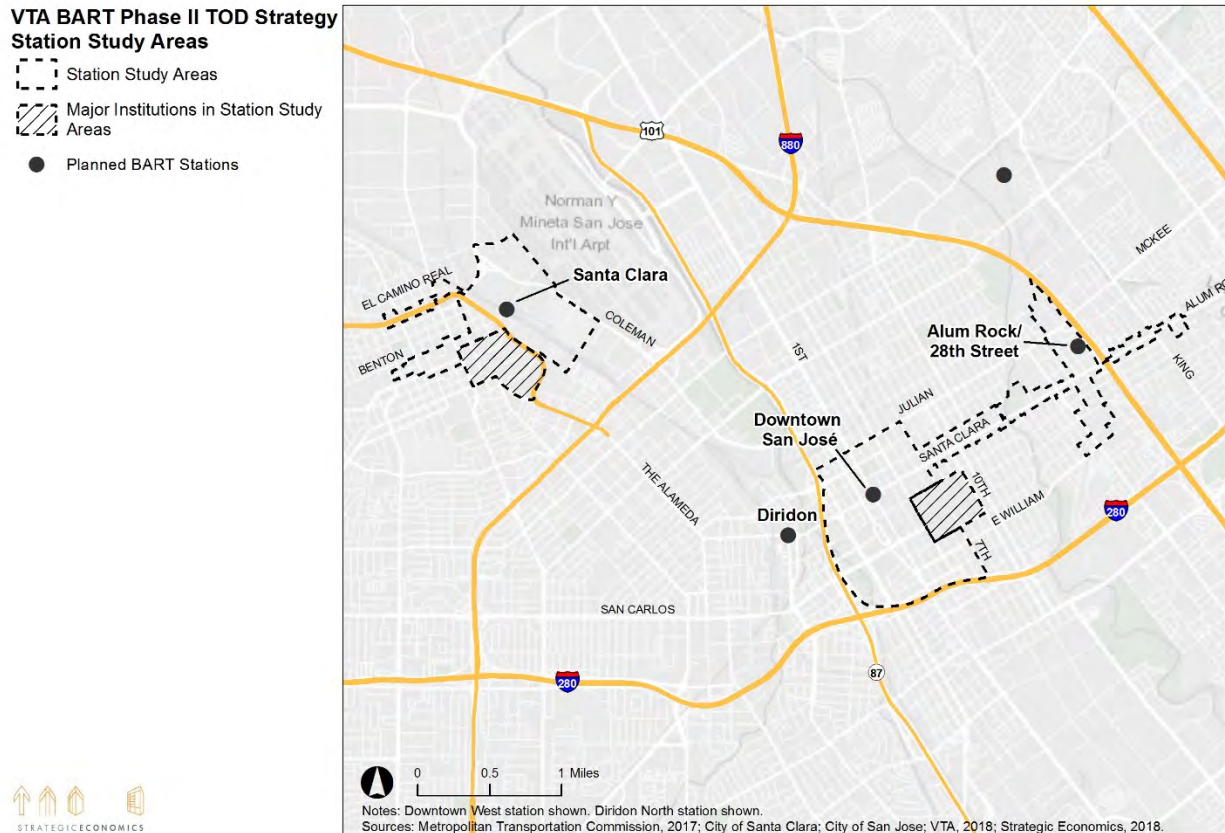
Most of the assumptions in this memorandum were based on the Tasman East Specific Plan Fiscal Impact Analysis, conducted by Strategic Economics in 2017, as well as the City Place Fiscal Impact Analysis and Peer Review conducted by Economic & Planning Systems (EPS) and Keyser Marston Associates (KMA).¹ Strategic Economics also worked with City staff in March 2019 to ensure that assumptions developed for previous analyses still apply; in some cases, this has resulted in modifications to the previous approach. Any additional feedback from City staff will be incorporated into the final version of this analysis.

The remainder of this memorandum is organized in the following sections:

- Purpose and approach of the fiscal impact analysis
- Key findings
- Appendix: Methodology

¹ Economic & Planning Systems, May 24, 2016, City Place Fiscal Impact Analysis; Keyser Marston Associates, June 2, 2016. Peer Review of City Place Fiscal Impact Analysis.

FIGURE 1. VTA'S BART PHASE II TOD STUDY STATION AREA BOUNDARIES



2. PURPOSE AND APPROACH OF THE FISCAL IMPACT ANALYSIS

The fiscal impact analysis models the fiscal impacts to the City of Santa Clara's General Fund resulting from future TOD in the Santa Clara station area. The General Fund is the primary fund that pays for the City's ongoing operations and maintenance. Specifically, the fiscal impact analysis is intended to address the following questions:

- What are the increased revenues for the City of Santa Clara that projected TOD in the Santa Clara station area is estimated to generate?
- What are the associated increased costs to the City of providing services to new residents, employees, and visitors in the station areas?
- Will the revenue generated by new TOD be sufficient to cover corresponding increases in the city's costs (i.e., is new development expected to generate a net fiscal benefit to the City of Santa Clara's General Fund)?

The findings from this analysis will also help inform Strategic Economics' analysis of the potential for tax increment financing tools, such as Enhanced Infrastructure Financing Districts (EIFDs), to contribute to funding projects such as multimodal and public realm improvements and affordable housing.

In this analysis, costs and revenues are expressed on an annual basis. The net fiscal impacts from TOD are estimated at two points in time:

- 2025: Before the projected initiation of BART Phase II passenger service in 2026; and
- 2040: Planning horizon for the TOD scenario.

Figure 2 shows the net new development projected by 2025 and 2040 for the portion of the Santa Clara station area located within the City of Santa Clara. Strategic Economics conducted a separate analysis of the fiscal impacts to the City of San José's General Fund based on projected future development in the Alum Rock/28th Street station area, Downtown San José station area, and the portion of the Santa Clara station area that is within San José's city boundary. Note that development occurring across the border in San José could generate some additional costs (e.g., road maintenance and police costs associated with increased traffic volumes) and revenues (e.g., sales tax) for the City of Santa Clara. Based on discussion with staff, these impacts are expected to be minor, and are not included in this analysis.

