

# APPENDIX O

Fiscal Impact Analysis - City of San José



## 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 Results and Methodology – City of San José

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### 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 on the Alum Rock/28th Street, Downtown San José, and Santa Clara station areas. **Figure 1** shows the station area boundaries defined for the purposes of the study.

This memorandum presents key findings and assumptions for the analysis of fiscal impacts to the City of San José's General Fund resulting from expected future TOD in the three station areas. 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 Santa Clara are provided in a separate deliverable.

The methodology was developed based on ADE's fiscal impact model for the City of San José.<sup>1</sup> ADE provided assistance in developing key assumptions and reviewing key findings. Any additional feedback from ADE will be incorporated into the final version of this analysis.

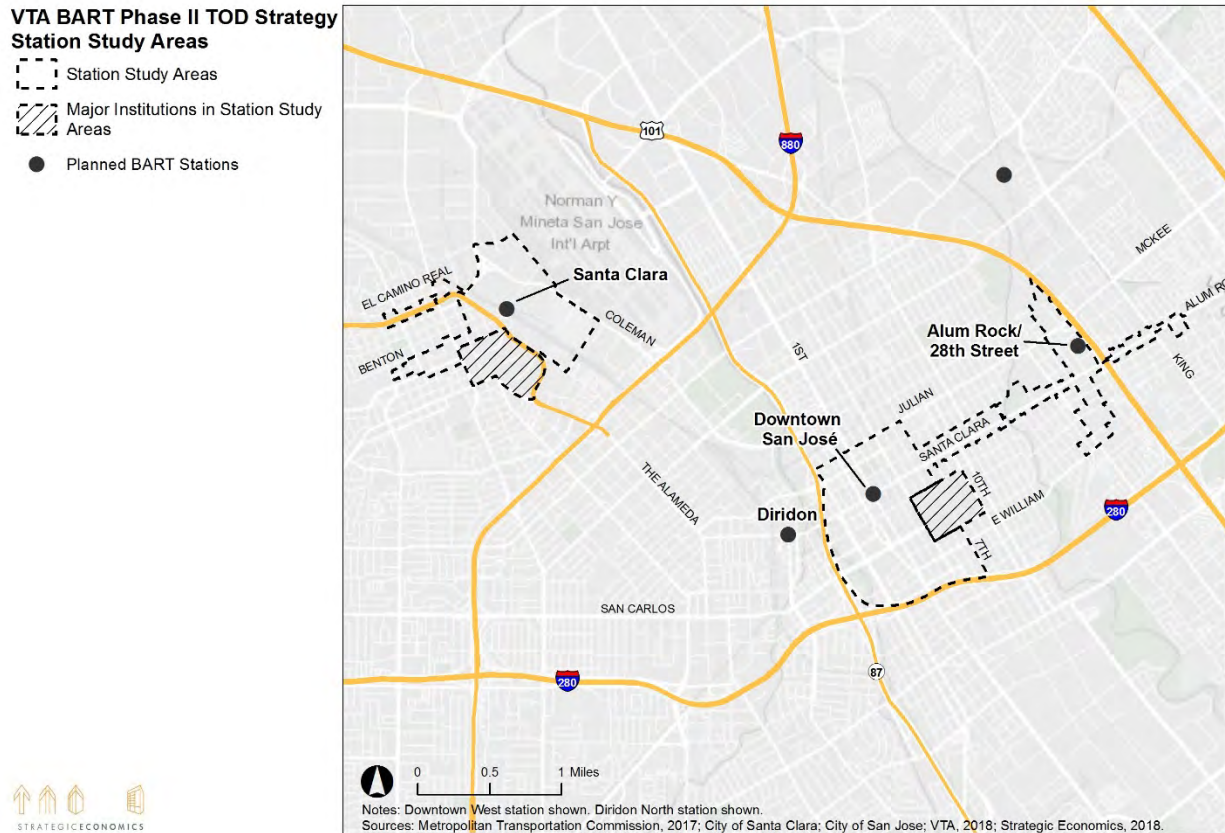
The remainder of this memorandum is organized in the following sections:

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

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<sup>1</sup> ADE for the City of San José, Nov 2018. Preliminary Fiscal/Economic Impact Analysis of Development Capacity on Google and City Lands; communications with Doug Svensson, ADE, March 2019.

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 San José's General Fund resulting from future TOD in VTA's BART Phase II station areas. 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 San José that projected TOD in VTA's BART Phase II station areas 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 San José'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 by station area and for the corridor 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 that is within San José's city boundary, as well as for the Downtown San José and Alum Rock/28<sup>th</sup> Street station areas. Strategic Economics conducted a separate analysis of the fiscal impacts to the City of Santa Clara's General Fund based on future TOD in the portion of the Santa Clara station area that is within Santa Clara's city boundary. Note that development occurring across the border in Santa Clara 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 San José. These impacts are expected to be minor, and are not included in this analysis.

The analysis also 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. 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 areas.

**FIGURE 2. VTA'S BART PHASE II DEVELOPMENT SCENARIO BY STATION AREA**

	Development Completed by 2025 (Pre-BART Phase II Opening)	Development Completed by 2040 (Planning Horizon for the TOD Scenario)
<b>Santa Clara Station Area (City of San José)*</b>		
Residential (Units)	0	0
Office (Gross Sq. Ft.)	639,375	1,937,500
Retail (Gross Sq. Ft.)	10,182	30,856
Hotel (Rooms)	150	300
<b>Downtown San José Station Area</b>		
Residential (Units)	4,638	15,992
Office (Gross Sq. Ft.)	2,145,000	6,500,000
Retail (Gross Sq. Ft.)	64,484	212,852
Hotel (Rooms)	637	1,930
<b>Alum Rock/28<sup>th</sup> Street Station Area</b>		
Residential (Units)	2,270	7,827
Office (Gross Sq. Ft.)	0	500,000
Retail (Gross Sq. Ft.)	15,685	58,328
Hotel (Rooms)	0	190

\*An additional 8,626 residential units, 1.6 million square feet of office, 550 hotel rooms, and 72,000 square feet of retail are projected for the portion of the station area on the City of Santa Clara side of the border. Fiscal impacts to the City of Santa Clara'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 for each station and for the corridor as a whole (excluding Diridon station). Key findings are described below.

**Overall, projected development in the corridor is expected to have a positive net fiscal impact for the City of San José's General Fund.**

- By 2025, before BART Phase II begins service, development in the three station areas is expected to result in annual net revenues to the City of San José's General Fund of \$5.5 million, or about 23 percent of total revenues. Generally speaking, net revenues that exceed +5 to 10 percent of total revenues are considered a positive fiscal impact.
- By 2040, the planning horizon year for the TOD scenario, annual net revenues across the three station areas are expected to total \$17.2 million in 2040, or 22 percent of total revenues.

