COUNCIL AGENDA: 05/05/09
ITEM: 4.2

REPLACEMENT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See Below

DATE: April 8, 2009

Approved Christine J. Shippey

Date 4/14/09

COUNCIL DISTRICT: #3
SNI AREA: NA

SUBJECT

AMENDMENT OF BUSINESS TERMS FOR THE OPTION AND PURCHASE AND SALE OF THE AIRPORT WEST PROPERTY AND FOR ITS ECONOMIC DEVELOPMENT AND THE ADJACENT DEVELOPMENT OF A MAJOR LEAGUE SOCCER STADIUM.

REPLACMENT MEMO

Staff is submitting a replacement memorandum to correct the number of acres referenced on page 6 under, "Cost Benefit Analysis".

RECOMMENDATION

Adoption of a Resolution:

1. Approving the revised business terms for the Amended and Restated Option Agreements and the Purchase and Sale Agreements with Coleman Airport Partners LLC and FWSH Partners LLC for the property located at 1125 Coleman Avenue.

2. Authorizing the City Manager or her designee to negotiate and execute an Amended and Restated Option agreement and a Purchase and Sale Agreement for the property located at 1125 Coleman Avenue for the development of a) 1.5 million square feet of office R&D development, 300 hotel rooms, 95,000 square feet of retail space and the

required parking for all uses including a proposed stadium, and b) a soccer stadium on 14 acres.

3. Accept the updated Cost Benefit Analysis for the project.

OUTCOME

The Developers of the project, Coleman Airport Partners LLC and FWSH Partners LLC, have advised City staff that they wish to move forward with development of the site, but cannot proceed under the current terms of the agreement due to the downturn in the economy and lack of liquidity in the marketplace. Current economic conditions have virtually eliminated the demand for new construction in Silicon Valley of all product types including office, retail and residential. Approval of the proposed recommended actions will allow the development of the Airport West site to move forward despite difficult economic conditions, while minimizing or eliminating any negative impacts on the General Fund. The Airport West property would continue to be developed separately with a) 1.5 million square feet of office/R&D space, 95,000 square feet of retail space, and 300 hotel rooms development and b) a 14 acre parcel, slightly larger than the original 13.5 acre parcel, to be reserved for a 15,000 seat soccer stadium.

The developers have requested that the proposed projects will now be separated to allow the soccer stadium to proceed prior to development of the other portions of the site. The developers intend to use private equity and debt financing to construct the soccer stadium within a two- to three-year timeframe. The stadium project no longer requires that any action be approved for the iStar property to fund the stadium portion of the project.

BACKGROUND

In 2005, the City of San Jose purchased the 74.8 acre property located at 1125 Coleman Avenue from FMC. The property is now known as the Airport West property. The City's original intent was to purchase only 52 acres to support the Airport expansion program. FMC was unwilling to negotiate with the City for a partial acquisition of the site. In order to assist the Airport, the City acquired the additional 23.23 acres. The land was required for construction lay down, interim staff parking and off-Airport rental car operations. The long-term intention was to develop the entire site for airport and economic development purposes to support job and revenue generation.

The purchase price of the property in 2005 was $25 per square foot, at a cost of approximately $81.5 million dollars. The cost of the property to fund the transaction, related improvements to the property and other costs associated with the acquisition was $100.5 million. The purchase was made in two installments. In February of 2005 approximately 52 acres of the property were purchased through the issuance of Lease Revenue Bonds in the amount of $80,025,000 dollars to fund the purchase price, improvements to the property and other costs associated with the acquisition. In May of 2006, the City drew on a HUD Section 108 loan in the amount of $25.4 million to purchase the remaining 23.2 acre portion of the property. Site improvement costs required for the airport uses and financing costs, net of scheduled principal payments made through the current fiscal year, have brought the total debt on the property to approximately $100.5 million. The HUD loan is secured by a portion of the FMC property, the City's CDBG allocation and additional City property. Debt service payments for the 23.2 acres of property purchased with the HUD loan are an obligation of the General Fund. Although debt service payments for the 52 acre property purchased with the lease revenue bonds are also a General Fund obligation, the Airport makes lease payments to the General Fund that are equal to the debt service associated with the 52 acre property. To cover these lease payments, the Airport has borrowed the funds by issuing commercial paper notes totaling approximately $9.4 million through June 2008.

In 2006, the Airport expansion program was decreased by 75% from $4.5 billion to approximately $1.5 billion. The Airport has used the 52 acres at Airport West for construction lay down and contract parking. This use is coming to an end with the completion of the Airport expansion construction program.