This analysis excludes impacts on special districts, enterprise funds, and other agencies that are funded independently of the General Fund, such as school districts and utility districts. The analysis also excludes major facilities, equipment, and other capital costs. The City of Santa Clara is in the process of conducting an impact fee study to offset facilities costs (e.g., library, police, fire) associated with new growth. In a separate deliverable for VTA's TOD Study, Strategic Economics will evaluate the costs and potential funding strategies for streetscape, bicycle and pedestrian access, storm drain, and other infrastructure improvements needed to support an increased level of TOD in the station area.

FIGURE 2. SANTA CLARA STATION AREA DEVELOPMENT SCENARIO (CITY OF SANTA CLARA PORTION ONLY)

| | Development Completed by 2025 (Pre-BART Phase II Opening) | Development Completed by 2040 (Planning Horizon for the TOD Scenario) |
|---------------------|---|---|
| Residential (Units) | 2,502 | 8,626 |
| Office (Sq. Ft.) | 0 | 1,562,500 |
| Retail (Sq. Ft.) | 17,122 | 71,996 |
| Hotel (Rooms) | 250 | 550 |

All values are shown in 2018 dollars.

An additional 1.9 million square feet of office, 300 hotel rooms, and 30,800 square feet of retail are projected for portion of the station area on the City of San José's side of the border. Fiscal impacts to the City of San José's General Fund are provided in a separate analysis.

Source: Strategic Economics, 2019.

3. KEY FINDINGS

Figures 3 and 4 summarize total revenues, costs, and the net fiscal impact to the City of Santa Clara's General Fund as a result of TOD in the Santa Clara station area. Key findings are described below:

Overall, projected development in the Santa Clara station area is expected to have a positive net fiscal impact on the City of Santa Clara's General Fund:

- By 2025, before BART Phase II begins service, development in the station is expected to result in annual net revenues to the City of Santa Clara's General Fund of \$1.4 million, or about 19 percent of total revenues.
- By 2040, the planning horizon year for the TOD scenario, annual net revenues are estimated at nearly \$4.0 million, or 15 percent of total revenues.

The surplus generated by the TOD scenario for the City of Santa Clara's General Fund suggests that there may be potential for the City to contribute some portion of tax increment from the station area to an EIFD, and still generate significant revenues to support City services. This potential will be further explored as part of the Funding and Implementation Strategy for the TOD Study.

FIGURE 3. ANNUAL NET FISCAL IMPACT TO THE CITY OF SANTA CLARA'S GENERAL FUND RESULTING FROM DEVELOPMENT IN THE SANTA CLARA STATION AREA: 2025 AND 2040 (IN 2018 DOLLARS)

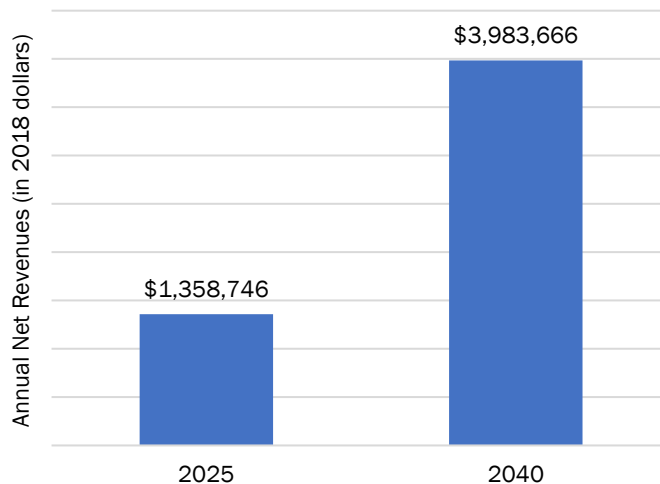
| | 2025 | 2040 |
|--|--------------------|---------------------|
| Annual Revenues | | |
| Property Tax | \$2,291,199 | \$9,175,509 |
| Sales Tax | \$533,583 | \$3,272,837 |
| Transient Occupancy Tax | \$1,430,344 | \$3,146,756 |
| Other Revenues | \$2,771,596 | \$10,918,489 |
| <i>Subtotal Revenues</i> | <i>\$7,026,722</i> | <i>\$26,513,591</i> |
| Annual Costs | | |
| Police | \$2,371,257 | \$10,001,464 |
| Fire | \$909,083 | \$3,636,333 |
| Parks & Recreation | \$1,088,455 | \$3,897,659 |
| Public Works | \$483,692 | \$1,905,466 |
| Community Development | \$248,647 | \$979,526 |
| All Other Costs | \$566,842 | \$2,109,476 |
| <i>Subtotal Costs</i> | <i>\$5,667,976</i> | <i>\$22,529,925</i> |
| Net Fiscal Impact | | |
| Net Revenue | \$1,358,746 | \$3,983,666 |
| Net Revenue as a Percent of Total Revenues | 19% | 15% |

All values are shown in 2018 dollars.

This analysis only includes development in the City of Santa Clara portion of the Santa Clara station area.

Source: City of Santa Clara, 2019; Strategic Economics, 2019.

FIGURE 4. ANNUAL NET FISCAL REVENUES TO THE CITY OF SANTA CLARA'S GENERAL FUND RESULTING FROM DEVELOPMENT IN THE SANTA CLARA STATION AREA: 2025 AND 2040 (IN 2018 DOLLARS)



Values are shown in 2018 dollars.

This analysis includes development in the City of Santa Clara portion of the Santa Clara station area.

Source: City of Santa Clara, 2019; Strategic Economics, 2019.

APPENDIX: METHODOLOGY

This appendix describes the methodology and assumptions used in this memorandum, including: a review of the City of Santa Clara’s budget and current service population; the development scenarios and associate future service population; land use and market assumptions; General Fund revenue assumptions; and General Fund cost assumptions.

City of Santa Clara Current Budget

The analysis is based on the City of Santa Clara’s Adopted General Fund Budget for FY 2018-2019, shown in **Figure 7**.