Although Diridon station is not included in this analysis, a previous study concluded that the development planned for the Diridon station area is also expected to generate an annual surplus to the City's General Fund of \$8.5 million (under current height limits) to \$12.5 million (with increased height limits) at full build-out in 2035.<sup>2</sup>

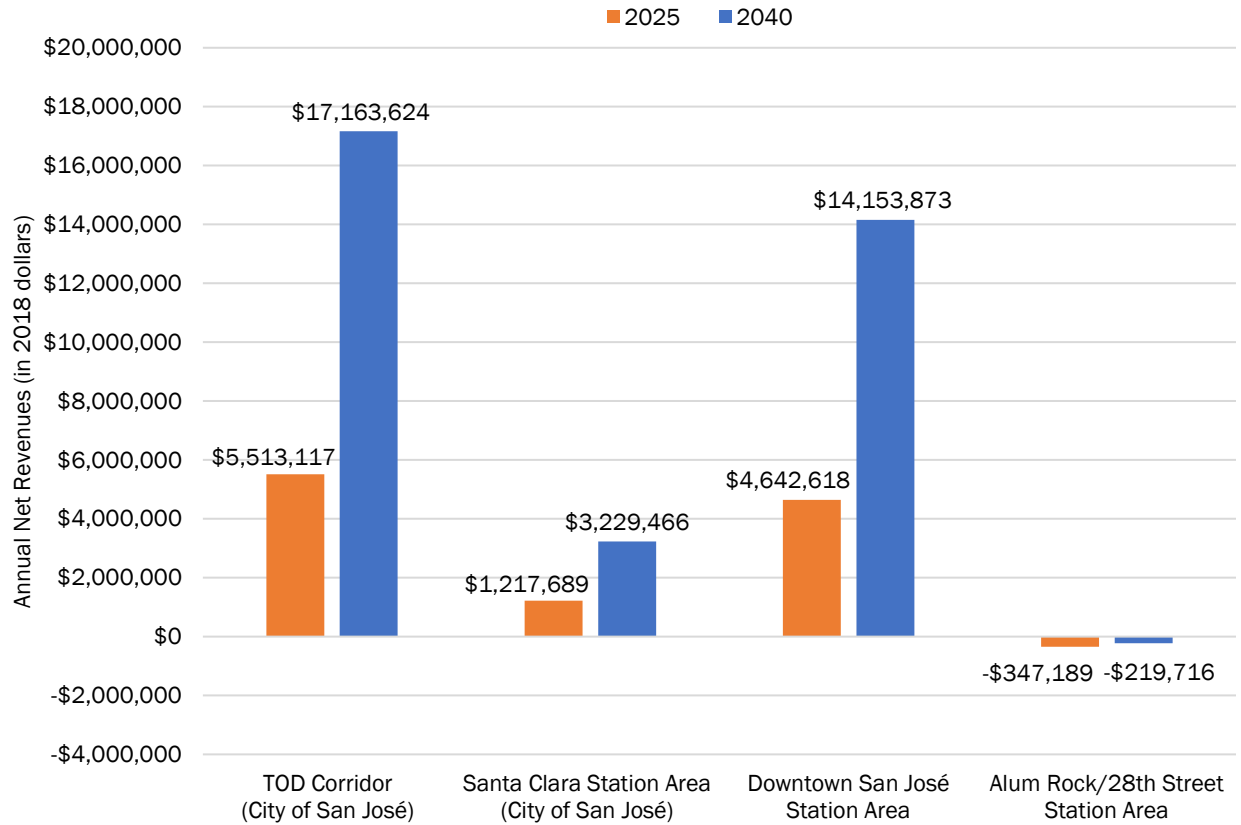
**Development in Downtown San José and Santa Clara is projected to result in net positive fiscal impacts, in both 2025 and 2040.** Downtown San José is projected to generate annual net revenues of \$4.6 million in 2025 and \$14 million in 2040. Downtown generates the highest revenues because it is projected to absorb the greatest amount of residential and commercial development. Santa Clara station is projected to generate surplus revenues of \$1.2 million a year in 2025 and \$3.2 million in 2040. Although the total amount of development projected for the Santa Clara station area is lower than the amount projected for the other station areas, services costs are expected to be relatively low because the development is entirely commercial.

**Development in the Alum Rock/28<sup>th</sup> Street station area is expected to result in a slightly negative to neutral fiscal impact, in both 2025 and 2040.** Costs to serve new development are expected to slightly exceed the revenues that the new development generates, by \$350,000 annually in 2025 and \$220,000 annually in 2040. This represents -10 percent of revenues in 2025, and -2 percent of total revenues in 2040. Generally speaking, net revenues ranging from -10 to +10 percent of total revenues are considered fiscally neutral, or slightly negative in this case. Compared to other stations, costs exceed revenues because the land use mix in the Alum Rock/28<sup>th</sup> Street station area is primarily residential, and residents generate demand for more services than workers. In addition, the value of new development in the Alum Rock/28<sup>th</sup> Street station area is lower than in the other station areas, so new development generates relatively lower property tax revenues.

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<sup>2</sup> ADE for the City of San José, Nov 2018. Preliminary Fiscal/Economic Impact Analysis of Development Capacity on Google and City Lands.

**FIGURE 3. ANNUAL NET REVENUES TO THE CITY OF SAN JOSE'S GENERAL FUND RESULTING FROM VTA'S BART PHASE II TOD DEVELOPMENT SCENARIO: 2025 AND 2040 (IN 2018 DOLLARS)**



All values are shown in 2018 dollars.

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

Source: City of San José, 2019; ADE, 2019; Strategic Economics, 2019.

FIGURE 4. NET FISCAL IMPACT ON THE CITY OF SAN JOSÉ'S GENERAL FUND RESULTING FROM VTA'S BART PHASE II DEVELOPMENT SCENARIO, IN 2018 DOLLARS

	BART Phase II Corridor (City of San José) (a)		Santa Clara Station Area (City of San José)		Downtown San José Station Area		Alum Rock/28th Street Station Area	
	2025	2040	2025	2040	2025	2040	2025	2040
<b>Annual Revenues</b>								
Property Tax	\$10,633,311	\$35,616,433	\$823,037	\$2,399,995	\$7,833,122	\$25,850,863	\$1,977,152	\$7,365,575
Sales Tax	\$4,076,337	\$13,419,455	\$605,734	\$1,826,023	\$3,000,372	\$9,495,490	\$470,231	\$2,097,942
Transient Occupancy Tax	\$1,895,642	\$5,761,124	\$361,350	\$722,700	\$1,534,292	\$4,649,370	\$0	\$389,054
Other Revenues (b)	\$6,936,400	\$22,964,891	\$907,090	\$2,734,478	\$5,051,720	\$16,145,916	\$977,590	\$4,084,496
Revenue from Money/Property	\$188,334	\$622,095	\$21,578	\$61,466	\$139,356	\$449,133	\$27,400	\$111,497
<i>Subtotal Revenues</i>	<i>\$23,730,023</i>	<i>\$78,383,997</i>	<i>\$2,718,789</i>	<i>\$7,744,661</i>	<i>\$17,558,861</i>	<i>\$56,590,773</i>	<i>\$3,452,373</i>	<i>\$14,048,563</i>
<b>Annual Costs</b>								
Police	\$6,833,793	\$23,036,270	\$503,369	\$1,517,531	\$4,806,827	\$15,871,285	\$1,523,598	\$5,647,454
Fire	\$4,526,859	\$15,128,424	\$446,185	\$1,339,650	\$3,255,810	\$10,600,087	\$824,864	\$3,188,687
Transportation	\$24,014	\$81,998	\$3,264	\$9,482	\$11,118	\$36,700	\$9,631	\$35,816
Parks & Recreation	\$1,683,854	\$5,751,646	\$52,069	\$156,966	\$1,153,191	\$3,903,401	\$478,593	\$1,691,279
Planning, Building, Code Enforcement	\$414,699	\$1,389,041	\$32,098	\$93,600	\$305,492	\$1,008,184	\$77,109	\$287,257
Other Costs (c)	\$2,652,216	\$8,837,929	\$292,599	\$882,057	\$1,907,990	\$6,168,385	\$451,627	\$1,787,487
General Government Costs	\$2,081,471	\$6,995,065	\$171,516	\$515,908	\$1,475,815	\$4,848,857	\$434,140	\$1,630,299
<i>Subtotal Costs</i>	<i>\$18,216,906</i>	<i>\$61,220,373</i>	<i>\$1,501,101</i>	<i>\$4,515,195</i>	<i>\$12,916,243</i>	<i>\$42,436,900</i>	<i>\$3,799,562</i>	<i>\$14,268,279</i>
<b>Net Fiscal Impact</b>								
Net Revenue	\$5,513,117	\$17,163,624	\$1,217,689	\$3,229,466	\$4,642,618	\$14,153,873	-\$347,189	-\$219,716
Net Revenue as a Percent of Total Revenue	23%	22%	45%	42%	26%	25%	-10%	-2%

