CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Joseph Horwedel

SUBJECT: **COYOTE VALLEY SPECIFIC PLAN PROGRESS REPORT #7: DRAFT FISCAL IMPACT ANALYSIS**

DATE: April 20, 2006

Approved Kay Winer Date 4/20/06

COUNCIL DISTRICT: 2
SNI: None

EXECUTIVE SUMMARY

On April 28, 2006, the City Council is scheduled to conduct a study session regarding the Coyote Valley Specific Plan and its Draft Fiscal Impact Analysis. The purpose of the study session is to engage the Council in a discussion about the methodology, assumptions, findings, and implications resulting from the Draft Report (see Exhibit 1 for the agenda). As with prior study sessions, the Council is not being asked to take action.

BACKGROUND

In August 2002, the Council voted unanimously to initiate a specific plan for the Coyote Valley. At that time, the Council appointed a 20-member Task Force, and specified 16 vision and expected outcomes statements to guide the preparation of the Plan (see Exhibit 2). The Council has held several Study Sessions throughout the development of the Specific Plan. The next Study Session focuses on the Draft Fiscal Impact Analysis.

ANALYSIS

As part of the Coyote Valley Specific Plan process, the City of San José has completed a Draft Fiscal Impact Analysis for Coyote Valley, prepared by the City's economic consultant, Economic and Planning Systems. This study examines the potential costs and revenues to the City if 50,000 jobs and 25,000 homes are built in North and Mid-Coyote Valley.

The Draft study is contained in Exhibit 3. The document contains an Executive Summary to facilitate a quick understanding of the study approach and key findings. The body of the Draft report contains detail on the assumptions for General Fund revenues and costs. The costs are based on assumptions for service delivery in Coyote Valley. Technical Appendices documenting

the results for each phasing scenario are posted on the front page of the Coyote Valley Specific Plan website (www.sanjoseca.gov/coyotevalley) under "What's New?"

In addition to the economists (Economic and Planning Systems) who wrote the Draft report, staff from the key Departments and Offices that participated in the development of the assumptions will be in attendance at the meeting. Staff is available to answer questions and participate in the discussion of the service delivery approaches for Coyote Valley.

The Draft study evaluates five different jobs/housing phasing scenarios, including the existing policy of 5,000 jobs before any housing can be built. These scenarios are described in more detail in the Draft report, and are briefly summarized:

- 2-to-1 jobs to housing units from day one
- Up to 5,000 housing units, then no additional housing until 10,000 jobs in place
- 5,000 jobs first, then market-based development (existing trigger)
- Market-based absorption until major infrastructure is in place, then 2-to-1 jobs to housing until buildout
- 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place

All five scenarios project fiscal deficits in the early years of development, after which all scenarios project fiscal surpluses. The study suggests supplementary financing options to offset the deficits; however, these options would need to be explored in further detail to determine their viability for San Jose.

The phasing of jobs and housing is a critical and complex issue. The current General Plan requires the satisfaction of "triggers" which include 5,000 jobs before any housing can be built. The late April Study Session is intended to be the first discussion of the fiscal issues associated with development in Coyote Valley. Other discussions pertaining to phasing will occur at future Study Sessions in combination with information regarding financing approaches and other implementation concerns. Staff is not prepared to discuss the consideration of any possible change to the "triggers" until this additional information is available.

PowerPoint slides for the Study Session will be distributed to the Council under separate cover next week, prior to the meeting.

PUBLIC OUTREACH

The Draft Report is posted on the City's Coyote Valley Specific Plan website. The Coyote Valley Task Force is scheduled to begin discussing the Draft study at their public meeting on Monday, April 24, 2006 at 5:30 p.m. (City Hall, 200 E. Santa Clara Street, Room W120). This initial discussion will focus on the cost and revenue assumptions as they relate to the delivery of City services to the new Coyote community. Future meetings will discuss the implications of the results. The Task Force is not scheduled to discuss a preference for a particular phasing scenario until its June meeting.

The City Council Study Session on Friday, April 28, 2006 is another opportunity for public input. In addition, a community meeting is being set up for May for additional public discussion and comment on the Draft report. Information about these meetings and other background on the Coyote Valley Specific Plan can be found at www.sanjoseca.gov/coyotevalley.

COORDINATION

Planning staff wishes to thank the participation of many City Departments and Offices in the preparation of the Draft Fiscal Impact Analysis, including the City Manager's Office, Budget Office, Police Department, Fire Department, Parks, Recreation and Neighborhood Services Department, Library Department, Finance Department, Public Works Department, Department of Transportation, and Environmental Services Department. The City Attorney's Office was also consulted in this process.

for Laurel Prevetti

JOSEPH HORWEDEL, ACTING DIRECTOR
Department of Planning, Building and Code Enforcement

Attachments

COUNCIL'S VISION AND EXPECTED OUTCOMES

1. The plan will include Central and North Coyote for land planning and will include South Coyote in the infrastructure financing mechanism only. South Coyote (Greenbelt) is included only to determine financing and other mechanisms to secure this as a permanent Greenbelt.

2. The line (Greenline) between Central and South shall not be moved.

3. The line between North and Central could be erased to allow for mixed-use throughout as long as 25,000 housing units in Central and 50,000 jobs in North remain as a base. Then, jobs can be added in Central Coyote and housing in North Coyote to achieve mixed-use or develop a property owner agreement to "trade" jobs and housing counts to achieve mixed-use goal.

4. The overall development character of North and Central Coyote Valley should be very urban, pedestrian and transit-oriented community with a mixture of housing densities, supportive businesses and services and campus industrial uses.

5. The Specific Plan should plan for the extension of light rail and heavy rail into Central Coyote and use these facilities to orient development.

6. We shall maximize efficient land usage; i.e., the 25,000 units and 50,000 jobs are both minimums. In North and Central Coyote combined, the total development potential is at least 50,000 jobs and at least 25,000 housing units. Through the Specific Plan process we shall determine the distribution of that potential across north and south, including mixed-use concepts.

7. It will be important to distinguish that the 50,000 jobs referenced are primarily industrial/office jobs, not the additional retail support or public/quasi-public jobs (e.g., City workers) that must also be accommodated in the Plan area for a vibrant, mixed-used, urban community.

8. Identify locations for public facilities (libraries, parks, schools, etc.) in the land use plan as well as include these facilities in the financing plan.

9. North and Mid-Coyote should contain a rich system of parks, trails, and recreation areas.

10. The identification of financing measures for the needed capital improvements to support the planned levels of development.

11. The plan must be financially feasible for private development.

12. The plan must develop trigger mechanisms to ensure that increments of housing may not move forward until the appropriate number of jobs are constructed in a parallel timeline to maintain a jobs/housing balance in Coyote Valley.

13. The Task Force should review the potential to utilize "sub-regions" of the valley that will incorporate jobs and housing that can move forward when the subregion has ability to finance the appropriate infrastructure. Residential projects will be issued building permits in parallel with the development of jobs when either the projects are purely mixed-use in their construction or the jobs and housing are constructed simultaneously.

14. The plan should seek mechanisms to facilitate the permanent acquisition of fee title or conservation easements in South Coyote.

15. The plan should allow for the current General Plan budget triggers to be changed to triggers based upon the Valley or its sub-regions jobs and housing revenues covering the General Fund cost of services.

16. 20%of all units shall be "deed-restricted", below-market-rate units".

Economic &
Planning Systems

Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

DRAFT

COYOTE VALLEY SPECIFIC PLAN
FISCAL IMPACT ANALYSIS

Prepared for:

The City of San Jose

Prepared by:

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April 2006

EPS #13159

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I. INTRODUCTION AND SUMMARY OF RESULTS

Economic & Planning Systems, Inc. (EPS) has been retained by the City of San Jose to conduct a fiscal impact analysis of the proposed development program ("the Project") for the Coyote Valley Specific Plan. The proposed Project includes a mix of housing, retail and workspace as well as various public amenities and key infrastructure elements that would create a sense of place and identity for the new community in Coyote Valley. At buildout, the Project would include over 26,000 residential units, 1.6 million square feet of retail and 15.7 million square feet of office, R&D, and industrial workspace. The new development is estimated to bring over 71,600 new residents and over 56,000 jobs to Coyote Valley by the Project's buildout.

PURPOSE OF THE STUDY

On August 20, 2002, the City Council, in keeping with the planning process set forth in the San Jose 2020 General Plan for the Coyote Valley Urban Reserve, initiated the Coyote Valley Specific Plan process by appointing a 20-member Task Force. The Task Force was directed to guide the preparation of a comprehensive plan for the future of Coyote Valley. Development in Coyote Valley is intended to address several policy goals, as expressed both in the General Plan and the City Council's statement of "Visions and Expected Outcomes." Among these goals are the following:

- Economic development and job creation
- Improvement of the City's overall jobs/housing balance
- Orderly growth that is fiscally sustainable
- Provision of affordable housing
- Preservation of the Greenbelt
- Creation of a uniquely attractive, urban, environmentally sensitive place

The primary focus of this study is to examine and ensure the Plan's adherence to one of the key goals of the Project: fiscally sustainable growth. Therefore, this report evaluates the impact of the proposed Project on the City's General Fund during the development of the Project as well as at buildout, and presents ways to mitigate any fiscal deficits that may be expected during various periods of the development to ensure that the new community in Coyote Valley is fiscally self-sustaining. Because this report analyzes the fiscal impact of the Project to the City's General Fund, capital costs associated with public facilities needed to service Coyote Valley are not included in the cost estimate. The financing of infrastructure and public facilities will be addressed in a separate financing plan. Similarly, revenues that would be generated from Coyote Valley but are restricted to capital program use, such as the majority of construction and conveyance tax, are not included in the revenue estimate.

As noted above, another key goal of the Specific Plan is the improvement of the City's overall jobs/housing balance. The City's General Plan currently states that workspace for 5,000 jobs must be developed prior to any housing development in Coyote Valley.

Under current and foreseeable market conditions, this requirement is likely to defer significant development in Coyote Valley for several years, and generate relatively little up-front funding for infrastructure because the infrastructure fee burdens supportable by commercial/industrial development currently are a fraction of those that can be supported by residential development. To better understand the effects of the General Plan's requirement, members of the Task Force have requested that the planning team evaluate alternative jobs/housing "Concurrency Scenarios".

Therefore, the secondary purpose of this fiscal analysis is to evaluate and compare the fiscal implications of the existing General Plan policy as well as other jobs-to-housing concurrency scenarios. The five concurrency scenarios evaluated in this report include the following:

- **Scenario 1 (2-to-1 jobs to housing units from day one)** allows housing development to occur at the same time that workspace is developed (rather than waiting until 5,000 jobs are in place), but the housing development would be constrained by a 2:1 jobs to housing unit ratio through the entire buildout of the area.

- **Scenario 2 (up to 5,000 houses, then no additional housing until 10,000 jobs in place)** allows up to 5,000 housing units to be built regardless of the number of new jobs, but no additional housing units could be built until 10,000 jobs are in place; at that time, housing resumes at a market-based pace through buildout.

- **Scenario 3 (5,000 jobs first, then market-based development)** conforms to the existing General Plan and allows no housing development to occur until 5,000 jobs are in place, then housing units may be developed at a market-based pace.

- **Scenario 4 (market-based absorption until major infrastructure is in place, then 2-to-1 jobs to housing until buildout)** allows housing development to occur at a market-based pace until major infrastructure is in place (i.e., the lake, elements of the transit systems and key roadways), and then a 2:1 jobs to housing unit ratio would be enforced through buildout.

- **Scenario 5 (3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place)** allows up to 3,000 housing units to be developed while space is being developed for 3,000 jobs (possibly with private subsidies), and then housing development could resume at a market-based pace until 10,000 units; no additional housing could be developed until 15,000 total jobs are in place, after which housing development could resume at a market-driven pace.

SUMMARY OF RESULTS

This fiscal impact analysis represents a forecast based on the best available information, and input from numerous City departments for projecting the likely costs and revenues associated with the development of Coyote Valley. While assumptions used represent the best currently available information, future fiscal conditions may be affected by future policy shifts, including required levels of services, revenue sharing agreements between the City and State, etc., as well as changing market conditions and other factors. Key findings of this study are summarized below.

- ***The fiscal impact analysis provides information about the ongoing revenues generated from new development, as well as the costs to provide public services to the development.*** While the revenues generated may not be specifically dedicated for use in Coyote Valley directly for the departmental costs projected, the goal of fiscal self-sufficiency is met if the total revenues exceed the total costs on an ongoing basis.

- ***It may take nearly 60 years for the completion of the Project, although the housing component of the Project may be complete in approximately 30 years for some of the Concurrency Scenarios.*** Because workspace development is not constrained in any of the scenarios, key differences among the scenarios have to do with the pace of residential development. It is estimated that it would take close to 60 years for all the workspace to be absorbed under each Concurrency Scenario being evaluated, under projected market conditions. However, the housing units in the Project are estimated to be built out in roughly 30 years for Scenarios 2, 3, and 5, while it may take close to 50 years for Scenario 4 and close to 60 years for Scenario 1.

- ***By buildout, the new community in Coyote Valley is expected to generate an annual fiscal surplus in the range of $57 million to $68 million in constant dollars, depending on the Concurrency Scenario.*** The new community in Coyote Valley is estimated to generate $126 million to $137 million in annual General Fund revenue by the Project's buildout (see **Table 1**). At the same time, the cost of providing public services to Coyote Valley is estimated to be about $69 million, resulting in a significant net fiscal surplus.

- ***Property tax revenues are expected to be the largest source of General Fund revenue, followed by property tax in-lieu of Vehicle License Fee (VLF), sales tax, and utility tax.*** By buildout, approximately $74 million to $81 million of property tax revenue is expected to accrue annually to the City's General Fund (see **Table 1**). Property tax in-lieu of VLF is also expected to generate nearly $32 million to $36 million by buildout. An estimated $5.9 million in sales tax and another $5.9 million in utility tax revenues are also expected to accrue annually to the City General Fund from the proposed Project.

Table 1
Summary of Impact to the General Fund at Buildout (in Constant $$) [1], [2]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

Item	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
General Fund Revenues					
Property Tax (3)	$81,101,808	$75,631,831	$75,793,266	$76,774,921	$73,656,567
Property Tax In-lieu of VLF (3)	$35,766,273	$33,305,946	$33,378,557	$33,820,093	$32,417,497
Sales Tax	$5,854,677	$5,856,485	$5,858,186	$5,854,516	$5,854,280
Franchise Fees	$2,868,693	$2,868,693	$2,868,693	$2,868,693	$2,868,693
Utility Tax	$5,873,124	$5,873,124	$5,873,124	$5,873,124	$5,873,124
Business Tax	$1,265,824	$1,265,824	$1,265,824	$1,265,824	$1,265,824
Fines, Forfeitures, and Penalties	$87,091	$87,091	$87,091	$87,091	$87,091
Motor Vehicle License Fee	$425,293	$425,293	$425,293	$425,293	$425,293
Gas Tax Transfer	$1,183,088	$1,183,088	$1,183,088	$1,183,088	$1,183,088
Construction & Conveyance Tax Transfer	$2,730,936	$2,090,846	$2,097,581	$2,120,945	$2,031,087
Library Parcel Tax for O&M Use	$0	$0	$0	$0	$0
Subtotal Revenues	$137,156,807	$128,588,221	$128,830,703	$130,273,589	$125,662,544
General Fund Expenditures (4)					
General Government					
General Government	$1,209,101	$1,209,101	$1,209,101	$1,209,101	$1,197,130
Finance	$223,768	$223,768	$223,768	$223,768	$221,552
Economic Development	$108,092	$108,092	$108,092	$108,092	$107,022
Total General Government	$1,540,961	$1,540,961	$1,540,961	$1,540,961	$1,525,704
Public Safety					
Fire	$14,663,336	$14,663,336	$14,663,336	$14,663,336	$14,518,154
Police	$14,828,134	$14,828,134	$14,828,134	$14,828,134	$14,681,321
Total Public Safety	$29,491,470	$29,491,470	$29,491,470	$29,491,470	$29,199,475
Capital Maintenance					
General Service	$2,266,744	$2,266,744	$2,266,744	$2,266,744	$2,244,301
Transportation	$13,514,320	$13,514,320	$13,514,320	$13,514,320	$13,380,515
Total Capital Maintenance	$15,781,064	$15,781,064	$15,781,064	$15,781,064	$15,624,816
Community Services					
Library	$4,002,618	$4,002,618	$4,002,618	$4,002,618	$3,962,988
Park, Recreation & Neighborhood Services	$15,815,882	$15,815,882	$15,815,882	$15,815,882	$15,659,289
Planning, Building & Code Enforcement	$758,279	$758,279	$758,279	$758,279	$750,771
Total Community Services	$20,576,779	$20,576,779	$20,576,779	$20,576,779	$20,373,048
Lake Maintenance	$2,152,245	$2,152,245	$2,152,245	$2,152,245	$2,130,935
Subtotal Expenditures	$69,542,519	$69,542,519	$69,542,519	$69,542,519	$68,853,979
Net Fiscal Balance	**$67,614,288**	**$59,045,702**	**$59,288,184**	**$60,731,069**	**$56,808,564**

(1) Buildout year is Year 58 for all Scenarios except Scenario 5, where the buildout year is estimated as Year 57.
(2) Scenario I: 2 to 1 jobs/housing units from day one.
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place.
Scenario III: 5,000 jobs first, then market-based development.
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout.
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place.
(3) Reflects a real growth in assessed value of the residential properties at 3 percent above inflation.
(4) Reflects a real growth in the overall General Fund expenditures at 1 percent above inflation.