In June 2007, the City Council authorized staff to enter into an Exclusive Negotiations Agreement (ENA) to develop approximately 66 acres for economic development purposes including a soccer stadium. The remaining 9.3 acres had been identified in the BART expansion process as a potential location of a part of the train servicing yard as that site is adjacent at the end of the line proposed just east of the Airport West property in Santa Clara. The City's Municipal Code allows the private sale of property for economic development purposes. In May of 2008, a Memorandum of Understanding (MOU) between the City, Coleman Airport Partners, FWSH Partners, and Earthquakes Soccer was approved by the City Council. The MOU included the following terms:

- 66 of the 75 acres would be purchased by the developers for $132 million, with a two-year option period ending in June 2010, when the City would receive a net amount of $120 million.
- The Developers agreed to make option payments of $6 million annually to cover the existing debt-service on the property during the escrow period. The $12 million of option payments would be deducted from the $132 million sale price.
- 13.5 acres of the 66 acres would be reserved for a soccer stadium. Stadium financing was in part contingent upon the proceeds of the sale of the iStar property if the property was converted from industrial and retail uses to residential use.
- The Developers agreed to purchase the remaining 9.3 acres of property at a price of $18.6 million if VTA decided not purchase the property for a BART maintenance yard within the timeframes established in the MOU.
- Developers agreed to provide a Letter of Credit (LOC) in the amount of $3 million. The LOC was intended to assist the City in covering debt service payments if the Developers terminated the transaction after the initial 90 days period, of any option period, allowing

the City to pay some of the debt service while it conducted a Request for Proposals (RFP) process for disposition of the property.

ANALYSIS

Current Status of the Property

To date the Developers have paid $6 million in required option payments and have provided the required Letter of Credit which is in effect until October 31, 2009. The Developers have made substantial investment in planning, design, and preconstruction work for development of the site. Over the last year, the Finance Department has strategically responded to market conditions and refinanced the outstanding debt on the portion of the property financed with lease revenue bonds. Debt service payments for the property are financed with variable rate debt and are currently less than the Developer's option payments. The Budget Office accordingly has reserved an amount of $2.3 million from the option payments to pay project debt service, in the event that additional option payments are not received.

In December 2008, Coleman Airport Partners and FWSH Partners notified the City that they would terminate the agreement prior to March 31, 2009 due to the changed economic environment making the current Agreement an unviable business transaction. A termination before March 31 would preclude the City from accessing the Letter of Credit. The City Council on March 24, 2009 approved the elimination of the Letter of Credit so that the City and Developers can continue to negotiate the new business terms for the Option Agreement and the Purchase Agreements. The Developers have requested that the City renegotiate the terms of the purchase of the property to reflect the downturn in the economy and related decrease in property values. The Developers are confident in the long-term viability of the site and want to move the project forward with renegotiated terms that reflect the near-term economy. The Developer's proposal does provide for the City to share some of the benefits of an upturn in the economy during the option period.

Near-Term Economic Conditions

Due to the global recession and credit crisis, construction of new office, R&D, and residential development is frozen across the nation. Land values across Silicon Valley have diminished precipitously, leasing activity has decreased significantly, and construction of most new projects has been placed on hold. Developers and tenants are conserving cash until such time that there is more liquidity in the market place and evidence of stabilization in major economic indicators.

In January upon learning of the Developer's unwillingness to continue under the current Agreement and request to restructure, staff decided to obtain a new appraisal as a basis for the new negotiated price for the Airport West property. The appraiser retained by the City, Carneghi, Blum and Partners is the same appraiser that conducted the November 2007 appraisal for the City. In preliminary work, Carneghi estimates that the property has lost one third of the value identified in the November 2007 appraisal. Under the current agreement, Coleman Airport

Partners and FWSH Partners agreed to pay $46 per square foot for the land for an overall value of approximately $150 million for the entire 74.8 acre parcel. The city anticipates that the new negotiated price will be significantly less than the previous appraisal.

Outstanding Debt
In 2005, the City purchased approximately 52 acres with lease revenue bonds through the City's Financing Authority. The City obtained a HUD loan for the remaining 23.23 acres. The lease revenue bonds are secured by the 52 acres of the Airport West property and the HUD loan is secured by 23.23 acres of the Airport West property in addition to CDBG funds and additional City property. Additionally, the Airport issued $9,467,000 in commercial paper notes, secured by Airport revenues, to make debt service payments to the General Fund associated with the Airport's use of 52 acres of land for construction lay down and contractor parking at the Airport West property. The debt secured by the property must be eliminated in order to complete a sale of the property. The unsecured commercial paper debt is not secured by the property, and could be paid by the Airport or other sources to be identified.