FIGURE 5. CITY OF SANTA CLARA GENERAL FUND ADOPTED BUDGET, FY 2018-2018

| | 2018-2019 Adopted Operating Budget | Percent of Total |
|----------------------------------|---------------------------------------|---------------------|
| General Fund Revenues | | |
| Property Tax | \$60,300,000 | 24% |
| Sales Tax | \$56,530,000 | 23% |
| Charges for Services | \$40,169,930 | 16% |
| Other Revenue | \$23,851,898 | 10% |
| Transient Occupancy Tax | \$21,000,000 | 8% |
| Transfers | \$15,284,335 | 6% |
| Interest & Rent | \$15,063,022 | 6% |
| Licenses, Permits, and Fines | \$11,278,500 | 5% |
| Other Taxes | \$6,287,638 | 3% |
| Intergovernmental | \$702,000 | 0.3% |
| Total Revenues | \$250,467,323 | 100% |
| General Fund Expenditures | | |
| Police | \$68,446,889 | 27% |
| Fire | \$46,683,831 | 19% |
| Non-Departmental Expenses | \$27,367,462 | 11% |
| Public Works | \$26,328,639 | 11% |
| Parks & Recreation | \$19,451,006 | 8% |
| Community Development | \$14,638,933 | 6% |
| Finance | \$11,734,247 | 5% |
| Information Technology | \$11,165,807 | 4% |
| Library | \$10,426,621 | 4% |
| City Manager | \$5,747,949 | 2% |
| Human Resources | \$3,640,473 | 1% |
| City Attorney | \$2,129,011 | 0.9% |
| City Clerk | \$1,872,604 | 0.7% |
| City Council | \$833,851 | 0.3% |
| Total Expenditures | \$250,467,323 | 100% |

Source: City of Santa Clara 2018-2019 Annual Operating Budget; Strategic Economics, 2019.

City of Santa Clara Current Service Population

Figure 8 shows the current service population in the City of Santa Clara, which is used to estimate the per capita costs and revenues shown later in this Appendix. The service population refers to the total population for which a city provides services, including both residents and employees. Each worker is counted as producing one-half of the impacts of a resident for analytical purposes, consistent with the previous fiscal analyses conducted by Strategic Economics, EPS, and KMA.

FIGURE 6. EXISTING SERVICE POPULATION IN THE CITY OF SANTA CLARA

| | |
|--|----------------|
| Residential Service Population (a) | 129,604 |
| Employee Service Population | |
| Total Employees (b) | 111,954 |
| Employee Factor | 0.50 |
| Employee Service Population | 55,977 |
| Santa Clara Citywide Service Population | 185,581 |

(a) Based on data from the California Department of Finance for the 2018-2019 fiscal year.

(b) Based on U.S. Census Longitudinal Employment Household Dynamics (LEHD), 2015.

Source: California Department of Finance, 2018; LEHD, 2015; Strategic Economics, 2019.

Development Scenario & Associated Future Service Population

TOD & ACCESS STUDY DEVELOPMENT SCENARIO

Figure 5 shows the net new development projected for the Santa Clara station area within the City of Santa Clara² for 2019-2025, 2026-2040, and by 2040, the planning horizon for the TOD scenario. The development scenario is based on projected market demand for multifamily residential, office, retail, and hotel development through 2040, assuming that the corridor becomes more competitive for new development following the introduction of BART service.³ Note that the development scenario includes development proposals currently in the pipeline (e.g., Gateway Crossings, 575 Benton Street, etc.). Overall, the scenario includes more development and higher-density development than envisioned in the City of Santa Clara's existing plans.

FIGURE 7. DEVELOPMENT SCENARIO FOR THE SANTA CLARA STATION AREA – CITY OF SANTA CLARA

| | 2019-2025 | 2026-2040 | Total 2019-2040 |
|---------------------|-----------|-----------|--------------------|
| Residential (Units) | 2,502 | 6,124 | 8,626 |
| Office (Sq. Ft.) | 0 | 1,562,500 | 1,562,500 |
| Retail (Sq. Ft.) | 17,122 | 54,874 | 71,996 |
| Hotel (Rooms) | 250 | 300 | 550 |

Source: Strategic Economics, 2019.

² Note: an additional 1.9 million square feet of office, 300 hotel rooms, and 30,800 square feet of retail are projected for portion of the station area on the City of San José's side of the border.

³ Based on Strategic Economics' Market Analysis and Demand Projections Report. See VTA's BART Phase II TOD Corridor Strategies and Access Planning Study: Opportunities and Constraints Report, January 21, 2019. http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf

SERVICE POPULATION ASSOCIATED NEW DEVELOPMENT

Many of the costs and revenues in the fiscal analysis are calculated based on the net increase in population and jobs resulting from new development. **Figure 6** shows the net increase in population and jobs resulting from new development (i.e., the service population associated with growth). Each worker is counted as producing one-half of the impacts of a resident for analytical purposes, consistent with the previous fiscal analyses conducted by Strategic Economics, EPS, and KMA.

FIGURE 8. FUTURE SERVICE POPULATION ASSOCIATED WITH NEW DEVELOPMENT IN THE SANTA CLARA STATION AREA – CITY OF SANTA CLARA

| | | | 2019-2025 | 2026-2040 | Total 2019-2040 |
|---|-------|----------------------------|--------------|---------------|--------------------|
| Residential (Residents) (a) | 2.5 | Residents per unit | 6,254 | 15,311 | 21,565 |
| Residential Factor | 1.0 | | | | |
| Residential Service Population | | | 6,254 | 15,311 | 21,565 |
| Office (Workers) | 250 | Gross sq. ft. per employee | 0 | 6,250 | 6,250 |
| Retail (Workers) | 500 | Gross sq. ft. per employee | 34 | 110 | 144 |
| Hotel (Workers) (b) | 2,250 | Gross sq. ft. per employee | 67 | 80 | 147 |
| <i>Subtotal Employees</i> | | | <i>101</i> | <i>6,440</i> | <i>6,541</i> |
| Employee Factor | 0.5 | | | | |
| Employee Service Population | | | 50 | 3,220 | 3,270 |
| Total Service Population Associated with New Development | | | 6,304 | 18,531 | 24,835 |

(a) Residential density is based on an average residential unit size of 1,000 gross square feet.

(b) Hotel employee density is based on an average hotel room size of 600 gross square feet.

Source: Strategic Economics, 2019.

Assessed Valuation

Figure 9 summarizes the assessed valuation assumptions for each land use in the station area, and **Figure 10** shows the total assessed value of the development scenario in 2025 and 2040, estimated in 2018 nominal dollars. Key terms and assumptions are provided below.