Sources: City of San Jose; Economic & Planning Systems, Inc.

- ***Fire, Police, Transportation, and Parks, Recreation and Neighborhood Services (PRNS) Department costs are expected to be the most significant expenditure items.*** By buildout, the cost of providing parks and recreational services are estimated at $16 million, while Fire and Police services are estimated to be approximately $15 million each. General Fund expenditures associated with transportation related services are also expected to reach $13.5 million.

- ***It may take 10 to 17 years until enough revenues are created through new development to balance the major public service investments that would be made up front.*** There are higher public service costs associated with the new community in relation to the tax base being created in the early years. This is due to various key public facilities and other major infrastructure (such as the lake and new roads) that would be constructed early on in the Project. Also, many public services require funding large staffing and operational costs to establish the initial level of service rather than a more gradual, incremental increase in service, resulting in early costs that exceed the tax revenues generated (see **Figures 1** through **5**). As shown on the graphs and **Table 2**, the revenues are expected to outgrow the expenditures starting as early as in Year 11 or as late as in Year 18, depending on the concurrency policy scenario. By Year 10, the fiscal year deficit is expected to range from $200,000 to $2.7 million, while a net fiscal surplus of $1.8 million to $4.9 million is expected by Year 20. By year 30, the annual surplus is expected to increase to $7.1 million to $22 million.

- ***Fiscally, there is no one Scenario that presents a "fatal flaw" or a distinct advantage over others.*** All of the scenarios being evaluated are expected to result in fiscal surpluses at buildout, with the initial years experiencing fiscal deficits. Depending on the fiscal year, different scenarios may result in the lowest deficit or the highest net fiscal surplus. For example, in Year 10, Scenario 5 has the lowest deficit while in Year 20, Scenario 3 results in the highest surplus. By buildout, Scenario 1 has the highest surplus. Given that all of the scenarios ultimately result in net fiscal surplus, the scenarios need to be evaluated within the broader context of the City's goals for Coyote Valley.

- ***In the early years of the Project, supplementary financing may be needed to off-set the initial fiscal deficits until the tax base in Coyote Valley grows to a level that supports service costs.*** There are various fiscal mitigation measures that can offset the deficits expected in the early years, including community facilities district, benefit assessment districts, and homeowners' association (HOA) fees, among others. Mello-Roos community facilities district (CFD) may be the most viable supplementary funding option for Coyote Valley given the stable nature and flexibility afforded by the mechanism. In addition to funding capital facilities, a CFD can help pay for public services such as road maintenance, fire and police.

Figure 1
General Fund Revenue vs. Expenditure Forecast for Coyote Valley
(Scenario I: 2 to 1 jobs/housing units from day one)

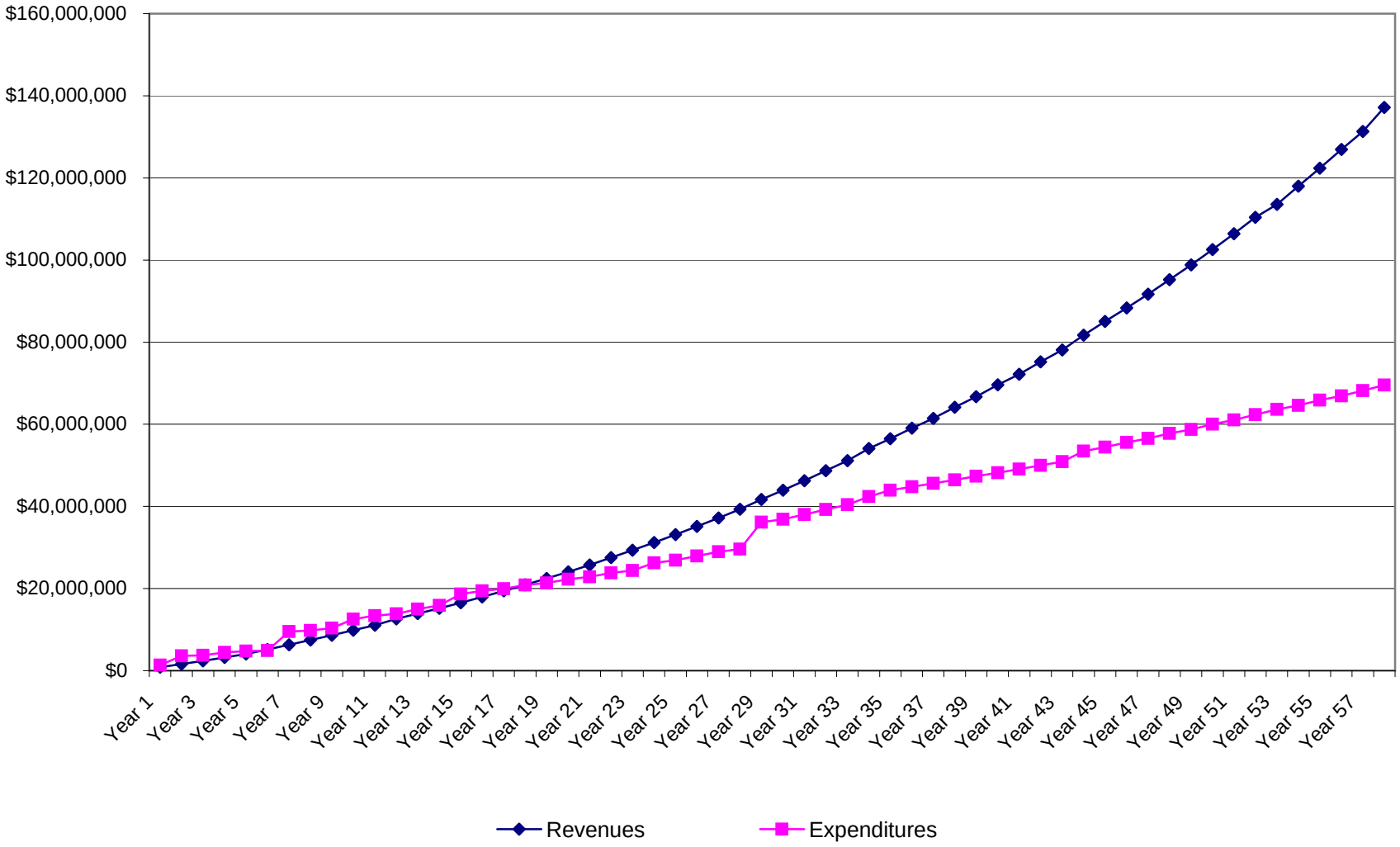

Figure 2
General Fund Revenue vs. Expenditure Forecast for Coyote Valley
(Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place)

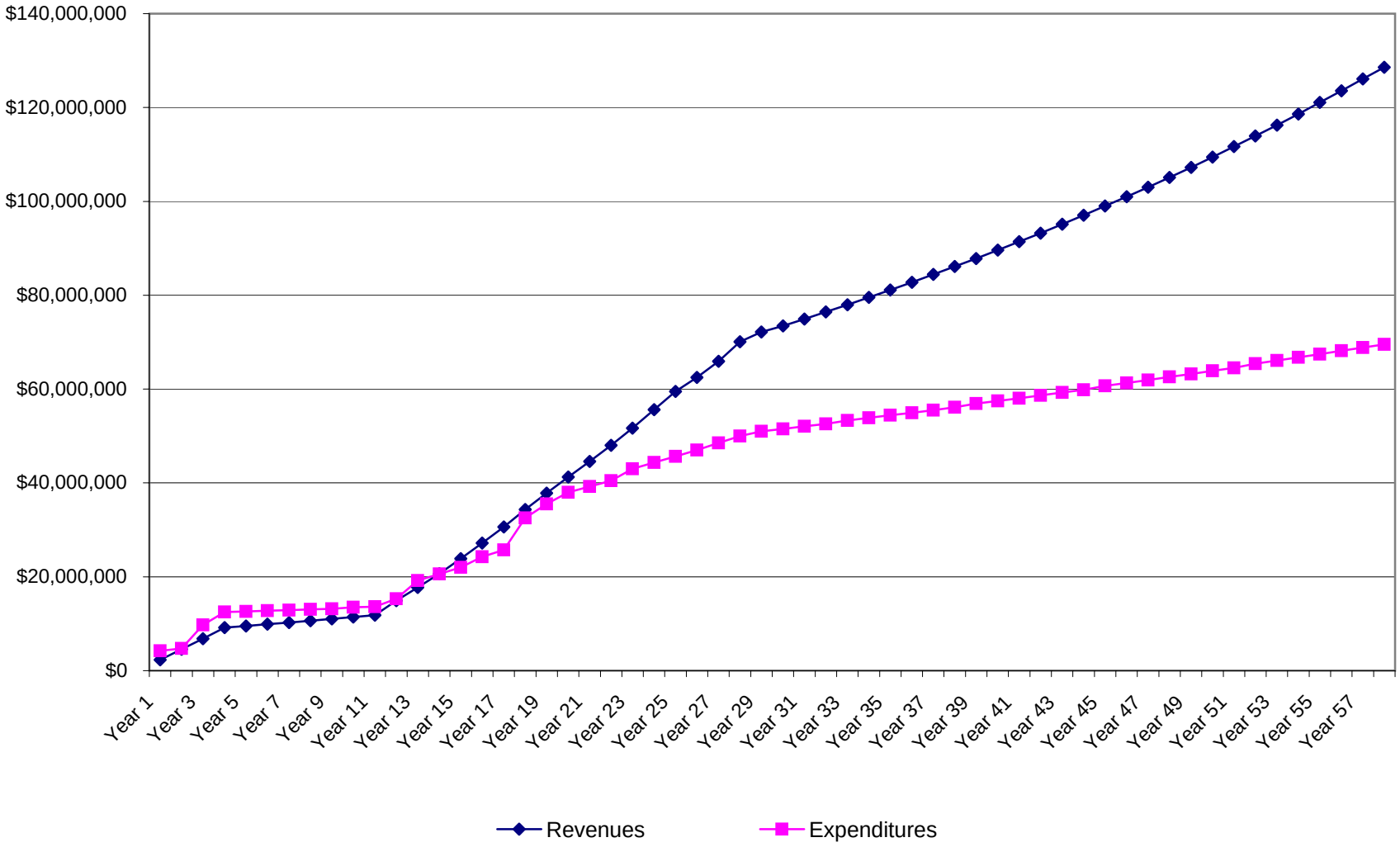

Figure 3
General Fund Revenue vs. Expenditure Forecast for Coyote Valley
(Scenario III: 5,000 jobs first, then market-based development)

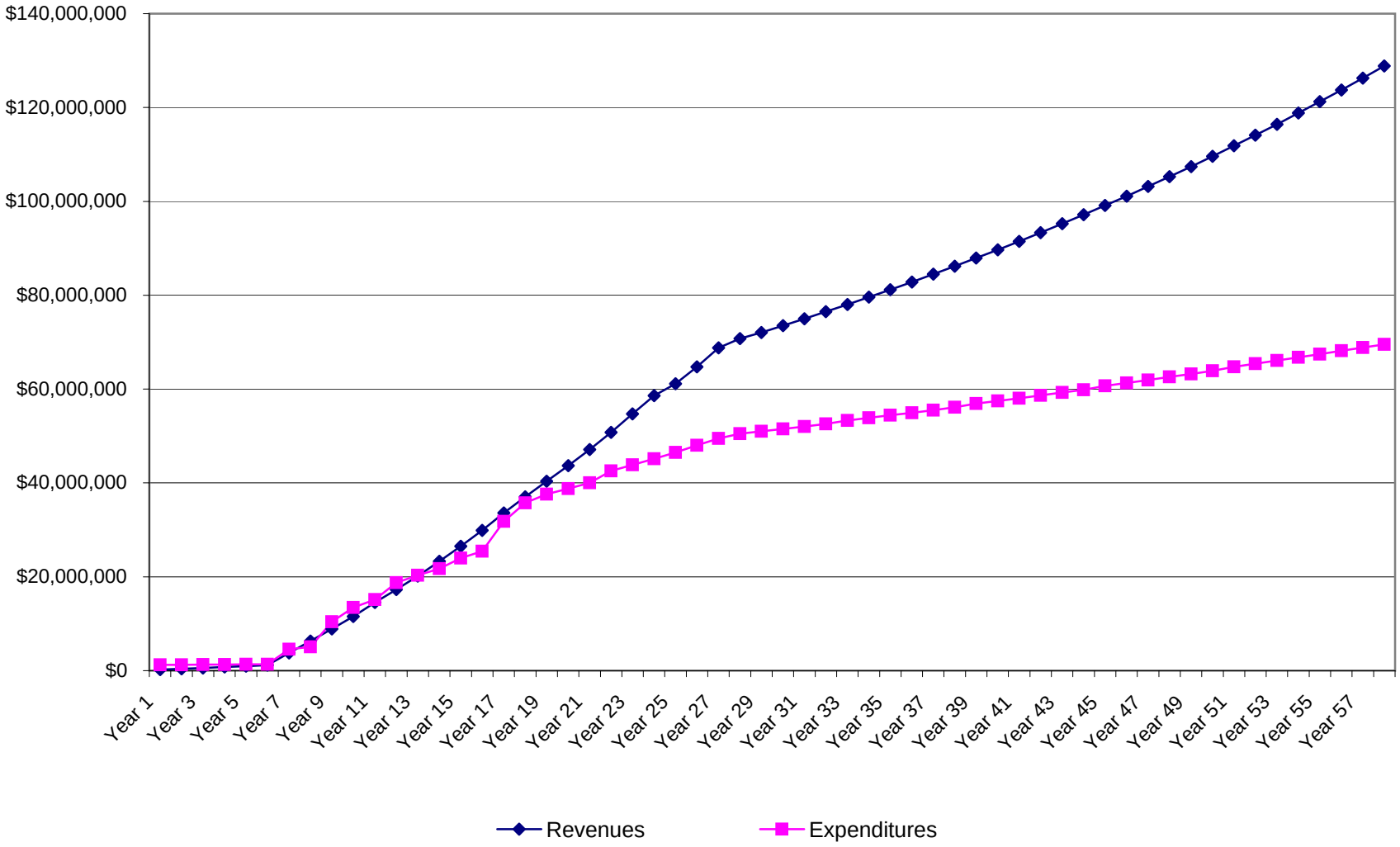

Figure 4
General Fund Revenue vs. Expenditure Forecast for Coyote Valley
(Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout)