Outstanding Debt Related to Acquisition and Use of Airport West Property
(As of march 31, 2009)

Debt Instrument	Security/Source of Payment	Outstanding Debt
Lease Revenue Bonds	Lease Payments on 52-acre	$ 67,195,000
HUD Section 108 Loan	23-acre Property	23,923,000
Total Land-Secured Debt		$ 91,118,000
Airport Commercial Paper Notes	Airport Revenues	$ 9,467,000
Total Outstanding Debt		$ 100,585,000

Revised Business Terms

Coleman Partners and FWSH Partners are proposing to purchase 64.5 acres for $89,010,000. Staff is recommending Council approve this price and the following revised business terms:

- Developers could proceed first with purchase of a 14 acre site for the new Earthquakes stadium while continuing to option the balance of the site for future acquisition and development.
- The purchase price for the stadium is $7 million. The stadium site would be sold with none of the development entitlement rights.
- Construction of the stadium would proceed within a two to three year period.

- The Developers anticipate the cost to build the stadium at $50 million to $60 million.
- The Developers would continue to option 50.5 acres for development of the 1.5 million square feet of office R&D, retail and hotel development.
- The option period for the commercial development would be extended to July 31, 2013.
- Option payments offered for the newly proposed four year period total $7 million.
- Option payments under the new agreement would not be applicable to the purchase price and are non-refundable.
- $5 million of the $6 million previously paid by the developer to date would be applied to the purchase price consistent with the terms of the existing agreement.
- Proceeding with the stadium is no longer dependent on conversion of the iStar property from industrial to residential uses. The Developers have indicated that they may bring forward a request to convert the iStar property at a later date as a stand alone project.
- The Developer would not be required to purchase the 9.3 acres that has been previously identified for BART related uses.
- If the Developer exercises the option to purchase after January 1, 2011 the City shall have the right to reappraise the property. If the property increases in value the City would receive 50% of the increased value up to a cap of $10 per square foot. If the property is appraised after 2012 the City shall receive 60% of the increased value up to a cap of $12 per square foot.

The City will need to discuss the new revised business terms with HUD to obtain consent to sell a portion of the property which secures the HUD obligation. Sale of the 9.3 acre parcel would similarly require the approval of Bank of America, the entity that holds the Letter of Credit for the 52 acre parcel supporting the City's lease revenue bonds.

Cost Benefit Analysis

In 2008, staff prepared a Cost Benefit Analysis for the proposed Airport West project. The report, conducted by Economic & Planning Systems (EPS) and Sports Economics, identified approximately $2 billion in economic impact and showed that the project had a net fiscal benefit to the City and Redevelopment Agency.

At staff's request, EPS has updated the Cost Benefit Analysis (CBA) with the revised terms. The updated report is attached to this memorandum. The updated report is conservatively based on the same scenarios used to prepare the original Cost Benefit Analysis. The Developers have indicated that they would not move forward with a request for conversion of the iStar industrial commercial property to residential use at this time. Staff has subsequently included below an analysis excerpted from the updated CBA. The data outlined below shows only the impacts of development at the 74.8 acre parcel, with or without stadium development. It is important to note that the 74.8 acre parcel is entitled for 1.5 million square feet of office R&D development, 300 hotel rooms and 95,000 square feet of retail, regardless of a stadium development. Inclusion of the stadium yields the same amount and type of development but at greater density.

Airport West Development Fiscal impact on the General Fund

Report	No Stadium	W/Stadium	Difference
Feb 2008-Net. G.F.	$1,884,000	$2,116,000	$232,000
March 2009 Net G.F.	$1,579,000	$1,775,000	$196,000

The fiscal impacts yielded from the proposed project with the stadium are greater due to increased revenues anticipated from stadium activity. The loss in anticipated revenues between the 2008 report and current time frame relates to anticipated decrease in property tax, sales tax, and transient occupancy tax from the project. It is important to underscore that even with the changed economic conditions the impacts to the General Fund for the project remain positive, and are greater with the stadium as a component of the project.

One Time Construction Jobs

Report	No Stadium	W/Stadium	**Difference**
Feb 2008-Jobs	5,040	5,710	670
March 2009-Jobs	4,750	5,180	430

The reduced number of jobs associated with the stadium occurs because the anticipated value of the stadium has diminished from $100 million to $60 million. The developers are proposing a more soccer specific "European" style stadium design. On-going jobs related to the proposed Airport West are estimated to remain the same at 5,000 sustained jobs.

Annual Economic Impact

Report	No Stadium	W/Stadium	Difference
Feb 2008-Direct Economic Impact	$1,337 billion	$1,399 billion	$62 million
March 2009-Direct Economic Impact	$1,416 billion	$1,479 billion	$63 million

* The Economic Impact modeling used by Economic & Planning Systems assumes the project is fully built out and includes inflationary impacts.

Economic Impact focuses on not only the direct income, spending and jobs associated with the development but also measures how those dollars flow through the economy, generating multiplier effects. Thus the total economic impact of adding a stadium to the Airport West development generates approximately $62 million in additional annual spending. Note the higher values in 2009 are due to inflation variables in the analytic model.