Note: All values are shown in 2018 dollars.

(a) Excluding future TOD in Diridon station and the portion of the Santa Clara station area that is within Santa Clara's city boundary.

(b) Excluding Revenue from Money/Property. Includes: franchise fees, utility tax, telephone line tax, business tax, licenses and permits, fines/forfeitures/penalties, revenue from local agencies, revenue from state government, revenue from federal government, departmental charges, other revenue, and transfers/reimbursements.

(c) Excluding General Government Costs. Includes: Public Works, Economic Development, Environmental Services, Housing, Library, and Transfers.

Source: City of San José, 2019; ADE, 2019; Strategic Economics, 2019.

## APPENDIX: METHODOLOGY

This appendix describes the methodology and assumptions used in this memorandum, including: a review of the City of San José's budget and existing service population; land use and market assumptions; General Fund revenue assumptions; and General Fund cost assumptions.

### City of San José Current Budget

The analysis is based on the City of San José's 2018-2019 Proposed General Fund Budget (shown in **Figure 5**), incorporating certain adjustments to exclude one-time revenues and costs or budget lines items that are not related to land use (**Figure 6**).

**FIGURE 5. CITY OF SAN JOSÉ PROPOSED OPERATING BUDGET 2018-2019**

	2018-2019 Proposed Operating Budget (a)	Percent of Total
<b>General Fund Revenues</b>		
Property Tax	\$317,600,000	26%
Sales Tax	\$233,500,000	19%
Fund Balance	\$150,074,908	12%
Utility Tax	\$102,400,000	8%
Transfers and Reimbursements	\$95,924,193	8%
Business Taxes	\$68,500,000	6%
Licenses and Permits	\$60,916,631	5%
Departmental Charges	\$52,615,920	4%
Franchise Fees	\$50,474,798	4%
Telephone Line Tax	\$20,000,000	1.6%
Transient Occupancy Tax	\$19,700,000	1.6%
Fines, Forfeitures, and Penalties	\$14,983,000	1.2%
Revenue from State Government	\$11,709,379	1.0%
Revenue from Local Agencies	\$11,420,000	0.9%
Other Revenue	\$10,867,471	0.9%
Revenue from Money/Property	\$6,832,000	0.6%
Revenue from Federal Government	\$424,940	0.03%
<b>Total Revenues</b>	<b>\$1,227,943,240</b>	<b>100%</b>
<b>General Fund Expenditures</b>		
Police	\$417,037,967	34%
Fire	\$232,105,151	19%
General Government (b)	\$131,010,111	11%
Reserves/Citywide (c)	\$122,265,038	10%
Public Works	\$53,940,569	4%
Planning, Building, Code Enforcement	\$53,835,722	4%
Park Maintenance	\$44,768,165	4%
Parks, Recreation, Neighborhood Services	\$39,418,277	3%
Transportation	\$38,784,812	3%
Transfers/Reimbursements	\$38,136,064	3%
Library	\$34,501,571	3%
Economic Development	\$16,044,999	1.3%
Environmental Services	\$4,000,328	0.3%
Housing	\$2,094,466	0.2%
<b>Total Expenditures</b>	<b>\$1,227,943,240</b>	<b>100%</b>

(a) This analysis uses the city's 2018-2019 proposed budget in order to match the analysis conducted by ADE in 2018.

(b) Includes city attorney, city auditor, city clerk, city manager, mayor, city council, human resources, finance, information technology, and independent police auditor.

(c) Some of the Citywide expenditures shown on p. III-4 of the budget are integrated into the departmental budgets above.

Source: ADE, 2019, based on City of San José Proposed Operating Budget 2018-2019.



FIGURE 6. CITY OF SAN JOSÉ BUDGET ADJUSTMENTS

	Amount Removed from Budget Calculations
<b>General Fund Revenues</b>	
Licenses and Permits	
Building Permits	\$32,500,000
Fire Permits	\$13,270,000
Revenue from Local Agencies	
Central Fire District	\$7,300,000
2017-2018 Grants	\$1,568,000
Departmental Charges	
Public Works Service Charges	\$14,297,158
Planning/Building Service Charges	\$8,960,000
Transportation Service Charges	\$1,712,002
Transfers	
Carryover from 2016-2017	\$2,600,000
<b>Total</b>	<b>\$82,207,160</b>
<b>General Fund Expenditures</b>	
Police	
Revenue From Local Agencies	\$970,000
Fire/EMS	
Fire Permits	\$13,270,000
Central Fire District	\$7,300,000
Planning, Building, Code Enforcement	
Building Permits	\$32,500,000
Planning/Building Service Charges	\$8,960,000
Public Works	
Public Works Service Charges	\$14,297,158
Parks, Recreation, Neighborhood Services	
Revenue From Local Agencies	\$598,000
Transportation	
Transportation Service Charges	\$1,712,002
Reserves	
Carryover from 2016-2017	\$2,600,000
<b>Total</b>	<b>\$82,207,160</b>

Source: ADE, 2019, based on City of San José Proposed Operating Budget 2018-2019.

## City of San José Current Service Population

**Figure 7** shows the current service population in the City of San José, 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.

**FIGURE 7. EXISTING SERVICE POPULATION IN THE CITY OF SAN JOSÉ**

Residential Service Population	1,051,316
Employee Service Population	
Total Employees	420,250
Employee Factor	0.50
Employee Service Population	210,125
<b>Total San José Citywide Service Population</b>	<b>1,261,441</b>

Source: California Department of Finance, May 2018; Applied Economic Development, 2019.

## Development Scenario & Future Service population

### TOD & ACCESS STUDY DEVELOPMENT SCENARIO

Figures 8-10 show the net new development projected within the City of San José in the three station areas between 2019-2025, 2026-2040, and in 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.<sup>3</sup> Note that the development scenario includes development proposals currently in the pipeline. In general, the scenario includes more development and higher-density development than envisioned in the City of San José's existing plans.

**FIGURE 8. DEVELOPMENT SCENARIO FOR THE SANTA CLARA STATION AREA – CITY OF SAN JOSÉ**

	<b>2019-2025</b>	<b>2026-2040</b>	<b>Total 2019-2040</b>
Residential (Units)	0	0	0
Office (Sq. Ft.)	639,375	1,298,125	<b>1,937,500</b>
Retail (Sq. Ft.)	10,182	20,673	<b>30,856</b>
Hotel (Rooms)	150	150	<b>300</b>

Note: an additional 8,600 residential units, 1.56 million square feet of office, 72,000 square feet of retail, and 550 hotel rooms are projected for the portion of the station area located within the City of Santa Clara.