- **Market valuation of new development.** The market values for new market-rate residential, office, retail, and hotel space were developed based on rents and sales prices from recently completed projects in and around the station areas, as documented in Strategic Economics' recent market analysis conducted for VTA's BART Phase II TOD Strategy.⁴
- **Affordable housing assumptions.** Future residential development in the station area is assumed to include 80 percent market-rate units and 20 percent below-market-rate units.⁵ Of the below-market-rate units, half are assumed to be provided in 100% affordable, non-profit owned buildings that are exempt from property taxes. The other half are assumed to be

⁴ VTA's BART Phase II TOD Corridor Strategies and Access Planning Study: Opportunities and Constraints Report, January 21, 2019. http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf

⁵ This assumption reflects an average of the cities' affordable housing goals for the three station areas. The Santa Clara station area has an overall goal of 15 percent affordable housing, to reflect Santa Clara's recently adopted inclusionary housing ordinance. The Downtown San José station area has an overall goal of 20 percent affordable housing, to match the target set in the Downtown Strategy 2000 EIR. The Alum Rock/28th Street station areas has a goal of 25 percent affordable housing, to reflect San José's policy for 25 percent affordable housing in Urban Villages, including a 15 percent set-aside for extremely low income households. Refer to Strategic Economics' Opportunities and Constraints for Producing Affordable Housing and Mitigating Displacement Risk report for more details.

(footnote continued)

provided in mixed-income buildings (i.e. inclusionary housing units), with a mix of income levels reflecting the cities' respective inclusionary housing ordinances.⁶ The assessed value of inclusionary units are estimated based on Santa Clara County's maximum allowable rents at the income levels specified. The final residential assessed values shown in **Figure 9** are weighted averages, weighed by the distribution of affordability levels.

FIGURE 9. AVERAGE ASSESSED VALUE OF NEW DEVELOPMENT IN SANTA CLARA STATION AREA, IN 2018 DOLLARS

| | Santa Clara Station Area |
|-------------------------------------|-------------------------------------|
| Residential (per gross sq. ft.) (a) | \$617 |
| Office (per gross sq. ft.) | \$649 |
| Retail (per gross sq. ft.) | \$570 |
| Hotel (per gross sq. ft.) | \$583 |

All values are in 2018 dollars.

(a) Assumes 80 percent market-rate units and 20 percent below-market-rate units. Of the below-market-rate units, half are assumed to be provided in 100% affordable, non-profit-owned buildings that are exempt from property taxes. The other half are assumed to be provided in mixed-income buildings (i.e. inclusionary housing units), with a mix of income levels reflecting the cities' respective inclusionary housing ordinances.

Source: Market research conducted by Strategic Economics, 2018.

FIGURE 10. TOTAL ASSESSED VALUE OF THE SANTA CLARA STATION AREA DEVELOPMENT SCENARIO: 2025 AND 2040 (IN 2018 DOLLARS)

| | 2025 | 2040 |
|-----------------|------------------------|------------------------|
| Residential (a) | \$1,542,504,098 | \$5,318,979,647 |
| Office | \$0 | \$1,014,204,545 |
| Retail | \$9,759,769 | \$41,037,972 |
| Hotel | \$87,500,000 | \$192,500,000 |
| Total | \$1,639,763,866 | \$6,566,722,164 |

All values are in 2018 dollars.

(a) Assumes 80 percent market-rate units and 20 percent below-market-rate units. Of the below-market-rate units, half are assumed to be provided in 100% affordable, non-profit-owned buildings that are exempt from property taxes. The other half are assumed to be provided in mixed-income buildings (i.e. inclusionary housing units), with a mix of income levels reflecting the cities' respective inclusionary housing ordinances.

Source: Strategic Economics, 2018.

⁶ For San José, we assume a mix of units affordable to households earning 120% of area median income (AMI), 80 percent of AMI, and 60 percent of AMI.

General Fund Revenue Assumptions

Revenue sources to be calculated for the fiscal analysis include: property tax, property tax in-lieu of vehicle license fee (VLF), property transfer tax, sales tax, Transient Occupancy Tax (TOT), and other recurring revenues. Assumptions for each revenue source are provided below.

PROPERTY TAX

In Santa Clara, three property tax revenue sources contribute to the General Fund. They are described below and summarized in **Figures 11 and 12**.

- **Property tax.** Per California's Proposition 13, the base property tax rate in the City of Santa Clara is one percent of assessed property value. The apportionment of this one percent revenue varies by Tax Rate Area (TRA). The City of Santa Clara receives on average 10.24% of the one percent tax revenue, after accounting for shifts to the Educational Revenue Augmentation Fund (ERAF). The property tax rate is applied to the assessed value of new development in the Santa Clara portion of the Santa Clara station area to determine property tax revenue to the City.
- **Property tax in-lieu of vehicle license fee (VLF).** Since 2004, the State of California has swapped city and county vehicle license fee revenues for additional property tax revenues. The property tax payment provided in-lieu of the VLF grows proportionally to a city's assessed value. Figure 9 shows the calculation of property tax in-lieu of VLF revenue per dollar of assessed value, based on the City of Santa Clara's total estimated assessed value in FY 2018-2019 and the County of Santa Clara's VLF Apportionment Schedule for the same year.⁷
- **Property transfer tax.** The City of Santa Clara receives \$0.55 of each \$1,000 value of properties sold.
- **Holding period and turnover rate.** A holding period is the length of time between changes in ownership of property. This analysis assumes a holding period of 15 years for all land use types. The turnover rate is the percent of properties assumed to change ownership annually, calculated as one divided by the average holding period (about 6.67 percent). The turnover rate is used to calculate the City of Santa Clara's property transfer tax revenue.

⁷ Based on the City's 2018 Comprehensive Annual Financial Statement, and Santa Clara County Controller-Treasurer Department, SB1096 VLF Apportionment Schedule.

FIGURE 11. CITY OF SANTA CLARA PROPERTY TAX REVENUE ASSUMPTIONS

| | | |
|---|------------------|---------|
| Property Tax Rate Dedicated to the City of Santa Clara | | |
| Santa Clara Station Area (a) | | 0.1024% |
| Property Tax in-lieu of VLF | | |
| Total Estimated Citywide Assessed Value (b) | \$40,109,539,000 | |
| Citywide VLF Property Tax In-lieu Revenue (c) | \$13,501,161 | |
| Property Tax In-lieu of VLF Per \$1,000 Assessed Value | \$0.337 | |
| Property Transfer Tax | | |
| Rate per \$1,000 of sale price (d) | \$0.55 | |
| Turnover Rate (e) | 6.67% | |

(a) Based on information provided by the City of Santa Clara Finance Department.

(b) Based on City of Santa Clara 2018 Comprehensive Annual Financial Report.