City Council Decision

At this point in time, the City Council has two options on how to proceed:

1) ***The first is to restructure the original agreement to allow a 1.5 m square foot economic development project and the major league soccer stadium to proceed with revised terms.***
2) ***The second would be to allow the current agreement to terminate and to issue a Request for Proposals for the property. The following section analyzes these two options.***

Option 1 – Accept Developer's Revised Proposal

The national and world economy has changed dramatically since the City entered into an exclusive negotiations agreement with the Developers in June 2007 and since the Council approved the original agreement in May 2008. The Developer's proposed restructuring reflects this changed reality and the reduction in the site's value in the last year.

Given the Developer's independent financial capacity and proven track record for delivering projects, the fact that the Developers wish to continue with the project based on the strength of the site and a longer-term vision for continued prosperity in San Jose represents an important opportunity during this recession. The new proposal creates the opportunity for the Earthquakes Stadium to move forward without depending on a conversion of the i-Star property, providing much needed counter-cyclical investment and job creation in San Jose.

If the soccer stadium does not proceed on the 14 acre parcel, the developer would have the right to move forward with the economic development project. In that case a proportionate amount of the office R&D, hotel, and retail entitlement would be reserved for the 14 acres. A corresponding reduction in the purchase price for the 50.5 acre development parcel would also occur. Alternatively, the 14 acres could be reappraised if the stadium project was terminated and the property could be offered to the Developers. The Developers could seek to add additional entitlement to the 14 acre parcel.

In addition, the new proposal separates the construction of the stadium from a request to convert the 78 acre iStar property in Edenvale from industrial to residential development. The proposal recognizes also that, though the site has depreciated quickly, the site may also appreciate quickly once markets stabilize. The proposed new terms allow for a reappraisal of the property in 2011 or 2012 if the Developer has not yet completed acquisition of the property, enabling the City to recoup some of the additional increase in value and providing the developer an incentive for timely progress on the project.

The revised proposal provides the following key benefits:

- Developer to pay current market value for the property.
- Revised terms and proposed structure of the overall transaction protects the General Fund to the greatest extent possible.

- The stadium would be 100% privately financed.
- If the Developer's do not close escrow on the property prior to 2011, the property will be re-appraised and the City will share in any appreciation of the property.

The purchase price under the current agreement was sufficient to pay current debt service during the option period and pay off all secured debt as well as the unsecured debt. At that point, the City would have owned the 9.3 acres identified for the BART service yard for VTA, free and clear. That would not be the case under the Developer's revised proposal due to the downturn in economic conditions and the reduced value of the property as a whole.

The ***revised proposal*** offers a reduced purchase price of $89,010,000 and a reduced amount for option payments. This is the developer's minimum bid and the City would not receive less than the Developer's offer. The City may receive additional dollars through a reappraisal if the Developer delays exercising their option after January 1, 2011. The City would credit $5 million of the option payments paid to date to the purchase price, yielding the City $84 million. In addition to the purchase price, the developer would pay up to $7 million in option payments over the four year option period (through July 2013.) The $7 million in option payments would be attributed to the 50.5 acre economic development parcel. A nominal option payment would be attributable to the 14 acre soccer parcel in light of the changed economic circumstances and the stadium's public purpose. The option payments are not applicable to the purchase price. Factoring in the option payments, the total amount paid to the City for the 64.5 acres would be $91 million, at the end of the four year option period.

In order to provide the required debt service payments through 2013, staff could apply the $2.3 million reserved by the Budget Office in addition to applying the proceeds from the sale of the 9.3 acre parcel and the 14 acre soccer parcel. Debt service payments anticipated for the 2009-2013 option period are approximately $23 million. The following table summarizes this information:

Sale Proceeds Applied to Debt Service

Fiscal Year	Sales Proceeds	Conexus Option Payments ($7 million)	Debt Service[3]	Cumulative General Fund Impact	Outstanding Debt
2009-2010	$10,130,000 [1]	0	3,535,449	+8,894,551	99,577,000
2010-2011	$7,010,000 [2]	1,000,000	6,234,153	+10,670,398	98,539,000
2011-2012	0	2,500,000	7,814,033	+5,356,365	95,860,000
2012-2013	0	3,500,000	7,805,137	+1,051,228[4]	93,030,000

[1] 9.3 acre BART parcel
[2] 14 acre stadium parcel
[3] City Debt Service paid from sale proceeds, no principal pay down

[4] $1.25 million of the FY 2008-09 ($2.3 million) Option Reserve applied in FY 2012-13

Alternatively, the City could use the proceeds of the sale from the 9.3 acre parcel and the 14 acre parcel to reduce the secured debt on the property immediately. Outstanding debt service payments would be made from the General Fund. The Budget Office has already included the anticipated debt service payments in the 2010-2014 General Fund Forecast. The following table summarizes how the transaction would work if sales proceeds are used to pay down the secured debt.