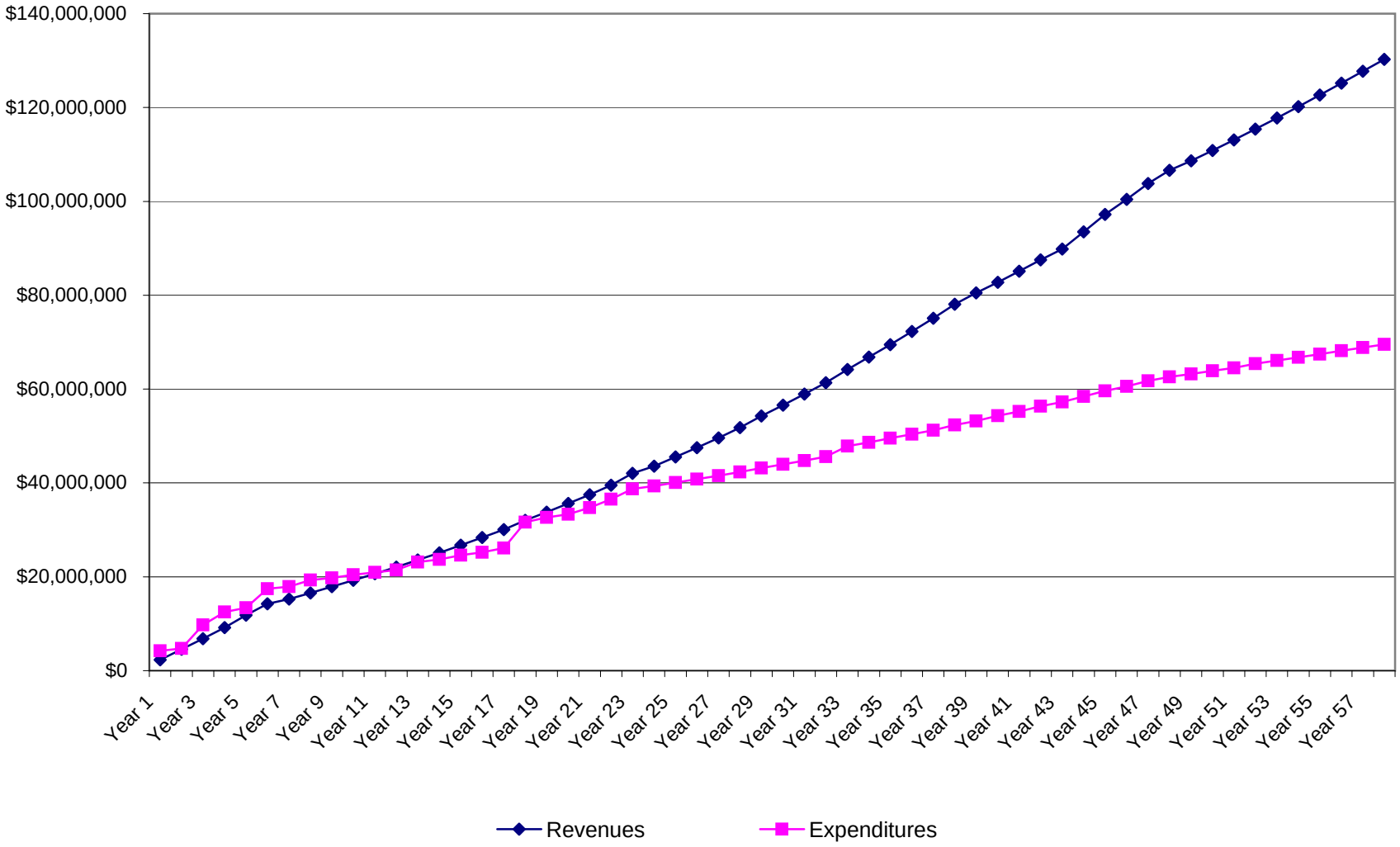

Figure 5
General Fund Revenue vs. Expenditure Forecast for Coyote Valley
(Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place)

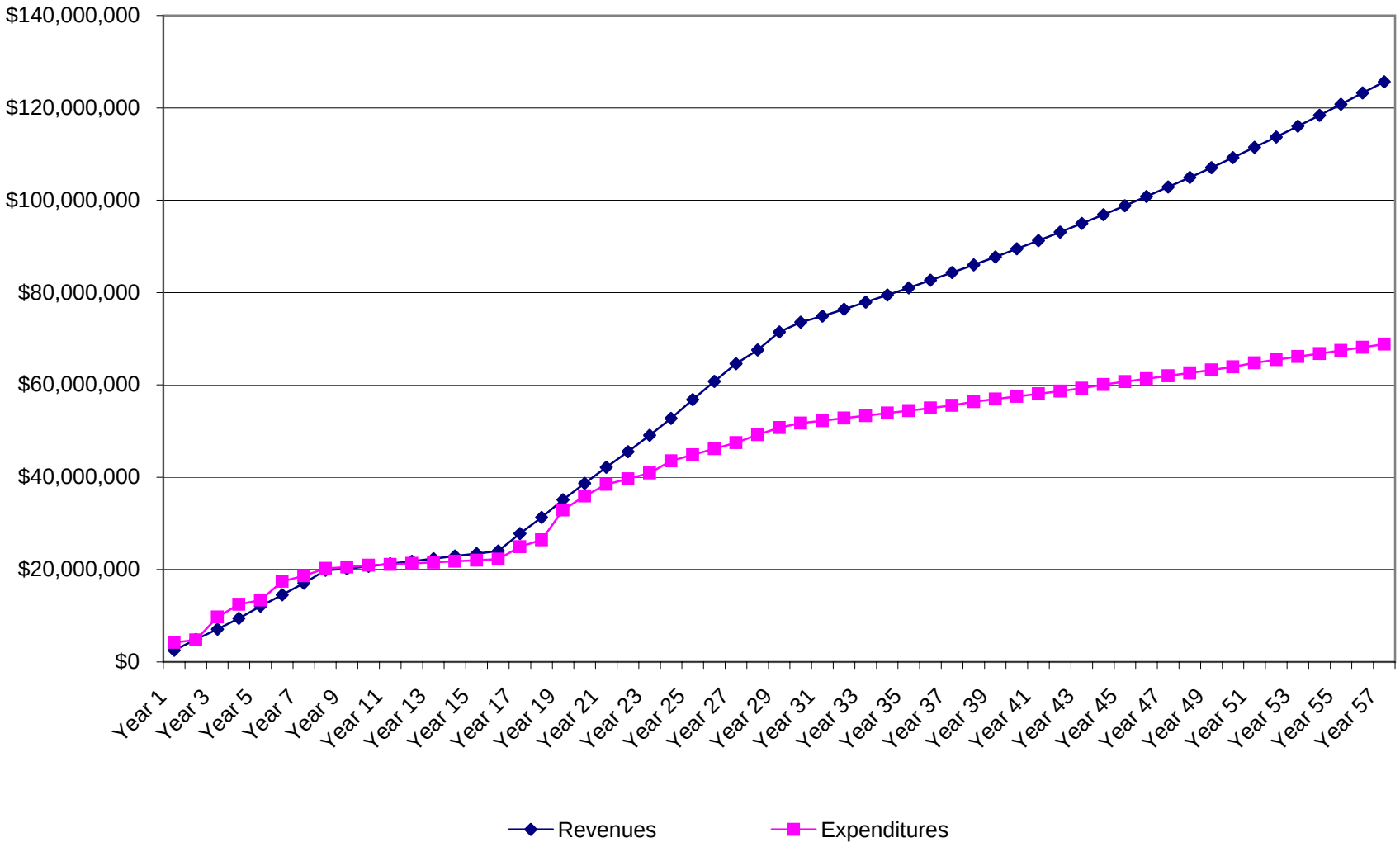

Table 2
Summary of Net Fiscal Impact at Buildout and in Years 1 to 30 (in Constant $$), [3 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Buildout	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Scenario I: 2 to 1 jobs/housing units from day one											
Revenues	$137,156,807	$815,529	$1,584,763	$2,368,857	$3,186,773	$4,059,574	$5,178,171	$6,296,332	$7,441,119	$8,624,115	$9,842,529
Expenditures	$69,542,519	$1,340,334	$3,597,900	$3,739,100	$4,436,917	$4,736,789	$4,919,379	$9,518,948	$9,752,079	$10,378,964	$12,572,026
Net	$67,614,288	($524,805)	($2,013,137)	($1,370,243)	($1,250,144)	($677,214)	$258,792	($3,222,616)	($2,310,959)	($1,754,849)	($2,729,497)
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place											
Revenues	$128,588,221	$2,313,204	$4,545,797	$6,831,478	$9,160,816	$9,526,780	$9,883,305	$10,261,299	$10,641,110	$11,023,288	$11,407,701
Expenditures	$69,542,519	$4,225,114	$4,745,471	$9,739,578	$12,475,781	$12,636,459	$12,772,322	$12,909,639	$13,048,424	$13,188,695	$13,483,582
Net	$59,045,702	($1,911,910)	($199,674)	($2,908,099)	($3,314,965)	($3,109,679)	($2,889,017)	($2,648,340)	($2,407,314)	($2,165,407)	($2,075,881)
Scenario III: 5,000 jobs first, then market-based development											
Revenues	$128,830,703	$221,375	$402,607	$582,742	$761,789	$939,761	$1,172,269	$3,757,148	$6,285,482	$8,890,644	$11,548,658
Expenditures	$69,542,519	$1,244,504	$1,264,023	$1,283,807	$1,303,861	$1,324,188	$1,346,631	$4,533,334	$5,088,002	$10,391,686	$13,451,714
Net	$59,288,184	($1,023,128)	($861,415)	($701,066)	($542,072)	($384,427)	($174,362)	($776,186)	$1,197,480	($1,501,042)	($1,903,056)
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout											
Revenues	$130,273,589	$2,313,204	$4,545,797	$6,831,478	$9,160,816	$11,805,461	$14,242,500	$15,281,162	$16,565,023	$17,883,020	$19,238,944
Expenditures	$69,542,519	$4,225,114	$4,745,471	$9,739,578	$12,475,781	$13,371,764	$17,450,674	$17,921,173	$19,282,312	$19,777,055	$20,432,882
Net	$60,731,069	($1,911,910)	($199,674)	($2,908,099)	($3,314,965)	($1,566,303)	($3,208,174)	($2,640,010)	($2,717,289)	($1,894,035)	($1,193,937)
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place											
Revenues	$125,662,544	$2,491,188	$4,866,621	$7,122,453	$9,449,923	$12,092,724	$14,527,867	$17,065,037	$19,826,066	$20,209,453	$20,718,011
Expenditures	$68,853,979	$4,230,343	$4,755,955	$9,750,164	$12,486,468	$13,382,553	$17,461,564	$18,645,625	$20,280,354	$20,543,834	$20,912,151
Net	$56,808,564	($1,739,154)	$110,666	($2,627,711)	($3,036,544)	($1,289,829)	($2,933,697)	($1,580,588)	($454,288)	($334,381)	($194,140)

Sources: City of San Jose; Economic & Planning Systems, Inc.

Table 2
Summary of Net Fiscal Impact at Buildout and in Years 1 to 30 (in Constant $$), [3 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Scenario I: 2 to 1 jobs/housing units from day one										
Revenues	$11,075,859	$12,584,617	$13,865,157	$15,184,814	$16,547,067	$17,950,799	$19,397,678	$20,889,656	$22,429,555	$24,073,866
Expenditures	$13,354,304	$13,802,994	$14,990,607	$15,861,311	$18,648,016	$19,404,132	$19,925,119	$20,812,531	$21,354,356	$22,278,820
Net	($2,278,445)	($1,218,377)	($1,125,450)	($676,498)	($2,100,949)	($1,453,333)	($527,441)	$77,124	$1,075,199	$1,795,046
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place										
Revenues	$11,801,368	$14,905,005	$17,722,771	$20,648,463	$23,861,566	$27,171,750	$30,601,145	$34,336,129	$37,836,443	$41,284,123
Expenditures	$13,628,534	$15,317,639	$19,203,947	$20,581,108	$21,992,263	$24,270,016	$25,745,524	$32,524,714	$35,498,710	$38,003,058
Net	($1,827,166)	($412,634)	($1,481,176)	$67,355	$1,869,303	$2,901,734	$4,855,620	$1,811,415	$2,337,733	$3,281,065
Scenario III: 5,000 jobs first, then market-based development										
Revenues	$14,510,839	$17,262,559	$20,138,252	$23,287,346	$26,534,570	$29,897,064	$33,586,787	$37,021,501	$40,383,424	$43,668,590
Expenditures	$15,127,551	$18,738,781	$20,338,304	$21,735,144	$23,990,077	$25,450,620	$31,808,554	$35,735,865	$37,587,021	$38,795,307
Net	($616,712)	($1,476,222)	($200,051)	$1,552,201	$2,544,493	$4,446,445	$1,778,234	$1,285,636	$2,796,403	$4,873,283
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout										
Revenues	$20,637,128	$22,078,491	$23,582,409	$25,129,793	$26,724,281	$28,367,445	$30,052,837	$32,024,658	$33,783,359	$35,620,087
Expenditures	$20,945,200	$21,465,721	$23,157,521	$23,707,573	$24,622,078	$25,193,159	$26,126,975	$31,648,195	$32,660,405	$33,325,198
Net	($308,071)	$612,770	$424,887	$1,422,221	$2,102,203	$3,174,286	$3,925,863	$376,463	$1,122,954	$2,294,889
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place										
Revenues	$21,256,229	$21,803,458	$22,356,404	$22,915,562	$23,481,522	$24,054,491	$27,812,039	$31,290,963	$35,107,781	$38,670,946
Expenditures	$21,131,213	$21,352,562	$21,576,146	$21,802,066	$22,030,347	$22,261,013	$24,925,528	$26,410,673	$32,900,872	$35,904,887
Net	$125,016	$450,896	$780,258	$1,113,496	$1,451,175	$1,793,477	$2,886,511	$4,880,290	$2,206,909	$2,766,058

Sources: City of San Jose; Economic & Planning Systems, Inc.

Table 2
Summary of Net Fiscal Impact at Buildout and in Years 1 to 30 (in Constant $$), [3 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Scenario I: 2 to 1 jobs/housing units from day one										
Revenues	$25,763,158	$27,516,579	$29,326,539	$31,197,908	$33,131,293	$35,123,681	$37,176,773	$39,300,579	$41,719,644	$43,961,531
Expenditures	$22,841,963	$23,795,549	$24,380,657	$26,272,241	$26,889,517	$27,904,284	$28,936,652	$29,592,179	$36,155,177	$36,890,243
Net	$2,921,195	$3,721,030	$4,945,883	$4,925,667	$6,241,776	$7,219,397	$8,240,121	$9,708,400	$5,564,467	$7,071,288
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place										
Revenues	$44,567,405	$48,045,562	$51,663,965	$55,640,049	$59,495,712	$62,465,170	$65,904,618	$70,091,669	$72,171,599	$73,477,145
Expenditures	$39,224,503	$40,466,425	$43,032,824	$44,334,111	$45,652,616	$46,997,458	$48,510,698	$49,994,772	$50,994,027	$51,515,925
Net	$5,342,902	$7,579,137	$8,631,141	$11,305,938	$13,843,096	$15,467,712	$17,393,919	$20,096,897	$21,177,572	$21,961,220
Scenario III: 5,000 jobs first, then market-based development										
Revenues	$47,141,961	$50,757,246	$54,729,758	$58,581,820	$61,138,746	$64,726,411	$68,782,855	$70,751,384	$72,048,523	$73,495,204
Expenditures	$40,023,999	$42,564,292	$43,851,989	$45,156,724	$46,489,360	$48,040,090	$49,509,095	$50,474,454	$50,991,108	$51,513,048
Net	$7,117,961	$8,192,954	$10,877,769	$13,425,097	$14,649,386	$16,686,322	$19,273,760	$20,276,930	$21,057,415	$21,982,156
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout										
Revenues	$37,470,251	$39,497,520	$42,026,504	$43,563,610	$45,528,049	$47,520,338	$49,574,061	$51,789,724	$54,277,116	$56,570,361
Expenditures	$34,736,295	$36,532,519	$38,711,045	$39,363,644	$40,087,484	$40,821,865	$41,566,925	$42,345,342	$43,185,910	$43,984,205
Net	$2,733,956	$2,965,000	$3,315,460	$4,199,966	$5,440,565	$6,698,473	$8,007,137	$9,444,383	$11,091,206	$12,586,156
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place										
Revenues	$42,172,135	$45,521,259	$49,069,248	$52,761,224	$56,814,501	$60,751,161	$64,583,299	$67,587,103	$71,452,139	$73,550,907
Expenditures	$38,432,556	$39,666,718	$40,921,216	$43,513,790	$44,828,605	$46,160,815	$47,479,228	$49,217,977	$50,738,015	$51,725,072
Net	$3,739,580	$5,854,541	$8,148,032	$9,247,434	$11,985,897	$14,590,346	$17,104,071	$18,369,126	$20,714,124	$21,825,836

Sources: City of San Jose; Economic & Planning Systems, Inc.

- ***If a CFD were to be formed in Coyote Valley, the property value expected from the new development can absorb the deficit expected in the early years for most of the Scenarios.*** CFD taxes are collected annually based upon a special tax lien against the property. Based on a typical overall tax cap of 1.75 percent and the existing average tax rate of 1.27 percent, a special tax of approximately 0.5 percent may be levied against the new development in Coyote Valley to pay for capital and operating needs. With the exception of the first two years of development under Scenario 3 (current General Plan policy), the estimated assessed value can generate enough special tax revenue to offset the initial fiscal deficit. After the first several years the expected deficit represents less than 0.1 percent of the assessed value (see **Table 3**).

- ***Public service facilities needed to serve Coyote Valley are estimated to cost approximately $108 million***. The estimate includes the costs associated with two fire stations, a 60,000-square foot community center, and a 30,000- to 35,000-square foot library as well as vehicles and equipments needed to service Coyote Valley. Because these are capital improvement costs, they are addressed in the financing plan analysis rather than in the fiscal impact estimate.