(c) Based on the Santa Clara County Controller-Treasurer Department, SB1096 VLF Apportionment Schedule for FY 2018.

(d) California City Finance, 2016.

(e) Based on the assumption of a 15-year holding period.

Source: Santa Clara County, 2018; California City Finance, 2016; City of Santa Clara, 2019; Strategic Economics, 2019.

FIGURE 12. CITY OF SANTA CLARA PROPERTY TAX REVENUE CALCULATIONS

| | 2025 | 2040 |
|-------------------------------------|--------------------|--------------------|
| Property Tax Revenue | \$1,679,118 | \$6,724,323 |
| Property Tax In-Lieu of VLF Revenue | \$551,956 | \$2,210,406 |
| Property Transfer Tax Revenue | | |
| Residential | \$56,558 | \$195,029 |
| Office | \$0 | \$37,188 |
| Retail | \$358 | \$1,505 |
| Hotel | \$3,208 | \$7,058 |
| Subtotal Property Transfer Tax | \$60,125 | \$240,780 |
| Total Property Tax Revenue | \$2,291,199 | \$9,175,509 |

All values are in 2018 dollars.

Source: Strategic Economics, 2019.

SALES TAX

Figure 13 summarizes the assumptions used to calculate sales tax revenues generated by TOD in the Santa Clara station area, and **Figure 14** shows the total estimated sales tax revenue generated from the station area. This analysis uses a demand-driven method by estimating the demand for retail sales that would be generated by residents, workers, and businesses associated with new development. Key terms and assumptions are described below.

- **Sales tax rate.** The City of Santa Clara receives one percent of all taxable sales generated in the City.
- **Sales tax revenue generated from residential uses.** Based on research conducted by ADE, each residential unit is assumed to generate \$204 per year in sales tax revenue to the City. This assumes that the City of Santa Clara captures 30 percent of resident expenditures.⁸
- **Sales tax revenue generated from non-residential uses.** Non-residential uses generate revenue from employee spending as well as business-to-business sales. Based on research conducted by ADE, each employee is assumed to generate \$231 per year in sales tax revenue to the City.⁹

FIGURE 13. CITY OF SANTA CLARA SALES TAX REVENUE ASSUMPTIONS

| | |
|--|----------|
| General Assumptions | |
| Sales Tax Rate | 1.0% |
| Sales Capture Rate (Residential) | 30% |
| Sales Tax Revenue Generated to City, Per Capita | |
| Per Residential Unit (a) | \$203.97 |
| Per Employee | \$231.38 |

(a) This assumes a 3.2 percent residential vacancy factor.

Source: ADE, 2019.

FIGURE 14. CITY OF SANTA CLARA SALES TAX REVENUE CALCULATIONS

| | 2025 | 2040 |
|---|------------------|--------------------|
| Residential Generated Sales Tax Revenue | \$510,234 | \$1,759,427 |
| Non-Residential Generated Sales Tax Revenue | \$23,349 | \$1,513,410 |
| Total Sales Tax Revenue | \$533,583 | \$3,272,837 |

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

⁸ Based on a study conducted by ADE for the City of San José, November 2018, Preliminary Fiscal/Economic Impact Analysis of Development Capacity on Google and City Lands; communications with Doug Svensson, ADE, March 2019. Note that the sales tax assumptions used here are conservative, in that they were originally developed for San José which has lower sales tax revenues per capita than Santa Clara.

⁹ Ibid.

TRANSIENT OCCUPANCY TAX

Figure 15 summarizes the assumptions used to calculate transit occupancy tax (TOT, or hotel tax) revenues, and **Figure 16** shows the total estimated TOT revenue generated from the station area. Key assumptions and terms are described below:

- **Revenue per Available Room (RevPar).** RevPAR is calculated by dividing total room revenue by the number of rooms available, taking into account typical room vacancies. RevPar estimates are based on the market analysis conducted by Strategic Economics for VTA's BART Phase II TOD Strategy.¹⁰
- **Transient Occupancy Tax (TOT).** The City of Santa Clara imposes a 9.5 percent Transient Occupancy Tax (TOT), calculated as a percent of total room revenues. All revenues generated by the TOT contribute to the City's General Fund.

FIGURE 15. CITY OF SANTA CLARA TRANSIENT OCCUPANCY TAX REVENUE ASSUMPTIONS

| | |
|--|-------|
| City of Santa Clara TOT Tax Rate to General Fund | 9.5% |
| Average Hotel Room Size (Gross Sq. Ft.) | 600 |
| Santa Clara Station Area Revenue per Available Room (RevPar) (a) | \$165 |

(a) Revenue per available room is calculated by dividing total room revenue by the number of rooms available. This assumes a 78% occupancy rate. Values are based on the market analysis conducted by Strategic Economics for VTA's BART Phase II TOD Strategy. Source: City of Santa Clara 2019; Strategic Economics, 2019.

FIGURE 16. CITY OF SANTA CLARA TRANSIENT OCCUPANCY TAX REVENUE CALCULATIONS

| | 2025 | 2040 |
|-------------|-------------|-------------|
| TOT Revenue | \$1,430,344 | \$3,146,756 |

All values are in 2018 dollars.

Source: Strategic Economics, 2019.

¹⁰ VTA's BART Phase II TOD Corridor Strategies and Access Planning Study: Opportunities and Constraints Report, January 21, 2019. http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf

OTHER RECURRING REVENUES

Figure 17 shows the remaining General Fund revenue sources, which are assumed to increase proportionally to growth in service population. **Figure 18** summarizes the total estimated revenue generated by these sources from development in the station area.

A service population factor is applied to each revenue category, representing the relative proportion of revenues attributable to new residents (1.0) and employees (0.5). These per capita factors are then multiplied by the new residential and employee population associated with the Santa Clara station development scenarios to arrive at the additional revenues generated from new development.

Note that Interest and Rent, Intergovernmental, and Transfer revenues are assumed not to vary with population growth.