Sale Proceeds Applied to Secured Debt

Fiscal Year	Sales Proceeds	Conexus Option Payments ($7 million)	Debt Service[3]	Cumulative General Fund Impact	Outstanding Debt
2009-2010	$10,130,000 [1]	0	940,404	(940,404) [4]	82,437,000
2010-2011	$7,010,000 [2]	1,000,000	5,321,805	(5,262,209)	81,399,000
2011-2012	0	2,500,000	6,899,185	(9,661,394)	78,720,000
2012-2013	0	3,500,000	6,892,789	(13,054,182)	75,890,000

[1] 9.3 acre BART parcel
[2] 14 acre stadium parcel
[3] Principal paid down from sale proceeds
[4] $2.3 million of the FY 2008-09 Option Reserve applied in FY 2009-10

The total amount of revenue received by the City will depend in part upon the timing of the close of escrow for the 50.5 acre development site. If escrow closes after 2011 or 2012 the property will be reappraised and the City may receive revenues in excess of the approximately $84 million currently offered for the site. Final revenue to the City will also depend on the price paid for the 9.3 acre parcel previously identified for use by VTA for BART in the near term. Staff is exploring options for the disposal of the property.

If the economy improves over the escrow period, it is possible that the revenues obtained for the Airport West property will be sufficient to pay the debt service associated with the HUD loan for the 23.23 acre parcel and the bonds associated with the 52 acre parcel, but not sufficient to retire the approximately $9.4 m in commercial paper notes incurred by the Airport. The Council could direct the Airport to pay the commercial paper note from Airport revenues or pay the note directly from the General Fund. Staff will bring forward a recommendation concerning the Airport's commercial paper obligation at the point in time the Developers exercise the purchase option.

Option 2 – Request for Proposal

The City could decide to allow the Developers to terminate the existing agreements and proceed with a Request for Proposals (RFP) for the property. The national and world economic situation described above make this approach more problematic than it would have been a year ago. Given the poor economic environment, it is highly unlikely that another developer will offer a comparable market acquisition price and cash for the property. The current developers have an incentive to work with the City as they have already paid $6 million in option payments. Failure to reformulate the agreement would cause the Developers to forego the already paid option payments. In addition, a portion of the Developer team owns or represents the property immediate to the north and south of the City's 74.8 acre property, significantly adding to the value for the current Developers. It is more likely that a new development proposal will offer less revenue commensurate with the economic climate, while also offering low option payments for a period of time while the developer selected through an RFP proceeds to identify tenant companies to occupy buildings that it would build on the site.

The RFP process will conservatively require six to eight months to complete. Negotiations with a new development partner will likely require an additional six months. The General Fund would be obligated to pay debt service payments for the property during the RFP and negotiation period. As noted above the City has reserved $2.3 M for future debt service payments. Choosing the option to RFP the property would likely result in an immediate negative impact to the General Fund and potentially diminish the revenue received from the sale of the property.

STAFF RECOMMENDATION

It is recommended to the City Council that the current agreement be restructured with the revised business terms described above.

EVALUATION AND FOLLOW-UP

The City Manager, or her designee, as directed by the City Council will either proceed to negotiate and execute appropriate documents to restructure the current agreement based on the business terms outlined above or to initiate a request for proposals. If directed to initiate an RFP, that work would proceed immediately. If any of the project business terms need to be changed, staff will return to City Council for authorization.

POLICY ALTERNATIVES

Alternative: The City Council could direct staff to terminate the agreement with the current applicants and further direct staff to conduct a Request for Proposals (RFP) process for the Airport West Property.
Pros: The City could receive a higher price for the Airport West Property.
Cons: In the current economic climate, particularly in light of the difficulty obtaining real estate financing, it is not likely a greater price for the Airport West property could be obtained.
Reason for not recommending: The proposal being considered offers the City counter cyclical investment in a $50-$60 million dollar stadium and related construction jobs, securing a professional Major League Soccer team, and continues the partnership with Developers who have proven experience and access to capital that will be to quickly move forward with full development of the project when economic conditions improve.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1**: Requires Council action on the use of public funds equal to $1 million or greater.
  (Required: Website Posting)
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

This memorandum will be posted on the City's web site and the Office of Economic Development's website (www.sanjoseca.gov).