Source: Strategic Economics, 2019.

**FIGURE 9. DEVELOPMENT SCENARIO FOR THE DOWNTOWN SAN JOSÉ STATION AREA**

	<b>2019-2025</b>	<b>2026-2040</b>	<b>Total 2019-2040</b>
Residential (Units)	4,638	11,354	<b>15,992</b>
Office (Sq. Ft.)	2,145,000	4,355,000	<b>6,500,000</b>
Retail (Sq. Ft.)	64,484	148,368	<b>212,852</b>
Hotel (Rooms)	637	1,293	<b>1,930</b>

Source: Strategic Economics, 2019.

**FIGURE 10. DEVELOPMENT SCENARIO FOR THE ALUM ROCK/28<sup>TH</sup> STREET STATION AREA**

	<b>2019-2025</b>	<b>2026-2040</b>	<b>Total 2019-2040</b>
Residential (Units)	2,270	5,557	<b>7,827</b>
Office (Sq. Ft.)	0	500,000	<b>500,000</b>
Retail (Sq. Ft.)	15,685	42,643	<b>58,328</b>
Hotel (Rooms)	0	190	<b>190</b>

Source: Strategic Economics, 2019.

<sup>3</sup> 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](http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf)

**SERVICE POPULATION ASSOCIATED WITH 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. **Figures 11-13** show the net increase in population and jobs resulting from new development (i.e., the service population associated with growth). For analytical purposes, each worker is counted as producing one-half of the impacts of a resident.

**FIGURE 11. FUTURE SERVICE POPULATION ASSOCIATED WITH NEW DEVELOPMENT IN THE SANTA CLARA STATION AREA – CITY OF SAN JOSÉ**

			2019-2025	2026-2040	Total 2019-2040
Residential (Residents) (a)	2.5	Residents per unit	0	0	0
Residential Factor	1.0				
<b>Residential Service Population</b>			<b>0</b>	<b>0</b>	<b>0</b>
Office (Employees)	250	Gross sq. ft. per employee	2,558	5,193	7,750
Retail (Employees)	500	Gross sq. ft. per employee	20	41	62
Hotel (Employees) (b)	2,250	Gross sq. ft. per employee	40	40	80
<i>Subtotal Employees</i>			<i>2,618</i>	<i>5,274</i>	<i>7,892</i>
Employee Factor	0.5				
<b>Employee Service Population</b>			<b>1,309</b>	<b>2,637</b>	<b>3,946</b>
<b>Total Service Population Associated with New Development</b>			<b>1,309</b>	<b>2,637</b>	<b>3,946</b>

(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.

**FIGURE 12. FUTURE SERVICE POPULATION ASSOCIATED WITH NEW DEVELOPMENT IN THE DOWNTOWN SAN JOSÉ STATION AREA**

			2019-2025	2026-2040	Total 2019-2040
Residential (Residents) (a)	2.5	Residents per unit	11,594	28,386	39,981
Residential Factor	1.0				
<b>Residential Service Population</b>			<b>11,594</b>	<b>28,386</b>	<b>39,981</b>
Office (Employees)	250	Gross sq. ft. per employee	8,580	17,420	26,000
Retail (Employees)	500	Gross sq. ft. per employee	129	297	426
Hotel (Employees) (b)	2,250	Gross sq. ft. per employee	170	345	515
<i>Subtotal Employees</i>			<i>8,879</i>	<i>18,062</i>	<i>26,940</i>
Employee Factor	0.5				
<b>Employee Service Population</b>			<b>4,439</b>	<b>9,031</b>	<b>13,470</b>
<b>Total Service Population Associated with New Development</b>			<b>16,034</b>	<b>37,417</b>	<b>53,451</b>

(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.

**FIGURE 13. FUTURE SERVICE POPULATION ASSOCIATED WITH NEW DEVELOPMENT IN THE ALUM ROCK/28<sup>TH</sup> STREET STATION AREA**

			2019-2025	2026-2040	Total 2019-2040
Residential (Residents) (a)	2.5	Residents per unit	5,675	13,893	19,568
Residential Factor	1.0				
<b>Residential Service Population</b>			<b>5,675</b>	<b>13,893</b>	<b>19,568</b>
Office (Employees)	250	Gross sq. ft. per employee	0	2,000	2,000
Retail (Employees)	500	Gross sq. ft. per employee	31	85	117
Hotel (Employees) (b)	2,250	Gross sq. ft. per employee	0	51	51
<i>Subtotal Employees</i>			<i>31</i>	<i>2,136</i>	<i>2,167</i>
Employee Factor	0.5				
<b>Employee Service Population</b>			<b>16</b>	<b>1,068</b>	<b>1,084</b>
<b>Total Service Population Associated with New Development</b>			<b>5,690</b>	<b>14,961</b>	<b>20,651</b>

(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 14** summarizes the assessed valuation assumptions for each land use and station area, and **Figure 15** 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 assessed 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.<sup>4</sup>
- **Affordable housing assumptions.** Future residential development in the station areas is assumed to include 80 percent market-rate units and 20 percent below-market-rate units.<sup>5</sup> 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.<sup>6</sup> 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 14** are weighted averages, weighed by the distribution of affordability levels.

**FIGURE 14. AVERAGE ASSESSED VALUES OF NEW DEVELOPMENT BY STATION AREA AND LAND USE, IN 2018 DOLLARS**

	Santa Clara Station Area	Downtown San José Station Area	Alum Rock/ 28th Street Station Area
Residential (per gross sq. ft.) (a)	\$617	\$607	\$503
Office (per gross sq. ft.)	\$649	\$617	\$519
Retail (per gross sq. ft.)	\$570	\$570	\$448
Hotel (per gross sq. ft.)	\$583	\$583	\$500

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 San José's inclusionary housing ordinance.

Source: Market research conducted by Strategic Economics, 2018.

<sup>4</sup> 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](http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf)

<sup>5</sup>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.

<sup>6</sup> 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.

FIGURE 15. TOTAL ASSESSED VALUE OF THE DEVELOPMENT SCENARIO: 2025 AND 2040 (IN 2018 DOLLARS)

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Residential	\$0	\$0
Office	\$415,012,500	\$1,257,613,636
Retail	\$5,803,942	\$17,587,702
Hotel	\$52,500,000	\$105,000,000
<i>Subtotal</i>	<i>\$473,316,442</i>	<i>\$1,380,201,339</i>
<b>Downtown San José Station Area</b>		
Residential	\$2,816,972,945	\$9,713,699,811
Office	\$1,322,685,000	\$4,008,136,364
Retail	\$36,755,824	\$121,325,526
Hotel	\$222,915,000	\$675,500,000
<i>Subtotal</i>	<i>\$4,399,328,769</i>	<i>\$14,518,661,700</i>
<b>Alum Rock/28th Street Station Areas</b>		
Residential	\$1,142,637,749	\$3,940,130,168
Office	\$0	\$259,636,364
Retail	\$7,024,466	\$26,122,450
Hotel	\$0	\$57,000,000
<i>Subtotal</i>	<i>\$1,149,662,215</i>	<i>\$4,282,888,982</i>
<b>All Station Areas</b>		
Residential	\$3,959,610,694	\$13,653,829,979
Office	\$1,737,697,500	\$5,525,386,364
Retail	\$49,584,232	\$165,035,678
Hotel	\$275,415,000	\$837,500,000
<b><i>Total</i></b>	<b><i>\$6,022,307,426</i></b>	<b><i>\$20,181,752,021</i></b>

All values are in 2018 dollars.