FIGURE 17. CITY OF SANTA CLARA RECURRING REVENUE ASSUMPTIONS

| | FY 2018-2019 Adopted Budget | Percent Variable | Residential | | Non-Residential | |
|--------------------------|--------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | | | Service Population Factor | Revenue per Resident (a) | Service Population Factor | Revenue Per Employee (a) |
| Other Taxes | \$6,287,638 | 100% | 1.0 | \$33.88 | 0.5 | \$16.94 |
| Licenses, Permits, Fines | \$11,278,500 | 100% | 1.0 | \$60.77 | 0.5 | \$30.39 |
| Interest and Rent | \$15,063,022 | 0% | n/a | n/a | n/a | n/a |
| Intergovernmental | \$702,000 | 0% | n/a | n/a | n/a | n/a |
| Charges for Services | \$40,169,930 | 100% | 1.0 | \$216.45 | 0.5 | \$108.23 |
| Other Revenue (b) | \$23,851,898 | 100% | 1.0 | \$128.53 | 0.5 | \$64.26 |
| Transfers | \$15,284,335 | 0% | n/a | n/a | n/a | n/a |

(a) Based on the current service population and employment shown in Figure 5.

(b) Includes Contributions In-Lieu of Taxes (paid by Silicon Valley Power).

Sources: City of Santa Clara, 2016; Strategic Economics, 2019.

FIGURE 18. CITY OF SANTA CLARA RECURRING REVENUE CALCULATIONS

| | 2025 | 2040 |
|------------------------------|--------------------|---------------------|
| Other Taxes | \$213,595 | \$841,442 |
| Licenses, Permits, and Fines | \$383,138 | \$1,509,342 |
| Interest & Rent | \$0 | \$0 |
| Intergovernmental | \$0 | \$0 |
| Charges for Services | \$1,364,598 | \$5,375,731 |
| Other Revenue | \$810,264 | \$3,191,974 |
| Transfers | \$0 | \$0 |
| Total | \$2,771,596 | \$10,918,489 |

All values are in 2018 dollars.

Source: Strategic Economics, 2019.

General Fund Cost Assumptions

Costs from the Police, Fire, Parks and Recreation, and Public Works departments are calculated in detail in the following sections. All other recurring costs are calculated on a per capita basis.

POLICE DEPARTMENT

Figures 19-22 summarize the assumptions used to estimate the General Fund cost associated with increased police service. **Figure 23** summarizes the total estimated police costs generated by TOD in the Santa Clara station area. Key steps and assumptions are described below:

- **Type and number of new staff positions (Figure 19).** The City of Santa Clara Police Department provided the number and type of new Full-Time Equivalent (FTE) personnel needed to adequately cover new development in the Santa Clara station area by 2025 and 2040. The Police Department also included additional staff to account for the fact that Santa Clara station will be the final stop of the future BART line, which may result in additional police activity. It should be noted, however, that the additional police services required during construction phases are not included in these estimates.
- **Base salary cost of new staff position (Figure 20).** The City of Santa Clara Police Department also provided the typical base salary range associated with each position from Figure 19 (the base salary estimates do not include benefits.) Note that benefits are calculated in the non-base salary costs, explained below. The average base salaries were multiplied by the number of positions to arrive at the total base salary costs shown in Figure 23.
- **Non-base salary costs (Figure 21).** Police services entail other costs beyond base salaries, including benefits, overtime, equipment, and supplies. As shown in Figure 21, the FY 2018-2019 police budget is \$68 million, of which \$36.8 million is for salaries, and the remaining \$31.2 million all other (i.e. non-base salary) costs. It is assumed that 70 percent of this amount varies with service population growth. The total non-base salary costs is divided by the number of full-time equivalent (FTE) staff in the FY 2018-2019 budget to arrive at an average non-base salary cost per FTE. This factor is multiplied by the number of new positions shown in Figure 17 to arrive at the total non-base salary costs line item shown in Figure 23.
- **Additional costs associated with hiring new personnel (Figure 22).** The City of Santa Clara Police Department provided additional costs associated with hiring staff. These costs are not currently included in the department's budget. The additional cost per FTE is multiplied by the total number of new FTEs to arrive at the line item shown in Figure 23.
- **Total costs (Figure 23).** Total costs are calculated by summing the base salary costs, non-base salary costs, and additional training costs for new hires.

FIGURE 19. POLICE DEPARTMENT STAFFING NEEDS TO COVER DEVELOPMENT IN THE SANTA CLARA STATION AREA

| New Positions | 2025 | 2040 |
|----------------------------|-------------|-------------|
| Police Officer | 7.5 | 24.5 |
| Police Sergeant | 0 | 4 |
| Community Services Officer | 1 | 4.5 |
| Jail Services Officer | 0 | 1 |
| Public Safety Dispatcher | 1 | 4 |
| Records Specialist | 1 | 3 |
| Office Specialist III | 1 | 3 |
| Police Lieutenant | 0 | 1 |
| Police Captain | 0 | 1 |
| Total | 11.5 | 46 |

Sources: City of Santa Clara, 2019; Strategic Economics, 2019.

FIGURE 20. CITY OF SANTA CLARA POLICE DEPARTMENT BASE SALARY ASSUMPTIONS

| Position | Base Salary Low End, FY 2018-2019 | Base Salary High End, FY 2018-2019 | Base Salary Average, FY 2018-2019 |
|----------------------------|--|---|--|
| Police Officer | \$92,052 | \$117,360 | \$104,706 |
| Police Sergeant | \$144,756 | \$184,728 | \$164,742 |
| Community Services Officer | \$78,672 | \$100,296 | \$89,484 |
| Jail Services Officer | \$78,672 | \$100,296 | \$89,484 |
| Public Safety Dispatcher | \$91,104 | \$116,196 | \$103,650 |
| Records Specialist | \$78,672 | \$100,296 | \$89,484 |
| Office Specialist III | \$73,836 | \$94,104 | \$83,970 |
| Police Lieutenant | \$167,580 | \$213,864 | \$190,722 |
| Police Captain | \$245,724 | \$317,988 | \$281,856 |

Sources: City of Santa Clara Police Department, 2019; Strategic Economics, 2019.

FIGURE 21. NON-BASE SALARY COST ASSUMPTIONS

| | |
|--|-----------------|
| Total Police Department Budget (a) | \$68,446,889 |
| Base Salary Costs (Regular Salary and Wages) (a) | \$36,778,519 |
| Non-Base Salary Costs (b) | \$31,668,370 |
| % Variable Assumption | 70% |
| Variable Costs | \$22,167,859 |
| Current Full Time Equivalents (FTEs) (c) | 239 |
| Non-Base Salary Cost per FTE | \$92,753 |

(a) Based on the City's Adopted Budget for 2018-2019, p. 15-3.