REPORT ORGANIZATION

This report consists of seven chapters and five appendices. Following this introductory chapter, **Chapter II** describes the development program in detail. **Chapter III** discusses the overall approach and methodology used in the analysis. **Chapter IV** presents the analysis of General Fund revenues, while **Chapter V** examines the General Fund expenditures. **Chapter VI** presents various fiscal mitigation mechanisms that may be used in Coyote Valley. Finally, **Chapter VII** discusses capital costs related to the public facilities needed to service Coyote Valley. There are also five appendices (**Appendices A** through **E**) attached to this report, each appendix showing detailed calculations and results for each of the five Concurrency Scenarios being evaluated.

Table 3
Fiscal Deficit as a Percent of the Assessed Value (in Constant $$), [4 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Scenario I: 2 to 1 jobs/housing units from day one								
Net Fiscal Impact	($524,805)	($2,013,137)	($1,370,243)	($1,250,144)	($677,214)	$258,792	($3,222,616)	($2,310,959)
Assessed Value	$280,920,811	$580,771,437	$892,107,516	$1,219,269,491	$1,581,491,764	$2,045,604,882	$2,528,384,927	$3,030,622,830
Deficit as % of AV	0.1868%	0.3466%	0.1536%	0.1025%	0.0428%	n/a	0.1275%	0.0763%
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place								
Net Fiscal Impact	($1,911,910)	($199,674)	($2,908,099)	($3,314,965)	($3,109,679)	($2,889,017)	($2,648,340)	($2,407,314)
Assessed Value	$813,465,475	$1,737,925,456	$2,706,957,468	$3,706,980,808	$3,918,527,149	$4,086,275,269	$4,255,215,683	$4,425,405,345
Deficit as % of AV	0.2350%	0.0115%	0.1074%	0.0894%	0.0794%	0.0707%	0.0622%	0.0544%
Scenario III: 5,000 jobs first, then market-based development								
Net Fiscal Impact	($1,023,128)	($861,415)	($701,066)	($542,072)	($384,427)	($174,362)	($776,186)	$1,197,480
Assessed Value	$68,842,327	$136,996,230	$204,468,594	$271,266,235	$337,395,899	$420,215,690	$1,389,916,233	$2,492,348,362
Deficit as % of AV	1.4862%	0.6288%	0.3429%	0.1998%	0.1139%	0.0415%	0.0558%	n/a
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout								
Net Fiscal Impact	($1,911,910)	($199,674)	($2,908,099)	($3,314,965)	($1,566,303)	($3,208,174)	($2,640,010)	($2,717,289)
Assessed Value	$813,465,475	$1,737,925,456	$2,706,957,468	$3,706,980,808	$4,788,343,143	$5,861,590,202	$6,408,985,082	$6,997,433,065
Deficit as % of AV	0.2350%	0.0115%	0.1074%	0.0894%	0.0327%	0.0547%	0.0412%	0.0388%
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place								
Net Fiscal Impact	($1,739,154)	$110,666	($2,627,711)	($3,036,544)	($1,289,829)	($2,933,697)	($1,580,588)	($454,288)
Assessed Value	$862,595,979	$1,834,921,025	$2,802,954,862	$3,801,987,967	$4,882,369,969	$5,954,627,450	$7,076,041,068	$8,329,661,589
Deficit as % of AV	0.2016%	n/a	0.0937%	0.0799%	0.0264%	0.0493%	0.0223%	0.0055%

Sources: City of San Jose; Economic & Planning Systems, Inc.

Table 3
Fiscal Deficit as a Percent of the Assessed Value (in Constant $$), [4 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Scenario I: 2 to 1 jobs/housing units from day one							
Net Fiscal Impact	($1,754,849)	($2,729,497)	($2,278,445)	($1,218,377)	($1,125,450)	($676,498)	($2,100,949)
Assessed Value	$3,553,137,626	$4,097,274,885	$4,653,688,768	$5,267,863,508	$5,865,814,520	$6,478,467,277	$7,115,560,228
Deficit as % of AV	0.0494%	0.0666%	0.0490%	0.0231%	0.0192%	0.0104%	0.0295%
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place							
Net Fiscal Impact	($2,165,407)	($2,075,881)	($1,827,166)	($412,634)	($1,481,176)	$67,355	$1,869,303
Assessed Value	$4,596,902,288	$4,769,765,661	$4,944,106,348	$6,212,283,393	$7,510,841,564	$8,870,274,811	$10,389,967,243
Deficit as % of AV	0.0471%	0.0435%	0.0370%	0.0066%	0.0197%	n/a	n/a
Scenario III: 5,000 jobs first, then market-based development							
Net Fiscal Impact	($1,501,042)	($1,903,056)	($616,712)	($1,476,222)	($200,051)	$1,552,201	$2,544,493
Assessed Value	$3,648,016,040	$4,840,892,744	$6,111,892,465	$7,378,170,276	$8,705,293,276	$10,185,404,290	$11,740,054,467
Deficit as % of AV	0.0411%	0.0393%	0.0101%	0.0200%	0.0023%	n/a	n/a
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout							
Net Fiscal Impact	($1,894,035)	($1,193,937)	($308,071)	$612,770	$424,887	$1,422,221	$2,102,203
Assessed Value	$7,607,910,133	$8,241,560,801	$8,900,855,903	$9,586,658,099	$10,309,632,413	$11,060,648,608	$11,841,019,060
Deficit as % of AV	0.0249%	0.0145%	0.0035%	n/a	n/a	n/a	n/a
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place							
Net Fiscal Impact	($334,381)	($194,140)	$125,016	$450,896	$780,258	$1,113,496	$1,451,175
Assessed Value	$8,657,646,791	$8,923,009,745	$9,191,621,032	$9,465,650,484	$9,745,553,982	$10,029,508,479	$10,317,637,865
Deficit as % of AV	0.0039%	0.0022%	n/a	n/a	n/a	n/a	n/a

Sources: City of San Jose; Economic & Planning Systems, Inc.

Table 3
Fiscal Deficit as a Percent of the Assessed Value (in Constant $$), [4 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
Scenario I: 2 to 1 jobs/housing units from day one							
Net Fiscal Impact	($1,453,333)	($527,441)	$77,124	$1,075,199	$1,795,046	$2,921,195	$3,721,030
Assessed Value	$7,778,082,133	$8,467,056,444	$9,182,901,906	$9,924,181,505	$10,725,392,780	$11,559,224,508	$12,432,632,379
Deficit as % of AV	0.0187%	0.0062%	n/a	n/a	n/a	n/a	n/a
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place							
Net Fiscal Impact	$2,901,734	$4,855,620	$1,811,415	$2,337,733	$3,281,065	$5,342,902	$7,579,137
Assessed Value	$11,984,681,398	$13,653,073,641	$15,404,519,049	$17,134,994,339	$18,830,750,326	$20,459,112,725	$22,179,458,252
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario III: 5,000 jobs first, then market-based development							
Net Fiscal Impact	$4,446,445	$1,778,234	$1,285,636	$2,796,403	$4,873,283	$7,117,961	$8,192,954
Assessed Value	$13,366,373,249	$15,086,714,996	$16,770,374,760	$18,426,286,712	$20,048,492,267	$21,763,631,294	$23,567,201,944
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout							
Net Fiscal Impact	$3,174,286	$3,925,863	$376,463	$1,122,954	$2,294,889	$2,733,956	$2,965,000
Assessed Value	$12,651,313,267	$13,488,322,944	$14,390,513,741	$15,281,487,932	$16,206,710,665	$17,144,407,854	$18,161,345,884
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place							
Net Fiscal Impact	$1,793,477	$2,886,511	$4,880,290	$2,206,909	$2,766,058	$3,739,580	$5,854,541
Assessed Value	$10,610,068,739	$12,243,102,845	$13,943,130,426	$15,741,504,672	$17,509,478,850	$19,239,664,926	$20,907,525,781
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: City of San Jose; Economic & Planning Systems, Inc.

Table 3
Fiscal Deficit as a Percent of the Assessed Value (in Constant $$), [4 pages]
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Scenario I: 2 to 1 jobs/housing units from day one								
Net Fiscal Impact	$4,945,883	$4,925,667	$6,241,776	$7,219,397	$8,240,121	$9,708,400	$5,564,467	$7,071,288
Assessed Value	$13,341,608,038	$14,289,021,970	$15,274,543,614	$16,296,575,441	$17,356,054,096	$18,458,236,285	$19,633,381,177	$20,820,095,217
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place								
Net Fiscal Impact	$8,631,141	$11,305,938	$13,843,096	$15,467,712	$17,393,919	$20,096,897	$21,177,572	$21,961,220
Assessed Value	$23,986,821,976	$25,906,444,407	$27,873,335,397	$29,379,190,840	$31,020,244,128	$33,036,014,036	$34,297,765,475	$36,825,219,051
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario III: 5,000 jobs first, then market-based development								
Net Fiscal Impact	$10,877,769	$13,425,097	$14,649,386	$16,686,322	$19,273,760	$20,276,930	$21,057,415	$21,982,156
Assessed Value	$25,483,010,482	$27,446,069,655	$28,734,334,859	$30,395,388,156	$32,350,300,755	$33,550,872,620	$34,360,075,716	$36,893,655,835
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout								
Net Fiscal Impact	$3,315,460	$4,199,966	$5,440,565	$6,698,473	$8,007,137	$9,444,383	$11,091,206	$12,586,156
Assessed Value	$19,400,801,771	$20,255,790,006	$21,251,710,260	$22,283,982,558	$23,353,943,070	$24,506,851,958	$25,797,940,561	$27,027,101,202
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place								
Net Fiscal Impact	$8,148,032	$9,247,434	$11,985,897	$14,590,346	$17,104,071	$18,369,126	$20,714,124	$21,825,836
Assessed Value	$22,670,355,285	$24,522,493,021	$26,489,135,133	$28,505,378,750	$30,436,082,371	$31,931,552,035	$33,775,904,898	$35,027,501,140
Deficit as % of AV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: City of San Jose; Economic & Planning Systems, Inc.

II. PROJECT DESCRIPTION

This chapter outlines the key elements of the Coyote Valley Specific Plan project description, including the land use program as well as expected development values, population and employment densities, and development absorption.

LAND USE PROGRAM

The proposed land use program for the Coyote Valley Specific Plan includes residential, retail, and mixed-use retail/ residential uses, in addition to parks, and new roads. Proposed land uses, as shown in **Table 4**, include over 26,500 residential units, 1.6 million square feet of retail and 15.7 million square feet of workspace. The Project also includes 322 acres of parks, a 53-acre lake, 33 miles of backbone roads and 53 miles of in-tract roads to serve the new development.

The residential units range in types and density from single-family detached units to high-rise condominiums, as well as housing over office or retail. Nearly 25 percent of the units would be single-family detached units ranging in density from 4 to 12 units per acre (see **Table 5**). Another 30 percent would be single-family attached units ranging in density from 18 to 35 units per acre, and 22 percent would be low-rise multifamily units at an average density of 31 units to an acre. Mid- to high-rise condominium units would account for 7 percent at an average density of 66 units to an acre; the rest, or 15 percent, are mixed-use residential units over retail or office at a floor-area-ratio (FAR) ranging from 0.8 to 3.0 (or 19 to 66 units per acre).

In terms of workspace, the Project includes low- to high-rise office, R&D and light industrial uses. The majority, or 75 percent, of the workspace would be products with an average FAR of 0.5, mostly in 4-story buildings. Nearly 10 percent of the workspace would be mid- to high-rise office products at an average FAR of 2.3, and less than 1 percent would be light industrial products. The rest of the workspace, or 14 percent, would be in mixed-use format either below residential or above retail uses. The Project also includes 537,000 square feet of single-use retail and another 1.1 million square feet of mixed-use retail. Retail uses are expected to include a blend of local and regional serving retail such as grocery stores, movie theatres and restaurants.

DEVELOPMENT VALUES

RESIDENTIAL

Housing prices continue to increase in the City of San Jose and the proposed market-rate housing products are expected to sell for between mid-$500,000s to over $1.8 million under current market conditions (see **Table 5**). The single-family detached units are

Table 4
Summary of Project Description at Buildout
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

Item	Buildout
Residential Units	26,538
Retail SqFt	1,644,485
Workplace SqFt	15,736,369
Population	71,623
Workplace Employees	51,887
Retail Employees	4,382
Daytime Population (1)	90,379
Park Acreage	322
Road Miles	86

1) Defined as the total population plus one-third of the total employees.

Source: Dahlin Group; HMH Engineers; and Economic & Planning Systems, Inc.

Table 5
Project Value, Density, Population and Employee Assumptions
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

Item Typology		Units/SqFt Number	Units/SqFt % Total	Units/Acre or FAR (1)	Assessable Value per Unit or SqFt	Persons/HH or SqFt/Emp.
RESIDENTIAL						
	For-Sale Residential					
R6	SF Detached Edge Estate	264	1%	4	$1,839,000	3.4
R9	SF Detached (10/acre)	1,710	6%	8	$981,000	3.4
R8	SF Detached (12/acre)	1,554	6%	10	$858,000	3.4
R7	SF Detached (14/acre)	3,375	13%	12	$766,000	3.4
R5	Townhouses	8,022	30%	18	$637,220	2.7
M1	Live work loft/town home (on-site parking)	272	1%	1.2	$644,000	2.2
M3	Live work loft/town home (parking within building)	64	0%	1.4	$644,000	2.2
R2	9-Story Mid-Rise	1,150	4%	62	$644,000	2.2
R1	High-Rise	372	1%	82	$889,000	2.2
M2	Mixed use high-rise	265	1%	3.0	$569,288	2.2
M6	3 Floors Residential Over Regional/District Parked Retail	1,704	6%	1.4	$613,579	2.2
M9	2 Floors Residential Over Office w/ No District Parking	168	1%	0.8	$734,536	2.2
	Total For-Sale Residential	18,920	71%			
	Rental Residential					
R4	Frame with Surface Parking	2,090	8%	25	$87,257	2.8
R3	Frame with Podium Parking	3,780	14%	37	$111,417	2.8
M7	3 Floors Residential Over Local Commercial w/ No District Parkin	646	2%	1.1	$364,019	2.2
M8	3 Floors Residential Over Office w/ No District Parking	1,102	4%	1.1	$355,473	2.2
	Total Rental Residential	7,618	29%			
	TOTAL RESIDENTIAL UNITS	26,538	100%			
RETAIL						
LR	Local	224,945	14%	0.2	$260	350
RR	Regional	311,892	19%	0.3	$260	350
M4	3 Floors Office Over District Parked Retail	607,308	37%	1.4	$266	350
M5	3 Floors Office Over Local Retail w/ No District Parking	67,500	4%	0.3	$240	350
M6	3 Floors Residential Over Regional/District Parked Retail	312,684	19%	1.4	$423	350
M7	3 Floors Residential Over Local Commercial w/ No District Parkin	120,156	7%	1.1	$251	350
	TOTAL RETAIL	1,644,485	100%			
Workspace						
W1	Corporate/Tech (4 story w/ 1 story parking)	3,960,032	25%	0.3	$271	285
W3	Corporate/Tech (2-story w/ 1 story parking)	103,692	1%	0.3	$316	285
W4	R&D/Lab	110,177	1%	0.2	$346	285
W5	Corporate/Tech (4-story w/ 4 story parking)	7,245,672	46%	0.9	$316	285
W7	Downtown Professional Service (4-story)	330,799	2%	1.4	$283	285
W2	Corporate/Tech (7-story w/ 4 story parking)	604,896	4%	1.2	$317	285
W6	Downtown Professional Service (20-story)	918,136	6%	7.0	$341	285
W8	Downtown Professional Service (7-story)	81,012	1%	2.5	$322	285
M2	18 Floor High Rise Residential Over Office	88,375	1%	3.0	$380	300
M4	3 Floors Office Over District Parked Retail	1,821,976	12%	1.4	$266	300
M5	3 Floors Office Over Local Retail w/ No District Parking	202,525	1%	0.3	$240	300
M8	3 Floors Residential Over Office w/ No District Parking	105,270	1%	1.1	$245	300
M9	2 Floors Residential Over Office w/ No District Parking	28,784	0%	0.8	$432	300
W9	Light Industrial	32,404	0%	0.2	$176	500
W10	Manufacturing	102,619	1%	0.2	$194	500
	TOTAL WORKSPACE	15,736,369	100%			

(1) Represents density per gross private development acre.
(2) The values for R3, 4 and 5 represent weighed average of market-rate and affordable units, assuming 20 percent affordable housing would be provided in Coyote Valley through these product types. R3 and 4, which are rental units, are also assumed to be tax exempt and their values are excluded from the calculation for the purpose of this analysis.