Source: Strategic Economics, 2018.

## General Fund Revenue Assumptions

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

### PROPERTY TAX

In San José, two property tax revenue sources contribute to the General Fund. They are described below and summarized in **Figures 16 and 17**.

- **Property tax.** Per California’s Proposition 13, the base property tax rate in San José is one percent of assessed property value. The apportionment of this one percent revenue varies by Tax Rate Area (TRA). Figure 16 shows the share of property tax revenues in each station area that is assumed to flow to the City’s General Fund (after accounting for shifts to the Educational Revenue Augmentation Fund, known as ERAF), based on an analysis of the TRAs that fall in the station areas. The property tax rate is applied to estimated assessed values of new growth in the station areas to determine property tax revenue, as summarized in **Figure 17**.

Note that the majority of the Downtown San José station area is part of the former San José Redevelopment Agency Merged Project Area. Within this area, property tax increment revenues are deposited into a Redevelopment Property Tax Trust Fund and used to pay the existing obligations of the Redevelopment Successor Agency. Any remaining funds in the trust fund are distributed to the local agencies in the project area and are known as “residual” payments. In FY 2017-2018, the Successor Agency reached a sufficiency of funds and began distributing residual revenues to the taxing entities. Unless assessed property values in the Merged Project Area decline significantly below the current value, it is expected that existing tax increment revenues will continue to be sufficient to pay the Successor Agency’s obligations. Therefore, it is assumed that the new property tax revenues generated by the TOD development scenarios will be allocated to the taxing entities, including to the City’s General Fund.

- **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 16 shows the calculation of property tax in-lieu of VLF revenue per dollar of assessed value, based on San José’s total estimated assessed value in FY 2018-2019 and the final in-lieu payment from the state for the same fiscal year.



FIGURE 16. CITY OF SAN JOSÉ PROPERTY TAX REVENUE ASSUMPTIONS

<b>Property Tax Rate Dedicated to the City of San José</b>	
Santa Clara Station Area (a)	0.1258%
Downtown San José Station Area	0.1300%
Alum Rock/28th Street Station Area	0.1239%
<b>Property Tax in-lieu of VLF</b>	
Total Estimated Citywide Assessed Value (b)	\$182,300,000,000
Citywide Property Tax In-Lieu of VLF (c)	\$87,600,000
Property Tax In-lieu of VLF Per \$1,000 Assessed Value	\$0.481

(a) Estimate based on TRA 017-108 in the City of San José. The Santa Clara station area includes three additional TRAs, 007-000, 007-003, 007-102, located in the City of Santa Clara. Revenues from properties in the City of Santa Clara are calculated separately.

(b) Calculated from data provided by the Santa Clara County Assessor's Office, Fiscal Year 2018-2019.

(c) Based on the Santa Clara County Controller-Treasurer Department, SB1096 VLF Apportionment Schedule for FY 2018-2019.

Source: Santa Clara County, 2017; Strategic Economics, 2019.

FIGURE 17. CITY OF SAN JOSÉ PROPERTY TAX REVENUE CALCULATIONS

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Property Tax	\$595,596	\$1,736,771
Property Tax In-Lieu of VLF	\$227,441	\$663,223
<i>Subtotal</i>	<i>\$823,037</i>	<i>\$2,399,995</i>
<b>Downtown San José Station Area</b>		
Property Tax	\$5,719,127	\$18,874,260
Property Tax In-Lieu of VLF	\$2,113,995	\$6,976,603
<i>Subtotal</i>	<i>\$7,833,122</i>	<i>\$25,850,863</i>
<b>Alum Rock/28th Street Station Area</b>		
Property Tax	\$1,424,709	\$5,307,532
Property Tax In-Lieu of VLF	\$552,443	\$2,058,042
<i>Subtotal</i>	<i>\$1,977,152</i>	<i>\$7,365,575</i>
<b>All Stations Areas</b>		
Property Tax	\$7,739,432	\$25,918,564
Property Tax In-Lieu of VLF	\$2,893,879	\$9,697,869
<b><i>Total</i></b>	<b><i>\$10,633,311</i></b>	<b><i>\$35,616,433</i></b>

All values are in 2018 dollars.

Source: Strategic Economics, 2019.

## SALES TAX

**Figure 18** summarizes the assumptions used to calculate sales tax revenues generated by retail growth in VTA's BART Phase II station areas, and **Figure 19** shows the total estimated sales tax revenue generated from the station areas. 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 San José receives 1.28 percent of taxable sales made in the City. This includes the state allocated base sales tax (1 percent), a local sales tax of 0.25 percent approved by local voters in 2016 for a fifteen-year period (Measure B),<sup>7</sup> and a small amount of state allocated Proposition 172 sales taxes for public safety (0.03 percent). After Measure B expires in September 2031, the sales tax rate is assumed to decline to 1.03 percent.
- **Sales tax revenue generated from residential uses.** Based on research conducted by ADE, each residential unit is assumed to generate approximately \$204 per year in sales tax revenue to the City. This includes assumptions about the sales tax rate described above, San José's sales capture rate (assumed to be 30 percent), the share of sales that is not taxable (such as groceries and pharmaceuticals), and a typical residential vacancy factor (3.2 percent.)
- **Sales tax revenue generated from non-residential uses.** Based on research conducted by ADE, it is assumed that employee working in San José and business-to-business sales together generate approximately \$231 per year in sales tax revenue to the City, as expressed on a per employee basis.

**FIGURE 18. CITY OF SAN JOSÉ SALES TAX ASSUMPTIONS**

<b>General Assumptions</b>	
Sales Tax Rate	1.28%
Sales Capture Rate (Residential)	30%
<b>Sales Tax Revenue Generated to City, Per Capita</b>	
Per Residential Unit (a)	\$203.97
Per Employee	\$231.38

(a) This assumes a 3.2 percent residential vacancy factor.  
Source: ADE, 2019.

**FIGURE 19. CITY OF SAN JOSÉ SALES TAX CALCULATIONS**

	2025	2040
Santa Clara Station Area (City of San José)	\$605,734	\$1,826,023
Downtown San José Station Area	\$3,000,372	\$9,495,490
Alum Rock/28th Street Station Area	\$470,231	\$2,097,942
<b>All Station Areas</b>	<b>\$4,076,337</b>	<b>\$13,419,455</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

<sup>7</sup> City of San José City Attorney Impartial Analysis of Measure B, March 22, 2016. <https://www.sanjoseca.gov/DocumentCenter/View/55192>

## TRANSIENT OCCUPANCY TAX

**Figure 20** summarizes the assumptions used to calculate transit occupancy tax (TOT, or hotel tax) revenues from VTA's BART Phase II station areas, and **Figure 21** shows the total estimated TOT revenue generated from the station areas. 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. The RevPar assumption is the same in Downtown San José and Santa Clara, and slightly lower in the Alum Rock/28<sup>th</sup> Street to reflect market conditions. These estimates are based on the market analysis conducted by Strategic Economics for VTA's BART Phase II TOD Strategy.<sup>8</sup>
- **Transient Occupancy Tax (TOT).** The City of San José imposes a 10 percent TOT, calculated as a percent of room revenues. Of this total, 4 percent contributes to the General Fund, and the remaining 6 percent contributes to the city's special funds.<sup>9</sup>

**FIGURE 20. CITY OF SAN JOSÉ TRANSIENT OCCUPANCY TAX REVENUE ASSUMPTIONS**

City of San José TOT Tax Rate to General Fund (a)	4.0%
Average Hotel Room Size (Gross Sq. Ft.)	600
Revenue per Available Room (RevPar) (b)	
Santa Clara Station Area	\$165
Downtown San José Station Area	\$165
Alum Rock/ 28th St Station Area	\$140

(a) San José imposes a 10 percent Transient Occupancy Tax (TOT). Only 4 percent contributes to the City's General Fund.