(b) Estimated by subtracting total regular (base) salary costs from the total police department budget.

(c) Based on the City's Adopted Budget for 2018-2019, p. 1-16.

Sources: City of Santa Clara Police Department, 2019; Strategic Economics, 2019.

FIGURE 22. ADDITIONAL COSTS ASSOCIATED WITH HIRING NEW STAFF

| | Annual Cost Per New FTE |
|--|------------------------------------|
| Recruiting/Hiring General | \$400 |
| Polygraph | \$530 |
| Psychological | \$400 |
| Background (incl. travel) | \$2,500 |
| Academy | \$3,500 |
| New Hire Equipment | \$650 |
| Helmet/Shield/Gas Mask | \$1,000 |
| Badge | \$300 |
| Body Worn Camera | \$1,000 |
| Taser | \$1,000 |
| Handgun (incl. holster + light) | \$750 |
| Vest Carrier | \$500 |
| Ballistic Vest | \$750 |
| Total Additional Training Costs per FTE | \$13,280 |

Sources: City of Santa Clara Police Department, 2019; Strategic Economics, 2019.

FIGURE 23. CITY OF SANTA CLARA POLICE COST CALCULATIONS

| | 2025 | 2040 |
|---|--------------------|---------------------|
| Base Salary Costs | \$1,151,883 | \$5,123,967 |
| Non-Base Salary Costs | \$1,066,654 | \$4,266,617 |
| Additional Costs Associated with Hiring New Staff | \$152,720 | \$610,880 |
| Total | \$2,371,257 | \$10,001,464 |

All values are in 2018 dollars.

Sources: City of Santa Clara Police Department, 2019; Strategic Economics, 2019.

FIRE DEPARTMENT

Figures 24-25 summarize the assumptions used to estimate the General Fund Fire department costs, and Figure 26 shows the total estimated costs generated by TOD in the station area. Key steps and assumptions are described below:

- **New staffing needs (Figure 24).** The City of Santa Clara Fire Department provided an estimated number of new sworn firefighters needed to adequately cover new development in the Santa Clara station area as of 2025 and 2040.¹¹
- **Average cost per new firefighter (Figure 25).** The average cost per new firefighter is estimated based on the City's current budget and staffing levels. The budget items and current staff levels shown in Figure 25 are based on the City's 2018-2019 Adopted Budget, and the variable percentages are based on previous analyses.
- **Total cost (Figure 26).** The total cost generated from new development in the Santa Clara station area is calculated by multiplying the number of new firefighters associated with development in the station area by the average variable cost.

FIGURE 24. FIRE DEPARTMENT STAFFING NEEDS TO COVER DEVELOPMENT IN THE SANTA CLARA STATION AREA

| | 2025 | 2040 |
|-----------------------------------|------|------|
| Number of new firefighters needed | 3 | 12 |

Sources: City of Santa Clara Fire Department, 2019; Strategic Economics, 2016.

FIGURE 25. CITY OF SANTA CLARA FIRE DEPARTMENT ANNUAL COST ASSUMPTIONS

| | FY 2018-2019 Adopted Budget (a) | Percent Variable (b) | Variable Cost |
|--|------------------------------------|-------------------------|---------------------|
| Fire Protection (Administrative) | \$2,952,728 | 25% | \$738,182 |
| Fire Protection (Emergency Response) | \$36,546,363 | 100% | \$36,546,363 |
| Fire Prevention/Hazardous Materials | \$4,947,093 | 75% | \$3,710,319 |
| Training | \$1,314,219 | 50% | \$657,110 |
| Emergency Medical Service | \$923,428 | 100% | \$923,428 |
| <i>Total</i> | <i>\$46,683,831</i> | | <i>\$42,575,402</i> |
| Sworn Firefighters in Santa Clara in 2018-2019 (b) | | | 140.5 |
| Average Cost per Sworn Firefighter | | | \$303,028 |

(a) From City of Santa Clara 2018-2019 Annual Operating Budget p. 14-1, and p. 14-7 through 14-15.

(b) From City of Santa Clara 2018-2019 Annual Operating Budget p. 14-7

Sources: City of Santa Clara, 2017; Strategic Economics, 2016.

FIGURE 26. CITY OF SANTA CLARA FIRE COST CALCULATIONS

| | 2025 | 2040 |
|------------|-----------|-------------|
| Fire Costs | \$909,083 | \$3,636,333 |

All values are in 2018 dollars.

Source: City of Santa Clara, 2019; Strategic Economics, 2019.

¹¹ Note that the cost estimates shown here do not include any new capital costs that may be needed to serve new development. For example, a new firetruck could be required, particularly if the station area includes a high-rise in an area that has not previously experienced this type of development. It is assumed that this cost will be covered by impact fees or other sources.

PARKS AND RECREATION DEPARTMENT

Figures 27 summarizes the assumptions used to estimate the General Fund Parks and Recreation department costs, and Figure 28 shows the total estimated department costs generated by TOD in the Santa Clara station area. Parks and Recreation costs fall in two main categories:

- **Park maintenance costs.** Based on the City's current park maintenance budget and total park acreage, Strategic Economics estimated the annual average park maintenance cost per acre. The annual average maintenance cost per new resident was calculated based on the City of Santa Clara's minimum required level of service of 3 park acres per 1,000 new residents.
- **Recreation and administrative costs.** Recreation costs are estimated on a per capita basis, assuming that employees account for half the impact of residents, as shown in Figure 27.

FIGURE 27. CITY OF SANTA CLARA PARKS AND RECREATION COST ASSUMPTIONS

| | |
|--|--------------|
| Park Maintenance Costs Assumptions | |
| City of Santa Clara Park Maintenance Budget, FY 2018-2019 (a) | \$10,798,414 |
| City of Santa Clara Existing Park Acreage (b) | 254.99 |
| Park Maintenance Cost per Acre, per Year | \$42,348 |
| Park Acres per Resident (Level of Service) (b) | 0.0030 |
| Park Maintenance Cost Per Resident, per Year | \$127 |
| Recreation and Other Costs Assumptions | |
| City of Santa Clara Recreation and Administration Budget, FY 2018-2019 (a) | \$8,652,592 |
| Percent Variable | 100% |
| Total Variable Cost | \$8,652,592 |
| Residential Service Factor | 1.00 |
| Employee Service Factor | 0.50 |
| Recreation & Other Cost Per Resident, Per Year | \$47 |
| Recreation & Other Cost Per Employee, Per Year | \$23 |

(a) Based on the City of Santa Clara Operating Budget 2018-2019, p.13-1

(b) Based on City of Santa Clara Park & Recreation Facilities Development Impact Fee Update Study, February 22, 2019 Draft.