Source: HMH, Dahlin Group, and Economic & Planning Systems, Inc.

expected to start at upper $700,000s and go up as high as $1.8 million for larger single family detached units. Townhome units are expected to be priced in the mid-$600,000 range.

The condominium units are expected to be priced from the upper $500,000s to the high $800,000s. The market value of the rental units will be based on the achievable rent. Based on the current market conditions, the capitalized market value of the rental units is estimated to be between $87,000 to mid-$350,000s.

The value estimate for the townhomes reflects the inclusion of 1,000 very low and moderate-income for-sale units. Similarly, the value estimates for the rental units reflect the inclusion of 4,000 extremely low-, very low- and low-income units. The lower value of these units is reflected in the property tax calculation.

NONRESIDENTIAL

The market value of retail and workspace will also vary significantly based on the achievable lease rates. Based on recent market conditions, retail space is assumed to command a monthly triple net lease rate of $2.00 to $2.25 while office/R&D workspace is assumed to command a monthly full service lease rate of $2.00 to $2.20. Because the office market was hard hit by the recent economic downturn, current rents may not support the estimated cost of construction for new workspace in Coyote Valley. This analysis assumes that the value of the workspace products would at least equal their construction value.

PROJECT RESIDENTS AND EMPLOYEES

Different residences will appeal to different households depending on their type, size, pricing, and amenities. The number of persons in each unit will vary with single-family detached units appealing more to households with children than townhomes and multistory condominiums. Average household size for the single-family detached units is assumed to be 3.4 persons while larger townhome units are assumed to have, on average, 2.7 persons (see **Table 5**). Smaller townhomes and condominiums are assumed to have an average of 2.2 persons per household while apartments are assumed to have an average of 2.8 persons per household, factoring in larger household size for affordable rental units. In addition, the retail space will require a number of employees at about one employee per 350 square feet of retail space based on standard space requirements per retail job. Employees in single-use office buildings are assumed to require, on average, 285 square feet while mixed-use office space is assumed to have one employee per 300 square feet of space. Industrial buildings are assumed to have 500 square feet of space per employee.

MARKET ABSORPTION

As noted in the Introduction, there are five Concurrency Scenarios being evaluated. The scenarios place different constraints on housing development in relation to workspace development. Because workspace development is not constrained in any of the scenarios, key differences among the scenarios have to do with the pace of residential development. It is estimated that it would take close to 60 years for all the workspace to be absorbed under each Concurrency Scenarios being evaluated. However, housing units are estimated to be absorbed in roughly 30 years for Scenarios 2, 3 and 5, while it may take close to 50 years for Scenario 4 and close to 60 years for Scenario 1 (see **Table 6**). Although the pace of infrastructure development may differ among the scenarios, the sequence of development is assumed to be the same in each scenario (e.g., start around Laguna Seca and the Community Core, and extend southerly along Santa Teresa Boulevard in an orderly fashion).

Table 6
Summary of Residential, Workspace and Retail Market Absorption by Concurrency Scenaric
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Buildout
Residential Units											
Scenario 1	367	733	1,100	1,467	1,833	4,125	6,417	8,708	11,000	13,291	26,538
% Buildout	*1%*	*3%*	*4%*	*6%*	*7%*	*16%*	*24%*	*33%*	*41%*	*50%*	*100%*
Scenario 2	1,240	2,480	3,720	4,960	5,000	5,000	9,960	16,160	22,360	26,538	26,538
% Buildout	*5%*	*9%*	*14%*	*19%*	*19%*	*19%*	*38%*	*61%*	*84%*	*100%*	*100%*
Scenario 3	0	0	0	0	0	4,960	11,160	17,360	23,560	26,538	26,538
% Buildout	*0%*	*0%*	*0%*	*0%*	*0%*	*19%*	*42%*	*65%*	*89%*	*100%*	*100%*
Scenario 4	1,240	2,480	3,720	4,960	6,200	9,273	11,565	13,856	16,288	18,728	26,538
% Buildout	*5%*	*9%*	*14%*	*19%*	*23%*	*35%*	*44%*	*52%*	*61%*	*71%*	*100%*
Scenario 5	1,240	2,480	3,720	4,960	6,200	10,000	10,000	14,960	21,160	26,538	26,538
% Buildout	*5%*	*9%*	*14%*	*19%*	*23%*	*38%*	*38%*	*56%*	*80%*	*100%*	*100%*
Workspace SqFt											
Scenario 1	220,000	440,000	660,000	880,000	1,100,000	2,475,000	3,850,000	5,225,000	6,600,000	7,975,000	15,736,369
% Buildout	*1%*	*3%*	*4%*	*6%*	*7%*	*16%*	*24%*	*33%*	*42%*	*51%*	*100%*
Scenario 2	220,000	440,000	660,000	880,000	1,100,000	2,475,000	3,850,000	5,342,005	6,735,023	8,110,023	15,736,369
% Buildout	*1%*	*3%*	*4%*	*6%*	*7%*	*16%*	*24%*	*34%*	*43%*	*52%*	*100%*
Scenario 3	220,000	440,000	660,000	880,000	1,100,000	2,475,000	3,850,000	5,339,067	6,714,067	8,089,066	15,736,369
% Buildout	*1%*	*3%*	*4%*	*6%*	*7%*	*16%*	*24%*	*34%*	*43%*	*51%*	*100%*
Scenario 4	220,000	440,000	660,000	880,000	1,100,000	2,475,000	3,850,000	5,225,000	6,760,195	8,135,195	15,736,369
% Buildout	*1%*	*3%*	*4%*	*6%*	*7%*	*16%*	*24%*	*33%*	*43%*	*52%*	*100%*
Scenario 5	372,000	744,000	964,000	1,184,000	1,404,000	2,779,000	4,154,000	5,556,005	7,039,023	8,414,023	15,736,369
% Buildout	*2%*	*5%*	*6%*	*8%*	*9%*	*18%*	*26%*	*35%*	*45%*	*53%*	*100%*
Retail SqFt											
Scenario 1	4,400	33,020	61,640	96,454	124,841	233,958	450,791	539,077	630,520	843,363	1,644,485
% Buildout	*0%*	*2%*	*4%*	*6%*	*8%*	*14%*	*27%*	*33%*	*38%*	*51%*	*100%*
Scenario 2	43,214	81,134	119,055	154,703	306,130	377,558	500,722	742,183	997,997	1,355,806	1,644,485
% Buildout	*3%*	*5%*	*7%*	*9%*	*19%*	*23%*	*30%*	*45%*	*61%*	*82%*	*100%*
Scenario 3	0	0	0	0	0	144,122	408,594	656,573	925,779	1,280,538	1,644,485
% Buildout	*0%*	*0%*	*0%*	*0%*	*0%*	*9%*	*25%*	*40%*	*56%*	*78%*	*100%*
Scenario 4	43,214	81,134	119,055	154,703	320,352	404,445	472,970	679,142	769,380	853,224	1,644,485
% Buildout	*3%*	*5%*	*7%*	*9%*	*19%*	*25%*	*29%*	*41%*	*47%*	*52%*	*100%*
Scenario 5	62,916	116,642	154,420	189,819	355,219	445,572	496,135	726,733	984,316	1,357,880	1,644,485
% Buildout	*4%*	*7%*	*9%*	*12%*	*22%*	*27%*	*30%*	*44%*	*60%*	*83%*	*100%*

Scenario I: 2 to 1 jobs/housing units from day one.
Scenario II: Up to 5,000 houses, then no additional housing until 10,000 jobs in place.
Scenario III: 5,000 jobs first, then market-based development.
Scenario IV: Market-based absorption until major infrastructure is in place, then 2:1 jobs to housing until buildout.
Scenario V: 3,000 jobs for 3,000 units; units cap at 10,000 until 15,000 jobs in place.

Source: HMH, Dahlin Group, and Economic & Planning Systems, Inc.

III. APPROACH AND METHODOLOGY

This chapter describes the overall process and methodology involved in estimating the fiscal impacts of the development program proposed for the Specific Plan. While detailed explanation of methodology and assumptions relevant to particular revenue or expenditure categories are presented in the next two chapters, this chapter highlights the overall approach and methodology employed in this analysis.

INNOVATIVE SERVICE DELIVERY MODEL

EPS has been working closely with key department directors and their staff over the course of the past several months to collect necessary data to forecast public service needs for the area and estimate costs associated with providing those services. The departments were also encouraged to explore ways to deliver services to this new community in an innovative and cost-efficient way. Various ideas were discussed, some of which are reflected in the cost estimates, as described below.

CO-LOCATION

Several departments suggested the possibility of co-locating permanently with other departments. A key advantage of co-location would be the ability to provide one-stop public amenities to the public while precluding the need for multiple small City buildings. For example, a community police center and/or other satellite city offices (such as planning center) can be housed within the new library or the community center. The library and the community center could also be co-located and share a common lobby, restrooms, etc. This could result in savings on capital improvement costs. In addition co-location could result in some cost saving in operating and maintenance by utilizing maintenance employees to serve both library and community center patrons, for example. However, because some city job descriptions are strictly defined and cannot cross over different departments, this analysis does not assume such cost savings. If the job descriptions can be amended to allow an employee to serve multiple department duties, co-location may result in operating and maintenance cost savings.

SHARED FACILITIES

The City has been working with the Morgan Hill Unified School District regarding the possibility of shared school facilities such as gyms, swimming pool and parks. Joint-use of the school facility would reduce the need for separate recreational facilities, help geographically spread out recreational programs more widely within the plan area, and provide easier access to all the residents. Although the discussion is still ongoing, the analysis assumes that approximately 82 acres of the elementary and middle school parks would be jointly used and maintained by the City's Parks Department, providing nearly

4.7 acres of park per 1,000 residents. If other school facilities such as the pools, gyms and classrooms can also be shared with the public, this may help reduce the scale of separate recreational amenities assumed in this analysis.

Both the transportation and PRNS department staff indicated a need for a service yard in Coyote Valley in order to reduce the travel time required for the City staff to access and service the area. Rather than separate yards, both agreed that a joint-use service yard would be acceptable and a more efficient use of space. As such, the Specific Plan assumes one main service yard rather than multiple yards.

SERVICES PROVIDED THROUGH PRIVATE CONTRACTS

Based on the current success of contracting with private providers for landscape and lighting maintenance services, the Department of Transportation suggested expanding the range of contracted services for Coyote Valley. Under this service delivery model, most of the Department services would be provided through private contractors, including street light and landscape maintenance, reducing the impact on the department and their need for additional staffing. The suggested funding source was a financing district where property owner payments would be paid to the private contractors either directly or via the City. Because the funding available for various maintenance activities in the City is often inadequate and fluctuates, PRNS also suggested having other financing mechanisms (e.g., Community Facilities Districts or assessment districts) in Coyote Valley for park maintenance to ensure the level of funding needed. These mechanisms are further discussed in **Chapter VI**. While private contracting has been proven successful and efficient in San Jose and in various other cities, it is unclear whether/how much cost savings would result from private contracting rather than utilizing City staff. As such, while cost saving may be possible, this analysis does not assume such saving at this time.

The Transportation Department also suggested that the parking structures be owned and operated by an entity other than the City. One suggestion is to have a Parking Authority with a board charged with setting pricing and covering operation and maintenance costs. Alternatively, the operation of all or individual parking structures could be contracted out to private operators. This would reduce the policy pressure that can affect parking pricing and revenues and reduce the service impact on Department of Transportation staff. Therefore, this fiscal analysis assumes that the parking structures in Coyote Valley would be privately operated. This is a different model from the downtown San Jose Parking District, where the City is responsible for management of a large proportion of the parking supply.

OVERALL METHODOLOGY

There are two main methodologies employed in this fiscal impact analysis: case study approach and average estimate. Each methodology is described in detail below.

CASE STUDY APPROACH

As noted earlier, EPS has been working collaboratively with various City departments to forecast service deliver models that would cater to the unique features of Coyote Valley, including its scale and relatively isolated location from the City core. For the major expenditure items that are likely to be significantly impacted by the new growth in Coyote Valley interviews were conducted with the relevant department staff to gather specific data and assumptions and individual calculations were made. These expenditure items include Fire, Police, Transportation, Library, and PRNS Department costs as well as the lake maintenance cost. Similarly, major revenue items were estimated based on input provided by the City's Budget and Finance offices as well as project specific value estimates, absorption schedules, and available data on retail spending pattern. These major revenue items include property tax (including tax in-lieu of vehicle license fee), sales tax, construction and conveyance tax, and library parcel tax.

AVERAGE ESTIMATE

In addition to the in-depth input provided by the City staff, some revenue and cost estimates were based on an average estimate approach, whereby the current level of revenue or cost of providing services Citywide is divided by the existing City population or daytime population to estimate an average per unit to apply to the Project. Daytime population takes into account the impact of both residential and nonresidential land uses and is defined as the sum of total population and one-third of total employment. Certain General Fund items include a "fixed component" that is not expected to change based on new development. From a cost perspective, fixed costs are typically associated with "base" staffing levels and administrative or other overhead costs that would be expended regardless of the amount of future development. Current citywide population and daytime population estimates are shown in **Table 7** and per-unit estimating factors are presented in **Table 8**.

TIME-SERIES

This fiscal analysis projects the impact of the new development in Coyote Valley on the City's General Fund over the buildout of the Project, which is expected to be nearly a 60-year period. The service delivery model and the associated costs are included in the model based on various factors that trigger additional level of services. For example, certain department services are tied to the growth in new residents in Coyote Valley and

Table 7
Key Demographic Assumptions
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

Item		Source
Citywide Population	926,241	DoF
Citywide Jobs (1)	353,335	DoF; ABAG
Citywide Daytime Population (2)	1,044,019	DoF; ABAG
Citywide Mean Household Income (3)	$101,700	ABAG

(1) Applies jobs to population ratio provided by ABAG to the estimate of current population provided by DoF.
(2) Represents the City's total population plus one third of the employees working in the City.
(3) ABAG's data is shown in 2000 dollars. EPS applied average inflation from the consumer price index provided by BLS to represent the figure in 2005 dollars.

Source: California Department of Finance, Association of Bay Area Governments 2005 Projection; and Economic & Planning Systems, Inc.