(b) Revenue per available room (RevPAR) is calculated by dividing total room revenue by the number of rooms available. Values for Downtown San José are based on the San José Convention and Visitors' Bureau (2017), as reported by Colliers' 2018 Silicon Valley Forecast Report. Values for Santa Clara station are assumed to be the same as Downtown San José. Values for Alum Rock/28<sup>th</sup> Street station are assumed to be 15 percent lower.

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

**FIGURE 21. CITY OF SAN JOSÉ TRANSIENT OCCUPANCY TAX REVENUE CALCULATIONS**

	2025	2040
Santa Clara Station Area (City of San José)	\$361,350	\$722,700
Downtown San José Station Area	\$1,534,292	\$4,649,370
Alum Rock/28th Street Station Area	\$0	\$389,054
<b>All Station Areas</b>	<b>\$1,895,642</b>	<b>\$5,761,124</b>

All values are in 2018 dollars.

Source: Strategic Economics, 2019.

<sup>8</sup> 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](http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf)

<sup>9</sup> Refer to San José's Municipal Code, Chapter 4.72 and 4.74 (<http://www.sanjoseca.gov/index.aspx?NID=1164>). This is also described on page II-22 of the 2018-2019 Adopted Operating Budget.

## OTHER RECURRING REVENUES

**Figure 22** shows the remaining General Fund revenue sources, which are assumed to increase proportionally to growth in service population. **Figures 23 and 24** summarize the total estimated revenue generated by these sources from development in the station areas.

Consistent with ADE's approach, residents are assumed to account for two-thirds of total revenue generation, and employees for one-third. This is based on the assumption that employees working in San José spend on average 8 hours per day in the city and that residents spend on average 16 non-working hours in the city. Therefore, residents account for twice the revenue as employees. There are a few exceptions, namely the State and Federal Government revenues, which are expected to vary in relation to residential population growth only. Business taxes are assumed to vary primarily in relation to employee growth only.

These per capita factors are multiplied by the new residential and employee population associated with the development scenarios to arrive at additional revenues generated from this development.

It should be noted that revenue from Money/Property is calculated using a different approach. Consistent with ADE's analysis, Strategic Economics calculated this revenue as 0.8 percent of the total other revenues generated by each individual land use.<sup>10</sup>

**FIGURE 22. CITY OF SAN JOSÉ RECURRING REVENUE ASSUMPTIONS**

	Residential		Non-Residential	
	Service Proportion	Revenue Per Resident	Service Proportion	Revenue per Employee
Franchise Fees	67%	\$32.17	33%	\$39.64
Utility Tax	67%	\$65.26	33%	\$80.41
Telephone Line Tax	67%	\$12.75	33%	\$15.70
Business Taxes	5%	\$3.26	95%	\$154.85
Licenses and Permits	67%	\$9.65	33%	\$11.89
Fines, Forfeitures, and Penalties	67%	\$9.55	33%	\$11.77
Revenue from Local Agencies	67%	\$1.63	33%	\$2.00
Revenue from State Government	100%	\$11.14	0%	\$0.00
Revenue from Federal Government	100%	\$0.40	0%	\$0.00
Departmental Charges	67%	\$17.62	33%	\$21.71
Other Revenue	67%	\$6.93	33%	\$8.53
Transfers and Reimbursements	n/a	n/a	n/a	n/a
Revenue from Money/Property (a)	See note	See note	See note	See note

(a) Revenue from Money/Property will be calculated as 0.8 percent of the total other revenues generated by each individual land use. Source: ADE, 2019.

<sup>10</sup> Revenue from Money/Property represents interest, or investment income, on City funds, as well as rental fees and other income associated with City-owned properties.

FIGURE 23. CITY OF SAN JOSÉ RECURRING REVENUE CALCULATIONS

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Franchise Fees	\$103,772	\$312,827
Utility Tax	\$210,503	\$634,573
Telephone Line Tax	\$41,100	\$123,900
Business Taxes	\$405,376	\$1,222,031
Licenses and Permits	\$31,126	\$93,832
Fines, Forfeitures, and Penalties	\$30,812	\$92,885
Revenue from Local Agencies	\$5,236	\$15,783
Revenue from State Government	\$0	\$0
Revenue from Federal Government	\$0	\$0
Departmental Charges	\$56,834	\$171,329
Other Revenue	\$22,330	\$67,316
Transfers and Reimbursements	\$0	\$0
<i>Subtotal</i>	<i>\$907,090</i>	<i>\$2,734,478</i>
<b>Downtown San José Station Area</b>		
Franchise Fees	\$724,946	\$2,354,089
Utility Tax	\$1,470,592	\$4,775,403
Telephone Line Tax	\$287,225	\$932,715
Business Taxes	\$1,412,681	\$4,302,053
Licenses and Permits	\$217,454	\$706,133
Fines, Forfeitures, and Penalties	\$215,230	\$698,902
Revenue from Local Agencies	\$36,656	\$119,049
Revenue from State Government	\$129,161	\$445,383
Revenue from Federal Government	\$4,638	\$15,992
Departmental Charges	\$397,051	\$1,289,332
Other Revenue	\$156,085	\$506,866
Transfers and Reimbursements	\$0	\$0
<i>Subtotal</i>	<i>\$5,051,720</i>	<i>\$16,145,916</i>
<b>Alum Rock/28th Street Station Area</b>		
Franchise Fees	\$183,795	\$715,399
Utility Tax	\$372,845	\$1,451,249
Telephone Line Tax	\$72,843	\$283,513
Business Taxes	\$23,357	\$399,400
Licenses and Permits	\$55,133	\$214,596
Fines, Forfeitures, and Penalties	\$54,561	\$212,379
Revenue from Local Agencies	\$9,312	\$36,230
Revenue from State Government	\$63,215	\$217,982
Revenue from Federal Government	\$2,270	\$7,827
Departmental Charges	\$100,667	\$391,832
Other Revenue	\$39,592	\$154,090
Transfers and Reimbursements	\$0	\$0
<i>Subtotal</i>	<i>\$977,590</i>	<i>\$4,084,496</i>

(table continued on next page)