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Airport, and the Finance Department,

FISCAL/POLICY ALIGNMENT

The project aligns with the City's Economic Development Strategy #11 "Revise Key Land Use and Transportation Policies to Reflect the new Realities for the San Jose Economy", and Strategy #12, "Encourage Sporting Teams, Events, and Facilities, Professional as well as Amateur"

COST SUMMARY/IMPLICATIONS

Option Period

The severe economic downturn causes the City to consider difficult choices related to the proposed renegotiation of the Airport West project. As described above, the Developers desire to move forward with the project at a reduced purchase price of $84 million for 64.5 acres of land and reduced option payments in the amount of $7 million over a four year period. The debt service costs required through 2013 are anticipated to be approximately $23 million. Staff has indicated that the application of the $7 million in the Developer's option payments, the application of the $2.3 million in General Fund reserves plus the application of the sale proceeds from both the 14 acre soccer parcel and the 9.3 acre parcel previously identified for use by BART could eliminate any impact to the General Fund in the short term to cover debt service prior to the sale of the 50.5 acre development parcel. There is potential risk to the General Fund in that purchase of the soccer parcel and the 9.3 acre parcel could be delayed and the amount obtained for the 9.3 acre parcel could be insufficient, causing the General Fund additional expense. An alternative approach would be to apply revenue generated through the sale of the 14 acre soccer stadium and the 9.3 acre parcel to pay down the secured debt. In this scenario the General Fund would pay for outstanding debt service payments until such time as the remaining 50.5 acres are sold. The Budget Office has already assumed debt service costs associated with the property in its current budget forecast.

Sale of the Property

As discussed above, the City has existing secured debt of $91.1 million dollars for the 74.8 acre Airport West property. The Developer's proposed revised purchase price for the 64.5 acres of the property is $89 million. $5 million of the $6 million previously paid by the Developers will be applicable to the purchase price at closing, so the total amount of revenue paid by the Developers for the property, if the property closed escrow prior to 2011 would be $84 million. It should be noted that the City will proceed to dispose of the 9.3 acres through a separate process. As has been discussed above, the Airport has borrowed an additional $9.4 million to cover its lease payments during the Airport construction period. To pay off the secured debt and commercial paper. If the sale of the 9.3 acres does not yield the sufficient amount, it may be necessary for the Airport to make payments to cover its commercial paper debt.

The best case scenario for sale of the property would entail the Developer's purchasing the property as early as possible, limiting the City's carry costs on the property. The worst case scenario for the property would involve sale of the soccer and 9.3 acre parcels, application of the proceeds of those sales to debt service payments without subsequent sale of the property to the Developers. In this instance, diminished parcel size against the remaining debt for the full 74.8 acre parcel would represent the greatest risk of future indebtedness associated with the remaining 50.5 acre parcel. It is important to note that the smaller 50.5 acres retains all of the development entitlement that is currently spread across the 74.8 acres.

As discussed above, the option to RFP the property in this economic climate, in staff's opinion, represents an even greater risk to the City. The current developers are motivated to protect the investment they have already made in the site. In addition the developers have adjacent land holdings and stand to benefit from control over larger land holdings in a premier location near downtown San Jose and the Airport. Staff believes that responses to a hypothetical RFP will in all probability yield a developer who will offer a similar option arrangement at a significantly reduced price than that currently being offered by the current Developers. Option payments are also likely to be further reduced and the General Fund will be obligated to shoulder debt service payments during the RFP and negotiation period for the 74.8 acre property.

CEQA

CEQA: EIR Resolution No. 71716, File No: PP08-093

Paul Krutko

PAUL KRUTKO
Chief Development Officer

For questions please contact Paul Krutko, Chief Development Officer, at (408) 535-8181.

TECHNICAL MEMORANDUM

To: John Lang, City of San Jose

From: Teifion Rice-Evans and Ashleigh Kanat

Subject: Updated Fiscal and Economic Impact Analysis of Major League Soccer Stadium Proposal; EPS #17125

Date: March 26, 2009

The Economics of Land Use

In February 2008, Economics & Planning Systems, Inc. (EPS) produced the final *Fiscal and Economic Impact Analysis of a Major League Soccer Stadium Report* for the City of San Jose. The analysis evaluated the fiscal and economic impacts of development of the Airport West site and the iStar site, at buildout, under three alternative scenarios.

In the twelve months since the Final Report was prepared, deteriorating market conditions have driven down residential and commercial property values and resulted in changes to the land acquisition, project phasing and financing strategies previously proposed by the project proponents. The changed strategy and changed market conditions have altered several of the assumptions included in the February 2008 analysis.

Specifically, the revised strategy no longer calls for a publicly owned stadium on publicly owned land. Rather, the project proponents (Fisher, Wolff, Hunter & Storm (FWHS) Partners) plan to purchase the land for the stadium from the City and privately finance and privately own the stadium. In addition, the real estate market downturn and economic recession have resulted in reduced property values across all use-types in addition to lower retail sales and hotel room rates. The updated fiscal and economic impact analysis incorporates these changes. Given the likelihood that market conditions will need to improve before most development moves forward, the actual fiscal impacts are likely to be stronger than those estimated in this updated analysis.