Table 8
General Fund Estimate Factors
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

Item	2005-06 Adopted General Fund	Percent Variable Costs (1)	Allocation Factor		Approach
Revenues					
Fund Balance	$158,909,180	-	-	not estimated	
Property Tax	$94,596,000	-	11%	of total property tax	Case Study
Property Tax In-lieu of VLF	$49,400,000			based on increase in assessed value	Case Study
Sales Tax	$135,243,000	-	1%	of estimated taxable sales	Case Study
Transient Occupancy Tax	$6,450,000	-	-	not estimated	
Franchise Fees	$33,138,000	-	$31.74	per daytime population	GF Avg
Utility Users Tax	$67,844,000	-	$64.98	per daytime population	GF Avg
License and Permits					
Business Tax	$14,000,000	-		varies by business size	Case Study
Other (building permits, fire permits, etc.)	$58,269,830	-	-	not estimated	
Fines, Forfeitures, and Penalties	$12,695,000	-	$1.22	per daytime population	GF Avg
Revenue from Money and Property	$6,217,454	-	-	not estimated	
Revenue from Local Agencies	$41,928,346	-	-	not estimated	
Revenue from State Government					
Motor Vehicle License Fee (VLF)	$5,500,000	-	$5.94	per capita	Case Study
Other (Airplane In-Lieu Tax, Grants, etc.)	$5,392,192	-	-	not estimated	
Revenue from Federal Government	$9,854,456	-	-	not estimated	
Department Charges	$27,366,083	-	-	not estimated	
Other Revenues (2)	$19,562,861	-	-	not estimated	
Transfers and Reimbursements					
Gas Tax Transfer	$17,000,000		$16.52	per capita	GF Avg
Construction & Conveyance Tax (3)	$1,000,000		9.6%	of C&C Tax	Case Study
Other	$77,321,831	-	-	not estimated	
Library Parcel Tax for O&M Use (4)	n/a			based on land use and parcel size	Case Study
Subtotal Revenues	$841,688,233				
Expenditures					
General Government (5)	$52,807,479	15%	$7.59	per daytime population	GF Avg
Finance	$9,773,059	15%	$1.40	per daytime population	GF Avg
Economic Development	$4,720,908	15%	$0.68	per daytime population	GF Avg
Redevelopment Agency	$1,414,425	-	-	not estimated	
Fire	$125,606,600	100%	$120,000	per fire fighter + Overhead	Case Study
Police (6)	$238,470,919	100%	$125,000	per sworn officer + Overhead	Case Study
Capital Maintenance (7)					
General Service	$19,800,000	75%	$14.22	per daytime population	GF Avg
Public Works	$8,250,000	100%	-	not estimated	
Transportation (8)	$32,600,000	100%	$157,963	per centerline mile	Case Study
Community Services					
Environmental Services	$1,471,889	100%	-	not estimated	
Library	$24,311,502	100%	$72,000	per FTE + Other O&M Cost	Case Study
Park, Rec. & Neighborhood Services	$50,743,654	100%	$15,000	per acre + Community Center O&M Cost	Case Study
Planning, Building & Code Enforcement	$33,117,814	15%	$4.76	per daytime population	GF Avg
Lake Maintenance	n/a	100%		1full time & 0.5 part time FTEs & other O&M Cost	Case Study
Non-Departmental (9)	$242,406,514	-	-	not estimated	
Subtotal Expenditures	$845,494,763				

(1) Percentage of costs that increases with growth, as opposed to fixed costs
(2) Includes HP Pavilion revenues, investment program reimbursement, sale of surplus property, SB 90 reimbursements, and sidewalk repairs reimbursement
(3) Nearly 9.6 percent of Construction and Conveyance tax may be used for parks O&M purposes
(4) About half of the library parcel tax may be used for library O&M use; since the parcel tax generated from Coyote Valley may not necessarily be allocate for use in Coyote Valley, this source of revenue is shown under the General Fund revenue as a source that can offset the library cost generally
(5) Includes city attorney, auditor, clerk, manager, mayor, council, emergency services, employee services, and information technology
(6) Includes independent police auditor.
(7) These figures are slightly different from the Budget, because they have been adjusted by the City based on the department expenditures over the past five years.
(8) Currently the City maintains 2,295 miles of city lane miles (or 1,844 centerline miles); the estimating factor shown here is based on project-specific estimate
(9) Includes citywide expenses, transfers, capital contributions and reserves

Source: City of San Jose Adopted Budget 2005-2006; City Departments; Economic & Planning Systems, Inc

therefore would grow at a similar pace as that of the residential growth. On the other hand, certain departments may require a large investment upfront (such as a new fire station or a new police beat) rather than gradually adding service. The time-series model delineates the various dynamics of change in revenue and cost over the life of the project. Given a 60-year project buildout period, all results are shown annually until year 25, and then shown in 5- and 10-year increments until buildout in order to manage the size of this report. All results are shown in constant dollars (i.e., excluding inflation). Assumptions regarding real growth in the revenues and expenditures are discussed in detail under each respective chapter.

IV. GENERAL FUND REVENUES

This chapter describes the methodology and key assumptions used in estimating the annual revenue that would accrue to the City's General Fund from the new community in Coyote Valley. The analysis is based on a number of sources including interviews with the City department directors and their staff, City of San Jose's 2004-2005 Adopted Budget, County, and State data sources, and EPS' experience in comparable jurisdictions. All revenue and cost forecasts are in constant dollars (i.e., excludes inflation).

KEY REVENUE ASSUMPTIONS

This section highlights key assumptions regarding the General Fund revenue estimate. Specific assumptions pertaining to each revenue item are discussed further below under each category.

GROWTH IN ASSESSED VALUE RELATED REVENUES

The Bay Area has been experiencing rapid escalation in home prices especially in recent years. Despite signs of cooling sales volume, the Bay Area still experienced a 13 percent growth in housing prices over the last year, and Santa Clara County experienced close to a 15 percent growth during the same time period.[1] However, because it is uncertain how long this pace of house price appreciation will continue into the future, EPS examined historical trends in housing prices over a longer time period, spanning several business cycles.

According to the Housing Price Index published by the Office of Federal Housing Enterprise Oversight, the value of single-family homes in the Santa Clara Metropolitan Statistical Area grew at an annual rate of 8.2 percent over the past 20-year period. This rate is based on statewide repeat sales or refinancing of the same properties over the past 20 years, a method that controls for changes in housing quality, location, and size. Another source, RAND, reports that the average sales price of all homes in Santa Clara County grew at an annual rate of 6.3 percent between 1991 and 2002, the last year for which the data is available. Given that the long-term Bay Area inflation has been 3.2 percent over the past 20 years[2], home values in the Santa Clara County have experienced a long-term real growth of 3 to 5 percent above inflation each year, depending on the sources considered.

Given the range indicated by the historical data, EPS conservatively assumes that housing values in Coyote Valley would experience an annual growth of 3 percent above inflation. EPS assumes an average turnover rate of 10 percent for the residential units in

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[1] DataQuick Information Systems, Inc.

[2] Bureau of Labor Statistics.

Coyote Valley. Turnover rates are typically above this level for new homes and below it for older homes. While new residential units are assumed to be sold at a price reflective of the 3 percent real growth assumed, the base residential assessed values (the value of existing homes) are estimated to experience a long-term real grow rate of 2.4 percent per year. This rate factors in the growth cap on non-turnover properties stipulated under Proposition 13, the turnover rate, and the expected real appreciation in home prices.

While commercial properties may also experience real growth in value, given the dearth of long-term historical data and the fluctuations related to this market sector, EPS assumes that the commercial property values would not experience any real growth over time. EPS assumes an average turnover rate of 5 percent for commercial properties. Even without any real growth (above inflation) in commercial values over time, the turnover would allow reassessment of the properties and therefore the base value would grow faster than the two percent nominal dollar cap stipulated by Proposition 13. However, EPS conservatively assumes that the base assessed value would experience a real depreciation of 1 percent. The aforementioned assumptions directly affect the estimated assessed value and related revenue items, including property tax, property tax in-lieu of Vehicle License Fee, and the construction and conveyance tax eligible for Parks O&M use.

GROWTH IN OTHER GENERAL FUND REVENUES

Other revenue items such as sales tax, utility tax, franchise fee and gas tax transfers may also experience real growth given that household incomes and energy prices have been growing at a faster rate than inflation. For example, median household income in San Jose experienced an annual growth rate of 4.3 percent between 1990 and 2000, or a real growth rate of approximately 1 percent above inflation[3]. The consumer price index for natural gas published by the Bureau of Labor Statistics indicates that the natural gas price in the San Francisco Bay Area grew at an annual rate of 7 percent, or nearly 4 percent above inflation in the last 20-year period. However, EPS has not assumed any real increase in these other revenue items in order to maintain its conservative approach in estimating future General Fund revenue.

AFFORDABLE HOUSING ASSUMPTIONS

While discussions regarding the amount and type of affordable housing are still ongoing, for the purpose of this analysis, EPS assumed that 5,000 affordable units would be provided in Coyote Valley (or approximately 20 percent of the total units). Of the 5,000 affordable units 1,000 are assumed to be for-sale townhome units (Typology R5) and the rest are rental products (Typologies R3 and R4). It is also assumed that 750 of the for-sale affordable units would be priced for moderate income households and the

[3] Census 1990 and 2000.

rest for very low-income households; for the rental units 1,250 units are assumed to be available for low-income households, another 1,250 units for very low-income households, and the rest (1,500 units) for extremely low-income households. These assumptions are reflected in the value assumptions discussed in the earlier chapter. In addition, this analysis conservatively assumes that the affordable rental products would be owned by non-profit organizations and would be tax exempt. Therefore the affordable rental products are excluded from the assessed value estimate and property tax estimate. In reality, however, some of the rental products may be included with market rate units in privately owned properties and therefore generate property tax revenue to the City.

PROPERTY TAX

Property tax is the largest source of the City's General Fund revenue, accounting for nearly 20 percent of the current General Fund revenue. Property tax is also expected to be the largest source of General Fund revenue generated from the new development in Coyote Valley. Two main types of property taxes, secured and unsecured, are estimated using different methods described further below.

SECURED PROPERTY TAX

As shown on **Tables A-3** through **E-3**, the annual secured property tax is calculated by taking 1 percent of the estimated project assessed value. The assessed value is calculated based on the land use program, achievable value by product type, the estimated absorption schedule, and Proposition 13. Detailed estimates of the Project's assessed value by Concurrency Scenario are provided in **Tables A-4** through **E-4**. The northern part of Coyote Valley Specific Plan area is within the City's jurisdiction and the City is allocated approximately 12.4 percent of the property tax in this area. The rest of the plan area is currently within the unincorporated part of Santa Clara County and therefore does not yet have a tax sharing agreement in place. Given that the majority of the plan area does not yet have a tax allocation in place, this analysis conservatively assumes that the City would receive 11 percent of the property tax generated from the overall plan area.

UNSECURED PROPERTY TAX

According to the City's budget, the City of San Jose also receives an allocation of unsecured property tax, and most of this tax revenue comes from personal property (such as equipment and machinery used by business and industry for manufacturing and production purposes). Because most of the unsecured tax comes from business related properties, EPS applies the City's 2005-2006 unsecured property tax revenue per non-retail job to the number of the cumulative non-retail jobs expected from the Project.

According to the Adopted Budget, the City is expected to receive $10.3 million in unsecured property tax in this fiscal year. Based on Projections 2005 published by ABAG, the City of San Jose has approximately 337,000 non-retail jobs as of 2005. This translates to about $31 of unsecured property tax per non-retail employee. This rate is applied to the number of non-retail jobs expected from the proposed Project.

PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEE

Beginning in the 2005-2006 fiscal year, the State will reduce the VLF because of State budget balancing actions in 2004-05. The State permanently swapped the loss in VLF revenues with property tax payments, with additional property tax payments based on the growth of the real property assessed value in the City. Detailed calculation of the VLF and property tax in-lieu of VLF is presented in **Tables A-5** through **E-5**.

SALES TAX

As shown on **Tables A-6** through **E-6**, four different sources of new sales tax would be generated by the Project: 1) resident expenditures, 2) employee expenditures, 3) sales from the retail establishments in Coyote Valley, and 4) non-retail taxable sales from the new businesses in Coyote Valley (i.e., business to business sales tax).

- New resident expenditures: Housing development in Coyote Valley will bring new households to the City. These households are assumed to have an average household income of roughly $110,000 (varies over time by development scenario based on the unit mix absorbed), which is similar to the existing median family income in the City. Each household is assumed to spend 25 percent of their income on taxable goods (based on the Consumer Expenditure Survey for the San Francisco Metropolitan Statistical Area), of which San Jose establishments are estimated to capture 50 percent. Some of the retail spending captured within the City boundary will be captured by the new retail establishments in Coyote Valley with the rest captured at City establishments outside of Coyote Valley.

- New employee expenditures: A second source of sales tax would come from the retail spending of the new employees who work in Coyote Valley. Each employee is assumed to spend $5,100 per year on taxable goods near work (based on the *Office Worker Retail Spending Patterns: a Downtown and Suburban Area Study* by ICSC Research). This estimate includes typical lunch spending as well as other retail goods workers tend to purchase near work. On average, nearly 50 percent of the employees who work in San Jose commute from outside the City. Given that Coyote Valley Specific Plan has a strong emphasis on jobs/housing balance, it is assumed that there would be higher proportion of employees in Coyote Valley who are also residents of San Jose who either live in

Coyote Valley or elsewhere in the City (or 60 percent). The employee spending generated from the non-resident employees, about 40 percent, are considered net additional taxable sales separate from the expenditures of residents calculated above.

- Sales from the new retail establishments: The third source of sales tax is the new retail establishments in Coyote Valley. On average, the retail stores are expected to generate approximately $400 in taxable sales per leasable square foot. The City receives 1 percent of the taxable retail sales. A large proportion of these sales and the associated taxes will, however, have been captured as part of the estimates associated with new Coyote Valley residents and workers. As a result, about 25 percent of the sales tax is expected to be net new (i.e., excludes purchases made by new residents or employees in Coyote Valley in order to avoid double counting).

- Non-retail taxable sales: The last source of sales tax is the new non-retail establishments in Coyote Valley. Some of the non-retail space will generate taxable sales on business-to-business transactions. Based on discussions with the City staff, EPS assumes that the non-retail space would generate, on average, $22 of sales tax per employee every year based on the business-to-business sales tax generated in the Edenvale Area.

FRANCHISE FEE

Franchise fees are levied at 2 percent of utility bills for gas, and electric services, and 5 percent of cable service bills. As such, this revenue source depends on the utility consumptions of the City's households and businesses. Based on the 2005-06 Adopted Budget, the City is expected to receive approximately $32 per daytime population in franchise fee revenue (see **Table 8**).

UTILITY TAX

Utility users' tax is levied at 5 percent of utility bills for telephone, gas and electric services (cable service is not subject to utility tax). As such, this revenue source depends on the utility consumptions of the City's households and businesses. Based on the 2005-06 Adopted budget, the City is expected to receive approximately $65 per daytime population in utility users' tax revenue (see **Table 8**).

BUSINESS TAX

The City collects annual business tax in the amount of $150 per business for those with one to eight employees and $150 plus $18 per employee for those with more than nine employees. For retail businesses, EPS assumes a typical store size of 3,500 square feet and 350 square feet per employee (see **Tables A-7** through **E-7**). For workspace, EPS assumes a typical size of 10,000 square feet and 300 square feet per employee. This translates to an average retail business size of 10 employees and an average workspace size of 33 employees.

FINES, FORFEITURES AND PENALTIES

According to the 2005-06 Adopted Budget, the City is expected to generate $12 per daytime population from fines and fees. Nearly half of the revenue comes from parking fines. However, a large proportion of the revenue is used to offset the administrative cost of collecting and implementing the fines. As such it is assumed that about 10 percent of this citywide rate (or $1.22 per daytime population) would be generated as a net revenue to the City's General Fund (see **Table 8**).

TRANSIENT OCCUPANCY TAX

Because the development program does not specifically identify sites for hotels in Coyote Valley, EPS has not included Transient Occupancy Tax (TOT) in the fiscal impact analysis. However, it is anticipated that one or more hotels would be in demand in Coyote Valley to serve the employment base as well as the population base, ultimately generating TOT revenues. In addition, this analysis conservatively does not assume higher hotel occupancies in the rest of the City even at buildout.

MOTOR VEHICLE LICENSE FEE

As discussed earlier, VLF revenues were significantly reduced because of the state budget balancing actions in the 2004-2005 fiscal year. According to the 2005-06 Adopted Budget, the City expects to receive about $5.5 million, or $6 per capita in VLF (see **Table 8**). The reduction is compensated through additional property tax, which is estimated earlier in this chapter.

GAS TAX TRANSFER

According to the 2005-2006 Adopted Budget, the City is expected to receive $18 per capita in gas tax transfers into the General Fund for street-related expenses (see **Table 8**). Given rising oil price and increasing demand for fuel efficient vehicles, it is assumed

that fuel consumption in the future would decline. As a result, this analysis assumes that future per capita gas tax revenue to the City would decrease by 10 percent to $16.50 per capita. This per capita rate is applied to the projected number of residents in Coyote Valley.

CONSTRUCTION AND CONVEYANCE TAX TRANSFER

The City of San Jose collects construction and conveyance (C&C) tax, of which 64 percent gets allocated to the Parks, Recreation and Neighborhood Services (PRNS) Department. Of this amount, 15 percent may be used for park maintenance activities (or roughly 9 percent of the total tax revenue). Therefore, EPS assumes that 9 percent of the construction and conveyance tax generated from the new development in Coyote Valley would be transferred to the General Fund to help pay for the overall park O&M costs.

The Conveyance tax is estimated based on the assumption that there would be 10 percent annual turnover in housing and 5 percent in commercial properties. The City receives $3.30 per $1,000 value of properties that are resold in conveyance tax. The construction tax is estimated base on the current rate of $150 per single-family unit, $75 per multifamily unit and $0.08 per square foot of commercial buildings. Detailed C&C tax calculations are shown on **Tables A-8** and **A-9** through **E-8** and **E-9**.

LIBRARY PARCEL TAX

The City of San Jose collects a parcel tax that can be used in part for the City's library operation. At the direction of the library staff, EPS assumes that 50 percent of the parcel tax revenue may be use for O&M purposes. However, this revenue source is assumed to sunset by 2014 (i.e., assumed to be in year 7 of the proposed project) and EPS has conservatively assumed that it would not be renewed. The parcel tax is estimated based on the current rate structure and typical parcel size assumptions. Detailed parcel tax calculations are shown on **Tables A-10** through **E-10.** As shown, it is estimated that the new development in Coyote Valley would result in $200 to $13,000 in parcel tax revenue that may be used for the library operations by year 7.