Source: City of Santa Clara Parks and Recreation Department, 2019; Strategic Economics, 2019.

FIGURE 28. CITY OF SANTA CLARA PARKS AND RECREATION CALCULATIONS

| | 2025 | 2040 |
|---|--------------------|--------------------|
| Park Maintenance Costs | \$794,521 | \$2,739,729 |
| Recreation & Other Costs | \$293,934 | \$1,157,931 |
| Total Parks & Recreation Costs | \$1,088,455 | \$3,897,659 |

All values are in 2018 dollars.

Source: City of Santa Clara, 2019; Strategic Economics, 2019.

PUBLIC WORKS DEPARTMENT

Figures 29 summarizes the assumptions used to estimate the General Fund Public Works department costs associated with the new development, and **Figure 30** shows the total estimated costs generated by TOD in the station area.

Growth of public works expenses are estimated on a per capita basis, since expenses are likely to increase incrementally with population and employment growth. To account for variable costs of public works, street maintenance costs are assumed to be 90 percent variable with service population growth, while the engineering costs are assumed to be 25 percent variable. Additional facility service costs are unlikely to be incurred. The “per capita” method determines the cost per additional resident or employee by dividing relevant total costs by the service population, resulting in a cost per capita for each cost item (Figure 29). These costs per capita are then multiplied by the number of new residents and employees to arrive at total costs (Figure 30).

FIGURE 29. CITY OF SANTA CLARA PUBLIC WORKS COST ASSUMPTIONS

| | FY 2018-2019 Adopted Budget (a) | Percent Variable | Variable Cost | Residential | | Non-Residential | |
|-------------------------------|---------------------------------------|---------------------|---------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | | | | Service Population Factor | Cost Per Resident | Service Population Factor | Cost Per Employee |
| Streets & Automotive Services | \$13,085,835 | 90% | \$11,777,252 | 1.0 | \$63.46 | 0.50 | \$31.73 |
| Engineering | \$9,845,080 | 25% | \$2,461,270 | 1.0 | \$13.26 | 0.50 | \$6.63 |
| Facility Services | \$3,397,724 | 0% | \$0 | 1.0 | \$0.00 | 0.50 | \$0.00 |
| Total Public Works | \$26,328,639 | | \$14,238,522 | | | | |

(a) Based on the City of Santa Clara 2018-2019 Adopted Budget, on p. 11-1
Sources: City of Santa Clara, 2018; Strategic Economics, 2019.

FIGURE 30. CITY OF SANTA CLARA PUBLIC WORKS COST ASSUMPTIONS

| | 2025 | 2040 |
|---------------------------------|------------------|--------------------|
| Streets and Automotive Services | \$400,081 | \$1,576,088 |
| Engineering | \$83,611 | \$329,379 |
| Facility Services | \$0 | \$0 |
| Total Public Works Costs | \$483,692 | \$1,905,466 |

All values are in 2018 dollars.

Source: City of Santa Clara, 2019; Strategic Economics, 2019.

OTHER RECURRING COSTS

Strategic Economics applied a per capita model to estimate other departmental General Fund costs, as shown in **Figure 31**. Total costs are summarized in **Figure 32**.

The percent variability assigned to each category is based on factors applied in the Tasman East Fiscal Impact Analysis Report. The factor for the Community Development Department was increased to 50 percent to account for additional costs that may be incurred by the City to manage new inclusionary housing or other affordable housing units in the station area.

A service population factor is also applied to each expense category, representing the relative proportion of expenses attributable to new residents (1.0) and employees (0.5, with the exception of the Library department with a factor of 0.0). These costs per capita are then multiplied by the number of new residents and employees to arrive at total costs.

FIGURE 31. CITY OF SANTA CLARA OTHER RECURRING COST ASSUMPTIONS

| | FY 2018-2019 Adopted Budget | Percent Variable | Variable Cost | Residential | | Non-Residential | |
|------------------------|-----------------------------------|---------------------|------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | | | | Service Population Factor | Cost Per Resident | Service Population Factor | Cost Per Employee |
| City Attorney | \$2,129,011 | 25% | \$532,253 | 1.00 | \$2.87 | 0.5 | \$1.43 |
| City Clerk | \$1,872,604 | 25% | \$468,151 | 1.00 | \$2.52 | 0.5 | \$1.26 |
| City Council | \$833,851 | 25% | \$208,463 | 1.00 | \$1.12 | 0.5 | \$0.56 |
| City Manager | \$5,747,949 | 25% | \$1,436,987 | 1.00 | \$7.74 | 0.5 | \$3.87 |
| Community Development | \$14,638,933 | 50% | \$7,319,467 | 1.00 | \$39.44 | 0.5 | \$19.72 |
| Finance | \$11,734,247 | 25% | \$2,933,562 | 1.00 | \$15.81 | 0.5 | \$7.90 |
| Human Resources | \$3,640,473 | 25% | \$910,118 | 1.00 | \$4.90 | 0.5 | \$2.45 |
| Information Technology | \$11,165,807 | 25% | \$2,791,452 | 1.00 | \$15.04 | 0.5 | \$7.52 |
| Library | \$10,426,621 | 50% | \$5,213,311 | 1.00 | \$40.22 | - | \$0.00 |

Sources: City of Santa Clara, 2017; Strategic Economics, 2019.

FIGURE 32. CITY OF SANTA CLARA OTHER RECURRING COST CALCULATIONS

| | 2025 | 2040 |
|------------------------|------------------|--------------------|
| City Attorney | \$18,081 | \$71,229 |
| City Clerk | \$15,903 | \$62,650 |
| City Council | \$7,082 | \$27,897 |
| City Manager | \$48,815 | \$192,304 |
| Community Development | \$248,647 | \$979,526 |
| Finance | \$99,655 | \$392,583 |
| Human Resources | \$30,917 | \$121,796 |
| Information Technology | \$94,827 | \$373,565 |
| Library | \$251,561 | \$867,450 |
| Total | \$815,489 | \$3,089,002 |

All values are in 2018 dollars.

Source: Strategic Economics, 2019.