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510 841 9190 tel
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Sacramento
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www.epsys.com

Project Background

In light of these evolving conditions, the City of San Jose is reviewing the modified request by FWHS Partners to develop a Major League Soccer Stadium for the San Jose Earthquakes as part of a new mixed-use development at the Airport West site. The Airport West site is located along the west side of Coleman Avenue between Brokaw Road and Newhall Street, adjacent to the San Jose International Airport. The modified proposal calls for the purchase and development of a soccer stadium only. Under the modified proposal, the development of the Stadium is decoupled from the conversion of the iStar property and assumes that the Stadium will be privately developed and owned. In a second phase, to occur at a later date, FWHS Partners will request the re-entitlement of the iStar property to allow for residential development. The iStar site is located to the west of the intersection of Monterey Highway and Highway 85, adjacent to the existing Hitachi campus, in the Edenvale Redevelopment Area and is currently entitled for office/industrial and retail uses.[1]

The City wishes to understand the impacts of the re-entitlement of the iStar property and the proposed mixed-use development at the Airport West site on the City's General Fund, the Redevelopment Agency's tax increment receipts, and the local school districts' ability to accommodate additional students. The City is also interested in the economic impacts of the different development programs associated with both sites (iStar and Airport West) under the "with stadium" and "without stadium" scenarios.

This technical memorandum provides the results of the updated fiscal and economic impact analysis, with updated summary tables and detailed appendix tables attached. For a complete description of the study's methodology, please see the February 2008 report.

Development Scenarios

The fiscal and economic impact analyses are driven by the site development assumptions associated with the three scenarios: Scenario A: "Without Stadium," Scenario B: "With Stadium and With Full Transfer of iStar Entitlements," and Scenario C: "With Stadium and With Partial Transfer of iStar Entitlements." Scenario A presumes that the iStar site is developed as currently entitled. Scenario B assumes the iStar site is developed with residential uses, but also that the currently entitled office/industrial and retail square footage is reallocated to another site in the Edenvale Redevelopment Area. To establish a sensitivity range, Scenario C assumes that none of the retail is transferred to another site. The development assumptions under each of the scenarios are summarized in **Table 1** and described below.

Scenario A

Scenario A is the base-case "without stadium" scenario. Under Scenario A, the stadium is not developed at the Airport West site. The City has indicated that they would expect the non-stadium land use development proposed to be the same as that proposed to accompany the

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[1] Before 2004, the iStar site was 100 percent entitled for industrial development. In 2004, iStar applied for and received a rezoning of the site to add 450,000 square feet of retail capacity. This was accomplished by adding industrial capacity to New Edenvale.

stadium under Scenarios B and C. Specifically, this would include 1.514 million square feet of office/industrial development, 75,000 square feet of retail development, and 300 hotel rooms (in either one or two hotels).

Under Scenario A, the iStar site would be developed as currently entitled, which includes 1.0 million square feet of office/industrial development, and 450,000 square feet of retail. Because the iStar site would be developed as currently entitled, there is no shift in entitlements to other locations in the Edenvale Redevelopment Area.

Scenario B

Scenario B includes the development of the stadium at the Airport West site in addition to 1.514 million square feet of office/industrial development, 75,000 square feet of retail development, and 300 hotel rooms (in either one or two hotels).

Under this scenario, the iStar site is proposed to be re-entitled to residential use. The proposal includes the development of 1,300 residential units, including 180 single-family cluster units, 940 townhome units, and 180 apartment units. It is assumed that the apartment units comprise the affordable housing component of the project. The single-family cluster units are expected to support an average household size of 3.4 people, the townhome units are expected to support 2.7 people per household, and the apartment units are expected to support 2.5 people per unit.

The currently entitled office/industrial and retail square footage that would be displaced by the residential program would, instead, be developed elsewhere in the Edenvale Redevelopment Area. City staff would need to identify specific locations where these entitlements could be provided whether through increased development densities or changed land use designations.

This analysis assumes that the displaced office/industrial entitlements are made up by increasing development densities on other sites in Edenvale. The office/industrial development associated with these areas is assumed to differ from the office/industrial currently entitled at the iStar site in that it is constructed at higher floor area ratios (FARs) and represents more of an office/R&D flex space than more typical lower density industrial space. This difference has implications for the employment density, which is assumed to be 400 square feet per employee (compared with 600 square feet per employee used at the Airport West site under all three scenarios and at the iStar site under Scenario C). It also will affect the achievable lease rates, which will have implications for the assessed valuation of the space. The new retail entitlements granted at locations elsewhere in Edenvale are assumed to result in the equivalent of the lost retail development capacity at the iStar site.