	2025	2040
<b>All Stations Areas</b>		
Franchise Fees	\$1,012,513	\$3,382,316
Utility Tax	\$2,053,940	\$6,861,225
Telephone Line Tax	\$401,169	\$1,340,128
Business Taxes	\$1,841,414	\$5,923,484
Licenses and Permits	\$303,713	\$1,014,561
Fines, Forfeitures, and Penalties	\$300,603	\$1,004,166
Revenue from Local Agencies	\$51,204	\$171,062
Revenue from State Government	\$192,376	\$663,365
Revenue from Federal Government	\$6,908	\$23,819
Departmental Charges	\$554,552	\$1,852,493
Other Revenue	\$218,008	\$728,273
Transfers and Reimbursements	\$0	\$0
<b>Total</b>	<b>\$6,936,400</b>	<b>\$22,964,891</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

**FIGURE 24. CITY OF SAN JOSÉ REVENUE FROM MONEY/PROPERTY CALCULATIONS**

	2025	2040
Santa Clara Station Area - City of San José	\$21,578	\$61,466
Downtown San José Station Area	\$139,356	\$449,133
Alum Rock/28th Street Station Area	\$27,400	\$111,497
<b>All Station Areas</b>	<b>\$188,334</b>	<b>\$622,095</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

## General Fund Cost Assumptions

Costs from the following City departments are calculated: Police; Fire; Transportation; Parks, Recreation, and Neighborhood Services; and Planning, Building, and Code Enforcement. Other recurring costs are calculated on a per capita basis.

### POLICE DEPARTMENT

**Figure 25** summarizes the assumptions used to estimate the General Fund costs associated with providing adequate police services to the new development, and **Figure 26** shows the total estimated police department costs generated from the station areas.

Police costs are calculated on a per capita basis, based on the City's existing budget, existing service population, and service proportion factors shown in Figure 22. Retail uses are allocated the highest per capita costs given the higher frequency of calls for shoplifting, burglary, and vandalism.

**FIGURE 25. CITY OF SAN JOSE POLICE DEPARTMENT COST ASSUMPTIONS**

	Service Proportion	Cost Per Capita
Residential	67%	\$265.78
Non-Residential	33%	
Office		\$189.94
Retail		\$491.22
Hotel		\$189.94

Source: ADE, 2019.

**FIGURE 26. CITY OF SAN JOSÉ POLICE DEPARTMENT COST CALCULATIONS**

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Residential	\$0	\$0
Office	\$485,767	\$1,472,023
Retail	\$10,004	\$30,314
Hotel	\$7,598	\$15,195
<i>Subtotal</i>	<i>\$503,369</i>	<i>\$1,517,531</i>
<b>Downtown San José Station Area</b>		
Residential	\$3,081,545	\$10,626,017
Office	\$1,629,671	\$4,938,398
Retail	\$63,352	\$209,114
Hotel	\$32,259	\$97,755
<i>Subtotal</i>	<i>\$4,806,827</i>	<i>\$15,871,285</i>
<b>Alum Rock/28th Street Station Area</b>		
Residential	\$1,508,189	\$5,200,650
Office	\$0	\$379,877
Retail	\$15,409	\$57,303
Hotel	\$0	\$9,624
<i>Subtotal</i>	<i>\$1,523,598</i>	<i>\$5,647,454</i>
<b>All Station Areas</b>		
Residential	\$4,589,734	\$15,826,667
Office	\$2,115,439	\$6,790,298
Retail	\$88,764	\$296,731
Hotel	\$39,857	\$122,574
<b>Total</b>	<b>\$6,833,793</b>	<b>\$23,036,270</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

## FIRE DEPARTMENT

**Figure 27** summarizes the assumptions used to estimate the General Fund Fire department costs associated with the new development, and **Figure 28** shows the total estimated fire department costs. Costs are related to two primary services provided:

- **Emergency medical service (EMS).** The majority of fire department calls are for emergency medical response services; EMS costs represent 90 percent of total current fire expenditures. EMS costs are assumed to vary in relation to the growth in service population, as summarized in Figure 27.
- **Fire suppression.** Fire suppression costs generally represent 10 percent of total expenditures. They are assumed to increase with building size and value. For this reason, costs are estimated on the basis of assessed value/property tax revenue, as summarized in Figure 27.

**FIGURE 27. CITY OF SAN JOSÉ FIRE COST ASSUMPTIONS**

<b>Emergency Medical Services Costs</b>	
Residential Service Proportion	67%
Cost Per Resident	\$121.33
Non-Residential Service Proportion	33%
Cost Per Employee	\$149.50
<b>Fire Suppression Costs</b>	
Percent of total property tax revenue generated	6.66%

Source: ADE, 2019.

**FIGURE 28. CITY OF SAN JOSÉ FIRE DEPARTMENT CALCULATIONS**

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Fire Suppression	\$54,814	\$159,840
Emergency Medical Services	\$391,371	\$1,179,811
<i>Subtotal</i>	<i>\$446,185</i>	<i>\$1,339,650</i>
<b>Downtown San José Station Area</b>		
Fire Suppression	\$521,686	\$1,721,668
Emergency Medical Services	\$2,734,124	\$8,878,419
<i>Subtotal</i>	<i>\$3,255,810</i>	<i>\$10,600,087</i>
<b>Alum Rock/28th Street Station Area</b>		
Fire Suppression	\$131,678	\$490,547
Emergency Medical Services	\$693,186	\$2,698,139
<i>Subtotal</i>	<i>\$824,864</i>	<i>\$3,188,687</i>
<b>All Station Areas</b>		
Fire Suppression	\$708,179	\$2,372,054
Emergency Medical Services	\$3,818,680	\$12,756,370
<b><i>Total</i></b>	<b><i>\$4,526,859</i></b>	<b><i>\$15,128,424</i></b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.



## TRANSPORTATION DEPARTMENT

**Figure 29** summarizes the assumptions used to estimate the General Fund costs to the Department of Transportation (DOT) associated with the new development, and **Figure 30** shows the total estimated DOT costs.

Transportation maintenance costs are assumed to increase with the amount of road facilities and infrastructure that must be maintained. Based on ADE's approach, the right-of-way to be maintained generally represents 20 percent of the total acreage dedicated to new development, and the City's average maintenance cost is \$2,210.86 per acre of right-of-way. The acres available for new development shown in Figure 29 were provided by Perkins+Will.

Note that Public Works expenditures are estimated as part of the recurring General Fund costs, shown in Figure 34.

**FIGURE 29. CITY OF SAN JOSÉ TRANSPORTATION COST ASSUMPTIONS**

	2025	2040
<b>Development Acreage Assumptions (a)</b>		
Santa Clara Station Area - City of San José	7	21
Downtown San José Station Area	25	83
Alum Rock/28th Street Station Area	22	81
<i>All Station Areas (City of San José Only)</i>	<i>54</i>	<i>185</i>
<b>Other Assumptions</b>		
Right-of-way (ROW) acreage factor	20%	20%
Cost per ROW acre, per year	\$2,210.86	\$2,210.86

(a) Development acreage were provided by Perkins + Will. The allocation of development across the two time periods is based on the share of development completed in those time periods as shown in Figure 2.

Source: ADE, 2019; Perkins + Will, 2019; Strategic Economics, 2019.