V. GENERAL FUND EXPENDITURES

This chapter describes the methodology and key assumptions used in estimating the annual costs to the City's General Fund of providing public services to the new residents and employees in Coyote Valley. The analysis is based on interviews with City departments and a number of other sources including the City of San Jose's 2005-2006 Adopted Budget, City, County, and State data sources as well as EPS' experience. The analysis below estimates the annual operating cost impacts on the City's General Fund through the buildout of the Project. All cost forecasts are in constant dollars. The sections below describe the overall approach to estimating cost impacts, department by department cost estimates, and the total estimated annual cost of providing General Fund services to the Project.

KEY EXPENDITURE ASSUMPTIONS

This section highlights key assumptions regarding the General Fund cost estimate. Specific assumptions pertaining to each department cost are discussed further below under each cost category.

GROWTH IN GENERAL FUND COST

Between 1990 and 2004, the City's department costs increased at an annual rate of 4.6 percent.[4] Because the increase in cost is due to a variety of factors including population and employment growth, it is difficult to distinguish how much of the growth actually came from increase in per unit cost (e.g., long-term increase in cost associated with an FTE for a given level of position over time). Therefore, EPS examined the historical department costs on per capita basis as a proxy for per unit cost. This calculation showed that the department costs grew by roughly 3.5 percent per year on per capita basis. Similar calculation on the total General Fund expenditures yielded 3.8 percent annual growth.

Given that the long-term Bay Area inflation has been 3.2 percent over the past 20 years, real growth in department costs have been approximately 0.3 percent per year while the growth in total General Fund expenditures have been 0.6 percent per year. In order to be conservative, EPS assumes a higher rate of growth in the future costs at 1 percent above inflation. This real growth rate is applied to the overall General Fund expenditures. In reality, some departments may experience a lower or higher growth rate. However, the 1 percent growth is applied citywide to account for the difference among the departments.

[4] Information provided by the City Budget Office staff.

SPECIAL DISTRICTS AND OTHER PRIVATE FUNDING MECHANISMS

The costs estimated in this analysis reflect a level of service that is often well above the existing Citywide average, because this analysis assumes that the infrastructure maintenance in Coyote Valley and the level of public service would meet the City's preferred service goals. The analysis includes maintenance activities and special features that are often undertaken by HOAs and/or special districts (such as lighting and landscape maintenance districts, community facilities districts, etc.). This approach is taken to delineate the full spectrum of costs associated with providing services to Coyote Valley.

ONGOING O&M COSTS VERSUS CAPITAL COSTS

The purpose of this analysis is to estimate the ongoing impact of providing public services to Coyote Valley on the City's General Fund. Therefore, one-time capital costs are not included in this fiscal analysis (such as buildings, initial set-up costs, vehicles and durable equipment). Rather, they are included in the financial feasibility analysis as a part of the overall infrastructure costs. However, costs associated with ongoing need for supplies (such as new materials for the library) are considered a part of an O&M cost and are included in the fiscal analysis. Detailed estimate of the expected public facilities capital costs are discussed in **Chapter VII**.

GENERAL GOVERNMENT

GENERAL GOVERNMENT

According to the City's 2005-06 Adopted Budget, the City spends $50 per daytime population to provide general government services, which include the City Attorney, Auditor, Clerk, Manager, Mayor and Council divisions. This analysis assumes that 15 percent of General Government costs are variable and likely to increase with the addition of new population. Therefore costs resulting from the Project are estimated at 15 percent of current expenditure, or $8 per daytime population (see **Table 8**). Changes in General Government costs over the life of the project are shown on the summary tables for each of the five scenarios (see **Tables A-1** through **E-1**).

FINANCE

Core services provided by this department include financial management of the City's resources, financial reporting and disbursements. It is assumed that 15 percent of the Finance service costs are variable and will be affected by the Project, resulting in a

variable expenditure of $2 per daytime population. Changes in Finance costs over the life of the project are shown on the summary tables for each of the five scenarios (see **Tables A-1** through **E-1**).

ECONOMIC DEVELOPMENT

This category includes various services aimed at building, attracting and retaining businesses and developing work forces. It is assumed that 15 percent of the department's costs will be affected by the Project and that the remaining 85 percent are fixed costs that will not be affected. The result is a current variable per daytime population expenditure of $1 (see **Table 8**). Changes in Economic Development costs over the life of the project are shown on the summary tables for each of the five scenarios (see **Tables A-1** through **E-1**).

PUBLIC SAFETY

FIRE

EPS has been working with the City's Fire Department staff to forecast resources necessary to provide fire services to the new residents and employees in Coyote Valley. According to the department staff, the buildout population and density envisioned for Coyote Valley would require two fire stations, each equipped with a fire engine and a truck company. There are four firefighters staffed on each engine company and five for each truck company. Since the department operates on 24-hour shifts, 3.5 firefighters are required to fill one position. This translates to a need for 14 fire fighters per engine company and 17.5 per truck company, or 63 fire fighters in Coyote Valley at buildout.

The nearest fire truck is located in Station #18 and the nearest engine is located in Station #27, and both stations have excess capacity to serve Coyote Valley in the early years. Therefore, it is assumed that the first fire station would be constructed when the cumulative population in Coyote Valley exceeds 10 percent of the buildout population level, or roughly 2,700 residents. The timing of the fire station is based on response times achievable for development north of Bailey Avenue. To the extent that substantial residential development occurs in more southerly locations in the first phase, the timing of the fire station may need to be reviewed. Santa Teresa Boulevard, in the early years, is likely to be underutilized, and therefore may allow faster travel time for the fire engine and truck coming from stations #18 and #27. In addition, requiring sprinkler system in the buildings, at least in the early years, would also support the forecasted timing of the first new fire station.

Although a fire engine/truck can serve up to 36,000 people, because fire trucks are needed to serve higher density developments (i.e., four stories or above), it is also assumed that the first fire station would house both an engine and a truck from the

inception of the station. Based on the capacity of fire engines and trucks, EPS assumes that the second fire station would be constructed once the cumulative population in Coyote Valley exceeds 36,000. As is the case with the first station, it is assumed that the second station would house both an engine and a truck from the inception of the station.

Based on the input provided by the Fire Department, it is assumed that the average cost of a fire fighter is $120,000. In addition to the fire fighter cost, there may be some overhead cost associated with the operation of the new fire stations. It is assumed that the overhead cost would be equivalent to 10 percent of the fire fighter cost, or $12,000 per fire fighter (see **Tables A-11** through **E-11**).

POLICE

Based on the input provided by the Police Department staff it is assumes that a total of 60 police officers would be required to serve the area based on several factors: 1) given the size and the location of Coyote Valley Specific Plan area, it is likely that, by buildout, the plan area would form its own police district; 2) each district requires at least 45 to 50 officers; and 3) given the density that is high relative to the City average, the new Coyote Valley police district may require higher staffing levels than a typical district in the City.

According to the department staff, nine officers would be required to fill a daily 24-hour shift given 3 shifts per day and factoring in vacation and sick days. Because the Police Department emphasized that the current staffing and resources have already been stretched to their limits, EPS assumes that there is no excess capacity and the new residential development in Coyote Valley would require nine new officers from "day one" in order to have an officer on duty in Coyote Valley at any given time.
After the first nine officers, it is assumed that no new officers would be added until the cumulative population exceeds 10,000, at which point the number of officers would grow at the same pace as the population.

The department staff also indicated that a community police center in the 1,500- to 2,000-square foot range would be required to serve Coyote Valley. The community police center is assumed to operate on typical business hours (i.e., eight hours a day) and would be staffed with a sworn officer (in addition to the 60 officers mentioned above). It is also assumed that the police center would be constructed when 25 percent of the development (i.e., roughly 17,000 residents) are in place. The current average cost of an officer is $125,000, and another $12,500 per officer (or 10 percent of the officer cost) overhead costs are assumed (see **Tables A-12** through **E-12**).

The police department also provides supervisors for crossing guards. According to the Department of Transportation, Coyote Valley would need approximately 32 crossing guards by buildout. The current ratio of supervisor to crossing guards is one supervisor for 65 crossing guards. Based on this ratio, Coyote Valley would need 0.5 supervisors at

buildout at an annual cost of approximately $70,000 per supervisor (or $35,000 for Coyote Valley). Demand for crossing guards is assumed to be proportional to the road miles constructed.

CAPITAL MAINTEANCE

GENERAL SERVICES

This department provides various types of maintenance services that assist general city operations such as facility management, fleet and equipment services, and parks and civic grounds management. Facilities in Coyote Valley that would be serviced by this department include the new community center and library among others. However, because detailed information regarding the types and scale of public facilities and equipment that would be maintained by this department is unavailable at this stage of the planning process, EPS relies on average citywide cost approach to estimate the cost for this category of service. This analysis assumes that 75 percent of General Services costs are variable and likely to increase with the addition of new population and employment or $14 per daytime population (see **Table 8**). Changes in the General Services cost over the life of the project are shown on the summary tables for each of the five scenarios (see **Tables A-1** through **E-1**).

PUBLIC WORKS

The Public Works department plans and designs public facilities, but does not provide any operation or maintenance services. The department will be involved in the planning and design of various public facilities in Coyote Valley, such as a library, community center, and parks. In cases where private developers design and construct a facility that will then be dedicated for public use, the department staff is responsible for reviewing the design and performing building inspection.

The department receives very little funding from the City of San Jose General Fund, and almost all of the department's costs of services and administration are funded through the soft cost portion of overall capital facilities costs. Development in Coyote Valley will pay for public facilities, including the cost of design and construction, and various planning fees. As such the costs of the Public Works department are expected to be covered by the development and are not expected to have a net impact on the City's General Fund.

TRANSPORTATION

This department provides various road maintenance related services, traffic maintenance, parking services, transportation planning and strategic support. Based on the cost estimates provided by the department staff, it would cost nearly $7.2 million per year at buildout to maintain Coyote Valley's transportation related infrastructure at a fair condition. In addition, another $500,000 would be needed annually to maintain special features such as non-standard cross sections, fountains, art features, sound walls and other amenities by buildout. Based on the estimated 86 miles of roads at buildout, this translates to approximately $89,600 per mile. In reality, the maintenance cost is likely to be lower in the early years as the infrastructure would be new and would need less maintenance service. However, the analysis assumes a buildout level of maintenance cost from the beginning of the Project in order to account for major repairs and upkeep that would be needed periodically. The estimate shown here does not include costs associated with sewer and storm drainage facilities as they would be offset by user fees. It is also assumed that the City will not operate parking structures or the transit system envisioned for Coyote Valley.

Because the need for roads and their associated features (i.e., medians, landscape, trees, lights, etc.) are largely tied to the pace of development, the timing of these facilities are assumed to be dictated by the rate of development. EPS relies on the phasing of the backbone and in-tract road miles as a proxy for all transportation related infrastructure. Some of the O&M services may be provided through a special maintenance district. However, in order to estimate the full range of cost associated with maintaining the infrastructure in Coyote Valley, this analysis does not assume any special districts at this time. Detailed calculations for the department cost and changes in costs over the life of the project are shown **Tables A-13** through **E-13**. O&M efficient design and materials can help reduce the costs reflected in this analysis, although the initial capital costs would be higher. Examples of O&M efficient infrastructure include:

- Use of solar power for street lights and traffic signals;
- Private utility corridors and duct banks that can reduce future needs to trench streets for utility work;
- Use of low maintenance trees and landscaping; and
- Permanent or long-lasting street marking materials to reduce regular maintenance, such as use of special pavers for crosswalks.

COMMUNITY SERVICES

ENVIRONMENTAL SERVICES

Core services provided by this department include portable and recycled water and wastewater management, and managing the City's garbage services and urban runoff quality. These services are almost entirely provided by contractors rather than City

staff, with City staff serving primarily in an administrative capacity. This department's costs of services and administration are funded through user fees. The fees for recycling and water utilities are paid bi-monthly as regular utility bills delivered to homes or businesses, while the fees for sewer/sanitary and stormwater are currently paid as part of the annual property tax bill. These fees are adjusted each year to cover the full costs of service and administration for the contractors and the Department of Environmental Services, and a uniform rate schedule (varying by land use or business type) is applied in all areas of the City.

Development in Coyote Valley will pay user fees for the services provided by the Environmental Services, and there is expected to be no net impact on the City's General Fund. However, it is possible that the costs to provide services to Coyote Valley will increase or decrease the user fees for all City residents and businesses, depending on whether the marginal cost to serve Coyote Valley increases or decreases the overall average cost for services.

LIBRARY

Based on the input provided by the department staff, EPS assumes that a single library facility of 30,000 to 35,000 square feet would be built at once when the cumulative number of residents in Coyote Valley reaches 10,000. However, it is assumed that only about 10,000 square feet of the total space would be occupied for library uses initially. By the time the cumulative population level reaches 30,000 the library would expand to occupy additional 10,000 square feet; the remaining space would be occupied when there are over 55,000 residents living in Coyote Valley. In order to operate the first 10,000 square feet, 10 FTEs would be required; an additional five FTEs would be required for the next segment of 10,000 square feet; and seven additional FTEs would be required to operate the buildout size of the facility (or a cumulative total of 22 FTEs).

Based on the figures provided by the Library department staff, EPS assumes an annual staff cost of $72,000 per FTE. In addition to the staff cost, non-personal O&M cost of $5.60 per square foot of library space is also assumed. While the initial set-up cost associated with purchasing FF&E, computer technology and new materials are assumed to be capital costs, the ongoing costs associated with replacing/updating the supplies are considered O&M costs. Ongoing FF&E and computer technology costs are estimated at $4 per facility square foot while the new materials costs are estimated at $10 per square foot per year.

EPS assumes that the portion of the library that is unused in the early years would be leased to private entities and the lease revenue generated would offset the O&M cost. The lease revenue estimate is based on the expected triple-net lease rate of $2.50 that retail space in Coyote Valley may command, according to EPS's market analysis, 5 percent vacancy, and an operating expense of 10 percent. It is assumed that the library will be constructed and dedicated by private developers. However, if the facility is

constructed through bonds, the unused space could be leased to non-private entities only. Detailed calculations for the department cost and changes in costs over the life of the project are shown **Tables A-14** through **E-14**.

PARKS, RECREATION AND NEIGHBORHOOD SERVICES (PRNS)

There are three major categories of costs for the Department of Parks, Recreation and Neighborhood Services (PRNS): park facility, community center (including an aquatic facility) and after school program operation and maintenance. Detailed calculations for the department cost and changes in costs over the life of the project are shown on **Tables A-15** through **E-15**.

Park Facilities

The current land use plan for Coyote Valley includes nearly 375 acres of park, including the lake. Because it is uncertain which City department, if any, would oversee the maintenance of the lake, the cost associated with maintaining the lake is treated as a separate cost item and is not associated with any one department at this time. Therefore, the cost of maintaining park land is based on roughly 322 total acres, net of 53 acres associated with the lake. However, the park acreage still includes the park strip around the lake. The park acreage also includes approximately 82 acres of shared use school parks even though it is uncertain whether the school district would ultimately share the facility with the public. If the 82 acres are kept for school use only, this would reduce the overall maintenance cost estimated for the PRNS Department. However, in order to show a conservative estimate that would capture the full range of costs that may be born by the City, this analysis assumes that the 82 acres would be shared and maintained by the City.

Because park facilities are largely tied to the pace of the new development in Coyote Valley, it is assumed that the timing of park facilities would be dictated by the rate of development. The cost of maintaining park facilities can vary significantly depending on the amenities available (e.g., restrooms, play lots and water features). Because the park system has not been planned to this level of detail, the Department staff estimates an average park O&M cost of $15,000 per acre, which is a conservatively high estimate compared to the average citywide costs. In addition, the Department estimates an additional $50,000 per year for corporation yard maintenance costs, including utilities.

Community Center

Based on the input provided by the Department staff, a single community center of 60,000 square feet would be needed to serve the population in Coyote Valley. The staff also expressed a strong desire to have the facility in relatively early years and built at once, rather than through a phased development. As such, it is assumed that a new

community center would be constructed in Coyote Valley when the cumulative population exceeds 15 percent of the buildout level (approximately 10,000 residents). It is also assumed that this facility would be built all at one time.

The community center would require seven full-time employees and 3.75 part-time employees for its general operations. The costs associated with the required staffing are estimated at $807,481 per year, and it is assumed that this staffing level would be needed to operate the facility from its inception. In addition to the staff cost, it is estimated that non-personal service cost would amount to additional $446,954 per year while building maintenance and utilities costs would be additional $530,678 per year. These costs assume that the community center would contain a 13,000-square foot gym, classrooms, computer lab, ECR classrooms, multi-purpose room with commercial kitchen, exercise room, weight room, restrooms, lobby, pre-function space, storage and office space. The department staff expects that a facility of this scale would generate annual revenue of $334,386 that can help offset the operating cost. Therefore, the expected revenue amount is deducted from the cost estimate to arrive at an annual net cost.