**FIGURE 30. CITY OF SAN JOSÉ TRANSPORTATION COST CALCULATIONS**

	2025	2040
Santa Clara Station Area - City of San José	\$3,264	\$9,482
Downtown San José Station Area	\$11,118	\$36,700
Alum Rock/28th Street Station Area	\$9,631	\$35,816
<b>All Station Areas</b>	<b>\$24,014</b>	<b>\$81,998</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

**PARKS, RECREATION, AND NEIGHBORHOOD SERVICES DEPARTMENT**

**Figure 31** summarizes the assumptions used to estimate the General Fund Parks, Recreation, and Neighborhood Services costs associated with the new development. **Figure 32** shows the total estimated department costs. Costs fall in two main categories:

- **Park maintenance costs.** For new development, the City of San José requires a level of service of 3 park acres per 1,000 residents. In addition, the City estimates park maintenance costs total \$17,000 per acre. A small portion of park maintenance costs is also calculated in relation to growth in employee population, as shown in Figure 31, to reflect employee use of parks.
- **Recreation and neighborhood services costs.** These costs are calculated on a per capita basis. Most of the demand for recreation and neighborhood services comes from the residential population; however, it is assumed that some workers will participate in recreation leagues and/or use park facilities. For this reason, the service proportion factors are 90% for residential uses and 10% for non-residential uses.

**FIGURE 31. CITY OF SAN JOSÉ PARKS, RECREATION, AND NEIGHBORHOOD SERVICES COST ASSUMPTIONS**

<b>Park Maintenance Costs</b>	<b>Residential</b>	
	Park acres per resident	0.003
	Maintenance cost per park acre	\$17,000
	<b>Non-Residential</b>	
	Service Proportion	10%
	Cost Per Employee	\$10.65
<b>Recreation &amp; Neighborhood Services Costs</b>	<b>Residential</b>	
	Service Proportion	90%
	Cost Per Resident	\$33.23
	<b>Non-Residential</b>	
	Service Proportion	10%
	Cost Per Employee	\$9.24

Source: ADE, 2019.

**FIGURE 32. CITY OF SAN JOSE PARKS, RECREATION, AND NEIGHBORHOOD SERVICES COST CALCULATIONS**

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Recreation & Neighborhood Services	\$24,189	\$72,919
Parks Maintenance	\$27,880	\$84,047
<i>Subtotal</i>	<i>\$52,069</i>	<i>\$156,966</i>
<b>Downtown San José Station Area</b>		
Recreation & Neighborhood Services	\$467,320	\$1,577,481
Parks Maintenance	\$685,871	\$2,325,920
<i>Subtotal</i>	<i>\$1,153,191</i>	<i>\$3,903,401</i>
<b>Alum Rock/28th Street Station Area</b>		
Recreation & Neighborhood Services	\$188,856	\$670,254
Parks Maintenance	\$289,737	\$1,021,024
<i>Subtotal</i>	<i>\$478,593</i>	<i>\$1,691,279</i>
<b>All Station Areas</b>		
Recreation & Neighborhood Services	\$680,365	\$2,320,655
Parks Maintenance	\$1,003,489	\$3,430,992
<b>Total</b>	<b>\$1,683,854</b>	<b>\$5,751,646</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

**PLANNING, BUILDING, AND CODE ENFORCEMENT**

**Figure 33** summarizes the total estimated costs associated with providing adequate Planning, Building, and Code Enforcement (PBCE) services to meet the needs of the new development.

PBCE activities are assumed to increase according to the amount and size of new development. Therefore, PBCE costs are calculated on the basis of assessed value. The calculations below are based on the assumption that PBCE costs represent 3.90% of total property tax revenues.

**FIGURE 33. CITY OF SAN JOSE PLANNING, BUILDING, AND CODE ENFORCEMENT CALCULATIONS**

	<b>2025</b>	<b>2040</b>
Santa Clara Station Area - City of San José	\$32,098	\$93,600
Downtown San José Station Area	\$305,492	\$1,008,184
Alum Rock/28th Street Station Area	\$77,109	\$287,257
<b>All Station Areas</b>	<b>\$414,699</b>	<b>\$1,389,041</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

**OTHER RECURRING COSTS**

All other departmental General Fund costs are estimated on a per capita basis, as summarized in **Figure 34**. Total costs are shown in **Figure 35 and 36**. Most costs are assumed to have a relative service demand of 67 percent for residential uses, and 33 percent for non-residential uses. The service proportion factors differ for Economic Development and Library to reflect how these various departments allocate their resources.

General Government expenditures are the only item not calculated on a per capita basis. Following ADE's approach, this cost is calculated as a share (12.9 percent) of all other costs.

**FIGURE 34. CITY OF SAN JOSÉ OTHER RECURRING COST ASSUMPTIONS**

	Residential		Non-Residential	
	Service Proportion	Cost per Resident	Service Proportion	Cost per Employee
Public Works (a)	67%	\$24.65	33%	\$30.37
General Government (b)	See note	See note	See note	See note
Economic Development	10%	\$1.53	90%	\$34.36
Environmental Services	67%	\$2.55	33%	\$3.14
Housing	67%	\$1.33	33%	\$1.64
Library	75%	\$24.61	15%	\$12.31
Transfers	67%	\$24.30	33%	\$29.95

(a) Public Works costs are calculated separately from Transportation costs.

(b) General Government costs are calculated as a percent of all other costs (12.90% of all other costs).

Source: ADE, 2019.

**FIGURE 35. CITY OF SAN JOSÉ GENERAL GOVERNMENT COST CALCULATIONS**

	2025	2040
Santa Clara Station Area - City of San José	\$171,516	\$515,908
Downtown San José Station Area	\$1,475,815	\$4,848,857
Alum Rock/28th Street Station Area	\$434,140	\$1,630,299
<b>All Station Areas</b>	<b>\$2,081,471</b>	<b>\$6,995,065</b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.

FIGURE 36. CITY OF SAN JOSÉ OTHER RECURRING COSTS CALCULATIONS

	2025	2040
<b>Santa Clara Station Area - City of San José</b>		
Public Works	\$79,505	\$239,671
Economic Development	\$89,950	\$271,159
Environmental Services	\$8,220	\$24,780
Housing	\$4,293	\$12,942
Library	\$32,226	\$97,147
Transfers	\$78,405	\$236,357
<i>Subtotal</i>	<i>\$292,599</i>	<i>\$882,057</i>
<b>Downtown San José Station Area</b>		
Public Works	\$555,450	\$1,803,698
Economic Development	\$322,815	\$986,841
Environmental Services	\$57,445	\$186,543
Housing	\$29,982	\$97,356
Library	\$394,635	\$1,315,556
Transfers	\$547,663	\$1,778,390
<i>Subtotal</i>	<i>\$1,907,990</i>	<i>\$6,168,385</i>
<b>Alum Rock/28th Street Station Area</b>		
Public Works	\$140,831	\$548,160
Economic Development	\$9,760	\$104,407
Environmental Services	\$14,569	\$56,703
Housing	\$7,599	\$29,579
Library	\$140,037	\$508,236
Transfers	\$138,832	\$540,402
<i>Subtotal</i>	<i>\$451,627</i>	<i>\$1,787,487</i>
<b>All Station Areas</b>		
Public Works	\$775,786	\$2,591,530
Economic Development	\$422,525	\$1,362,408
Environmental Services	\$80,234	\$268,026
Housing	\$41,874	\$139,878
Library	\$566,898	\$1,920,939
Transfers	\$764,900	\$2,555,149
<b><i>Total</i></b>	<b><i>\$2,652,216</i></b>	<b><i>\$8,837,929</i></b>

All values are in 2018 dollars.

Source: ADE, 2019; Strategic Economics, 2019.