In addition to the aforementioned features assumed for the community center, it is assumed that the community center would house an aquatic facility. It is assumed that five full-time employees and 7.6 part-time employees would be required to operate the aquatic facility at an annual cost of $712,344 to the City. In addition, the Department staff estimates additional non-personal cost of $316,518 as well as mechanical maintenance and utility costs of $1,064,241 per year. The cost estimates are based on the assumptions that the facility would include 5,000-square foot recreational pool with two tower slides, 25-yard lap swim pool, zero-depth entry pool, water sprayground, office, restrooms, classrooms, and group picnic/party rental spaces with shade. The aquatic facility is also expected to generate revenue from user fees, which is estimated at $210,586 per year. The expected revenue is deducted from the operating cost to arrive at an annual net cost.

After School Programs

The PRNS department also recommends an after-school program at each of the nine elementary schools planned for the area as well as for the community center (total of 10 programs). The department estimates the cost of running an after school program at approximately $75,000 each. The after school programs are not assumed to generate any offsetting revenues such as program fees.

PLANNING, BUILDING AND CODE ENFORCEMENT

According to the City's Adopted Budget, the City spends nearly $32 per daytime population to provide this category of service. This analysis assumes that 15 percent of this cost is likely to increase with the addition of new population and employment.

Therefore costs resulting from the Project are estimated at $5 per daytime population (see **Table 8**). Changes in the costs over the life of the project are shown on the summary tables for each of the five scenarios (see **Tables A-1** through **E-1**).

LAKE MAINTENANCE

The Coyote Valley Specific Plan includes a 53-acre lake intended to be a centerpiece for the proposed development. The lake would provide visual amenities as well as a variety of recreational opportunities such as boating, canoeing and sailing. In addition, the lake would provide flood storage and a source of irrigation supply and also function as a retention basin. Given the multiple functions of the lake, it is unclear at this time which City department would maintain the lake. As such, the lake maintenance cost is treated as a non-department specific item for this fiscal analysis.

Although the lake is not associated with one department, the City's Department of Transportation was able to provide a cost estimate associated with maintaining the lake based on its planned size and features. Based on the input provided by the Transportation Department, the cost of maintaining the lake is estimated at $1,220,600 per year. Included in the estimate are contracted lake management, pesticides, harvesting, sediment removal, turf sweeping and egg removal, geese abatement, maintenance facilities, web-site, electrical, water, enforcement (one FTE ranger) and inspection staff (0.5 FTE). See **Tables A-16** through **E-16** for the details of the cost estimate and the timing of the lake facility.

VI. FISCAL MITIGATION MEASURES

In order to provide public services to the new residents and employees in Coyote Valley, the City must provide the staffing and operational funding necessary to establish fully functional service units, such as police beats and maintenance operations, from the outset of development. Because the public service costs in the early years are higher than the tax revenues generated as the tax base is getting established, the Project is expected to generate fiscal deficits to the City's General Fund in the early years of the Project. There are a number of supplementary funding mechanisms that might be appropriate to offset the deficits; however, additional research needs to be done (including an examination of case studies) to determine the appropriateness of one or more of these mechanisms for Coyote Valley. Below is a brief description of those possible mechanisms.

MELLO-ROOS COMMUNITY FACILITIES DISTRICTS

The Mello-Roos Community Facilities District (CFD) is one of the most common financing mechanisms to fund both capital and maintenance cost of a new development community. California's Mello Roos Community Facilities Act of 1982 allows for the creation of a special district authorized to levy a special non ad valorem tax and issue tax-exempt bonds to finance public facilities and services. A CFD may be initiated by the legislative body or by property owner petition and must be approved by a two-thirds majority of either property owners or registered voters (if there are more than 12 registered voters living in the area).

Special taxes are collected annually with property taxes and the special tax amount is based upon a tax lien against the property. Because there is no requirement to show direct benefit, Mello Roos levies may be used to fund improvements of general benefit. A CFD can provide a stable and predictable revenue source and, thus, bonding capacity for capital improvements as well as assessment a source of possible revenues for ongoing services. This mechanism allows a highly flexible use of funds to pay for a variety of services in addition to capital improvements. Public services that can be funded through this special tax include road maintenance[5], police, fire, ambulance and paramedic, flood and storm protection, clean-up of any hazardous substance released into the environment, recreation programs, library services, and parks and open space maintenance. This financing mechanism also offers a high degree of flexibility with regard to the apportionment of the tax and may be apportioned in any reasonable manner and can vary by land use, area, etc. The levy of special taxes is flexible and can vary from year to year up to the maximum special tax rate. It may also be structured to decline and expire as the tax base grows and can fund service costs.

[5] Per Municipal code section 14.27, the City of San Jose allows use of CFDs to fund road maintenance.

SPECIAL ASSESSMENT DISTRICTS

Special assessment districts, also known as benefit assessment districts, are historically popular techniques for financing construction and maintenance of such physical improvements as sidewalks, sewers, streets, storm drains, lighting and flood control that benefit distinct areas. Special assessment districts must be based on a determination that the assessment for each parcel is proportional to the benefit received by that parcel and are subject to majority vote of property owners. Votes are weighted according to the amount of the proposed assessment on the parcel to which the ballot pertains. Assessments are levied on real property or a business within a predetermined district and distributed in proportion to the benefits received by each property as determined by engineering analysis and form a lien against property. Special assessments are fixed dollar amounts and may be prepaid, although they are typically paid back with interest over time by the assessed property owner.

A common example of special assessment districts is a Landscape and Lighting District (LLD). LLDs may be used for installation, maintenance, and servicing of landscaping and lighting through annual assessments on benefiting properties. LLDs may also provide for construction and maintenance of appurtenant features, including curbs, gutters, walls, sidewalks or paving, and irrigation or drainage facilities. For example, the East Bay Regional Park District used such a district to fund a trail maintenance measure for the entire district in 1992. The Santa Clara Open Space Authority is also funded by a Landscape and Lighting Assessment District. Many cities and special districts use LLDs to fund park maintenance expenses as well as street lighting and tree maintenance.

SPECIAL FEES

Homeowners' association fees are another source of private funding that can help pay for some of the maintenance costs in the early years. HOAs can be established through the State of California Department of Real Estate. Maintenance costs that may be covered by HOA fees include landscaping, roads and paving. The fees are levied on a per unit basis and may or may not vary by unit types or size.

A public services mitigation fee is another form of special fee that can be charged to new development to offset a portion of the deficit identified in the fiscal impact analysis. The one-time fee can be collected at the time of building permit. The fee revenue would be placed in a special fund with only a set amount transferred to the General Fund each year. This ensures that the fee revenue collected will be sufficient to cover City General Fund expenses for a set number of years (for example, 15 to 20 years). For example, the City of Woodland used this method to charge some new residential developments a public services mitigation fee paid at building permit in the early 1990s.

MITIGATION MEASURES FOR COYOTE VALLEY

Depending on the scenario, the development in Coyote Valley may result in General Fund deficits for the first 10 to 17 years. In a given year, the fiscal deficit may range from as low as $200,000 to as high as $3.3 million. Typically, total taxes or assessments should not exceed 1.75 percent of the assessed value of the properties. Beyond that rate, the marketing of the homes may be affected and the values reduced. In the case of Coyote Valley, the current average tax rate is 1.27 percent, which leaves room for 0.5 percent of special taxes and assessments. With the exception of Scenario 3, which is the current General Plan policy, the annual fiscal deficit in the early years represents less than 0.5 percent of the assessed value. In fact, after the first several years, the deficit represents less than 0.1 percent of the assessed value. Therefore, the initial fiscal deficit is likely to be sufficiently offset by the assessed value created from the new development.

One or more of the mechanisms described above can be used to offset the initial fiscal deficits expected for all of the Concurrency Scenarios. Because CFDs offer one of the most flexible and stable funding mechanisms, this can be the primary source of supplementary funding for the public services that would be provided in Coyote Valley. For example funding fire and police service costs through CFDs for the early years of the project can offset all of the fiscal deficits. Alternatively, CFDs can pay for either fire or police services and LLDs can be formed to pay for a portion of the road maintenance costs for a set amount of time. However, there are various pros and cons associated with the funding mechanisms described above. For example, a CFD does not require proof of direct benefit, unlike benefit assessment districts. At the same time, a CFD requires an approval by two-thirds majority while benefit assessment districts require simple majority approval. Therefore, the actual selection of the funding mechanisms would depend on the nature of the specific service activities that would be funded and support of the property owners, among others.

Because special taxes and assessments are also primary mechanisms for funding infrastructure, use of these funding mechanisms for fiscal mitigation would reduce the funding capacity for capital improvements in the early years. However, because the deficit is expected to last only for the first 10 to 17 years, and they represent a relatively small percentage of the assessment value, the impact may not be significant. The implication of fiscal mitigation on the Project's financing feasibility will be addressed more in detail in the Coyote Valley Specific Plan financing plan.

VII. CAPITAL COSTS

Because the fiscal impact analysis examines the impact of the new development in Coyote Valley on the City's General Fund, costs related to various capital needs are not included in the fiscal impact estimate. The costs related to public facility construction, such as the new fire stations, library, and community center, are expected to be funded by private development. Nevertheless, this chapter describes the various public facilities that would be required to service the new community and their associated costs in order to provide background information for this fiscal impact analysis and to present a holistic picture of the public service requirements for Coyote Valley.

Included in the public service facilities costs are three cost categories: 1) building construction and initial set-up costs (fixtures, furniture, materials, etc.); 2) vehicles and equipments; and 3) capital reserves.

BUILDING CONSTRUCTION AND SET-UP

By buildout the new community in Coyote Valley would require two fire stations, a community center and a library. The costs associated with constructing these buildings and the initial set-up of the facilities (such as furniture and fixtures) are discussed in detail below and summarized in **Table 9**:

- Fire stations: Two full-scale fire stations are assumed for the Coyote Valley community by its buildout, each station large enough to house a fire engine and a truck. According to the Fire Department, a fire station of such scale would cost $5.5 million, or a total of $11 million for two stations. This estimate does not include the cost of fire trucks and engines. They are separately estimated in the next section under "Vehicles and Equipment."

- Community Center: It is assumed that a community center of approximately 60,000 square feet would be needed to serve the new residents in Coyote Valley. The community center is assumed to contain a gym, classrooms, a multi-purpose room, exercise room, weight room, storage and office space. In addition, the community center would contain an aquatic facility that has recreational pool, 25-yard lap pool and entry pool. According to the Public Works and PRNS Departments, a community center of this scale is estimated to cost approximately $59 million to construct and set-up. The cost estimate includes $45 million hard cost, soft cost equivalent to 28 percent of the hard cost, and $1.5 million set-up cost.

- Library: It is assumed that a 30,000- to 35,000-square foot library would be needed to serve the Coyote Valley community. It is estimated that a library of this scale would cost approximately $33 million to construct and set-up,

Table 9
Public Service Facilities Capital Cost Estimate
Fiscal Impact Analysis of Coyote Valley Specific Plan, EPS#13159

	Buildout	Facilities Included	Source
Direct Capital Cost			
Building Construction & Initial Set-up			
Fire Stations	$11,000,000	2 Stations	Fire Department
Community Center	$59,142,308	60,000SqFt	Public Works Department; EPS
Library	$33,281,282	30,000SqFt	Public Works Department; EPS
Subtotal	$103,423,590		
Vehicles and Equipments			
Fire Engine & Truck Companies	$3,000,000	2 Trucks & 2 Engines	Fire Department
Police cars	$881,250	19 cars	Police Department; EPS
DOT Vehicles and Equipments	$550,000	Vehicles; flashing beacons	DOT; Planning
PRNS Vehicles and Equipments	$550,000	Trucks, trailers, etc.	PRNS Department
Subtotal	$4,981,250		
Total Direct Capital Cost	$108,404,840		
Annual Capital Reserve			
Building Reserve @ 3%	$3,447,453	30-year life span	EPS
Vehicles and Equipments reserve @ 14% (1)	$633,036	7-year life span	EPS
Total annual capital reserve	$4,080,489		

(1) The costs associated with repair/replacement of DOT vehicles are already captured in the O&M costs. Therefore, the capital reserve estimate shown here excludes this item from the calculation.

Source: City of San Jose and Economic & Planning Systems, Inc.

including purchase of new materials. The cost estimate includes $25 million hard cost, soft cost equivalent to 28 percent of the hard cost, and $1.2 million set-up cost.

In sum, the cost of constructing and setting up these new public facilities are estimated at approximately $103 million total.

VEHICLES AND EQUIPMENT

In addition to the public facilities described above, different City departments indicated a need to purchase vehicles and equipment that would be needed to provide public services in Coyote Valley.

- Fire vehicles: The fire stations would be equipped with a total of two engines and two trucks, which would cost an additional $3 million ($1 million for a truck and $500,000 for an engine).

- Police vehicles: It is estimated that a police vehicle would be needed for every 3.2 police officers, resulting in 19 vehicles by the Project's buildout population level. Each vehicle is estimated to cost $47,000, or $881,000 for 19 vehicles.

- Department of Transportation (DOT) vehicles and equipment: The department would need to purchase specialized and standard vehicles to for its maintenance services. These vehicles are estimated to cost approximately $500,000. It is also estimated that eight to ten flashing beacons would be need for the crossings in Coyote Valley by buildout at $10,000 per pair (or $50,000 total).

- PRNS Department vehicles and equipment: In order to provide O&M services for the parks, the department would need to purchase pick-up trucks, trailers, mowers as well as small equipments such as blowers and trimmers. These vehicles and equipments are estimated to cost approximately $550,000.

In sum, these vehicles and equipments are estimated to cost approximately $5 million in addition the building related costs described above.

CAPITAL RESERVE

As the facilities in Coyote Valley age, they are likely to need major renovations or repairs periodically. In addition, vehicles and equipment would also need to be replaced over time. EPS assumes a capital reserve for these facilities based on their typical life-span. It is assumed that the public buildings have a typical life-span of 30 years and that the vehicles and equipments have a typical life-span of seven years. Based on the life-span assumptions, EPS assumes a capital reserve equivalent to

3 percent of the construction cost for the public service buildings and a reserve equivalent to 14 percent of the vehicle and equipment costs, resulting in an annual reserve of $4.1 million by the buildout of the Project. It is assumed that the major repairs for road-related infrastructure and park acres are already reflected in the ongoing O&M cost discussed in **Chapter V**. Because the timing of the facilities varies by the pace of development in Coyote Valley, the capital reserve amount would also vary across the Project's time line as well as the different Concurrency Scenarios.

CONSTRUCTION AND CONVEYANCE TAX

As discussed earlier in **Chapter IV**, the City of San Jose collects C&C tax, of which approximately 90 percent is allocated to various City departments to fund capital improvements. Specifically, C&C tax is allocated in the following manner:

- 64.00 percent is allocated to Parks capital program (of which 15 percent may be used for maintenance),
- 3.40 percent is allocated to communications capital program,
- 8.78 percent is allocated for service yard capital program,
- 14.22 percent is allocated for library capital program,
- 8.40 percent is allocated for fire capital program, and
- 1.20 percent is allocated for park yards program.

As shown on **Tables A-8** through **E-8**, approximately $19 million to $28 million of C&C tax is estimated to be generated from Coyote Valley annually by the Project's buildout, which is almost entirely based on the conveyance tax rather than the construction tax. Although it is unclear whether/how much of this revenue generated from Coyote Valley may be allocated back to Coyote Valley, the expected revenue amount is well above the capital reserve that may be needed for the public facilities in Coyote Valley. To the extent a portion of the C&C tax generated from Coyote Valley can be used for capital improvements in the Project area, this may be an appropriate income source to ensure adequate capital reserve is available for the public facilities in Coyote Valley. It is noted, however, that this is not the current practice for some of the City departments.

Economic &
Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

APPENDIX A: SCENARIO I

2-TO-1 JOBS/HOUSING UNITS FROM DAY ONE

Economic &
Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

APPENDIX B: SCENARIO II

UP TO 5,000 HOUSES, THEN NO ADDITIONAL HOUSING UNTIL 10,000 JOBS IN PLACE

Economic &
Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

APPENDIX C: SCENARIO III

5,000 JOBS FIRST, THEN MARKET-BASED DEVELOPMENT

Economic &
Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

APPENDIX D: SCENARIO IV

MARKET-BASED ABSORPTION
UNTIL MAJOR INFRASTRUCTURE IS IN PLACE, THEN 2:1 JOBS TO HOUSING UNTIL BUILDOUT

Economic &
Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

APPENDIX E: SCENARIO V

3,000 JOBS FOR 3,000 UNITS; UNITS CAP AT 10,000 UNTIL 15,000 JOBS IN PLACE