Scenario C

Scenario C differs from Scenario B only in that the off-setting development elsewhere in Edenvale excludes the 450,000-square foot retail component; in other words, it is assumed that there is no viable, alternative retail site and that the retail development entitlement at the iStar site is not replaced. The 1.0 million square feet of office/industrial is still presumed to be developed somewhere within the redevelopment area.

Study Caveats

EPS was asked to estimate the impacts on the City's General Fund and Redevelopment Agency revenues of site development as well as the overall economic impacts of the non-stadium site development. SportsEconomics was contracted separately to evaluate the economic impacts of ongoing stadium operations.

The fiscal impact analysis evaluates fiscal impacts at buildout and the economic impact analysis considers the ongoing impacts once the sites are built out as well as the one-time construction impacts. Because this is a static, buildout analysis, real estate market factors including development phasing and absorption rates are not evaluated and variations in fiscal and economic impacts through time by scenario are not analyzed. The EPS study is based on the current City budget, prior EPS fiscal studies, the SportsEconomics study, and other readily available information. As a result, this report does not directly address the following issues:

- The market viability of the proposed land uses at both sites under the three different scenarios.
- Differences in the pace of development at the two sites under the three different scenarios.
- The balances of General Fund revenues and costs in the years before buildout.
- The current service provider capacity to accommodate new development service needs and additional development-specific service needs.

These issues could be addressed through a real estate market assessment and the development of a dynamic (time series) fiscal impact model, including interviews with individual City departments.

Key Findings

The key findings of the study are described below. **Tables 2** and **3** summarize the results of the fiscal impact analyses and **Table 4** shows the results of the economic impact analysis.

1. **At buildout of the Airport West and iStar sites, there will be significant positive impacts on the City's General Fund and Redevelopment Agency funding under the "with stadium" scenarios.**

   The net annual fiscal surplus accruing to the City's General Fund at buildout is expected to range from $1.4 million to $2.3 million under the "with stadium" scenarios. In addition, the Redevelopment Agency is expected to receive between $8.8 million and $9.7 million annually at buildout to fund redevelopment and affordable housing projects. Significant positive impacts also occur under the "without stadium" scenario.

2. **If a viable location is found for the displaced retail capacity at the iStar site, the "with stadium" scenarios and the "without stadium" scenario generate similar buildout fiscal surpluses of $2.3 million annually and $2.5 million annually, respectively.**

   The $2.3 million annual surplus under Scenario B depends on the sales tax revenues from the displaced retail from the iStar site, the payment by stadium operators of the full costs of public services provision associated with stadium events, and stadium property tax revenue based on an assessed value at 80 percent of the expected stadium construction cost. The static nature of this analysis does not allow for a comparison of the differences between the "with stadium" and "without stadium" scenarios associated with potentially differing market absorption rates for the development programs proposed under these scenarios.

3. **The inability to relocate the retail capacity at the iStar site to another site in Edenvale would significantly reduce the fiscal surplus to the City's General Fund of the "with stadium" scenarios.**

   Scenario C assumes that the displaced retail at the iStar site is not developed elsewhere in Edenvale. Under this scenario, the City's General Fund annual revenues at buildout are reduced by more than $1.0 million, primarily associated with this loss of retail development.

4. **Because property taxes in the Edenvale Redevelopment Area accrue to the City's Redevelopment Agency in the form of Tax Increment, residential development at the iStar site generates a fiscal deficit to the City's General Fund. However, the overall fiscal impact on the General Fund of the "with stadium" scenarios is still significantly positive.**

   New residential development at the iStar site is expected to result in an annual fiscal deficit of about $460,000 each year, primarily because property taxes accrue to the Redevelopment Agency and not the City. Some of this deficit is offset by the additional revenues accruing to the City's General Fund from the expected property tax revenue and sales tax revenues associated with stadium development and operation. The remaining deficit is more than offset by the significant fiscal surpluses generated by the office/industrial, retail, and hotel development.

5. **Tax increment revenues are expected to be more than twice as high under the "with stadium" scenarios.**

   Significant housing set-aside revenues as well as Redevelopment Agency net tax increment revenues will be generated under all scenarios. Under the "without stadium" scenario, housing set asides are estimated at $940,000 and net tax increment to the Redevelopment Agency is estimated at $3.0 million. Under both variations of the "with stadium" scenarios, housing set aside revenues are above $2.1 million and net tax increment revenues are above $6.7 million. The higher tax increment revenues under Scenarios B and C are partially due to the higher development value associated with residential development at the iStar site, but they are also due to the additional development capacity generated elsewhere in Edenvale.

6. **The ongoing economic impacts of the proposed development under all scenarios (but not including the economic impact of the stadium operations) are significantly positive, ranging from $1.58 billion to $1.86 billion annually in direct economic output.**

   The ongoing economic impacts are largest under Scenario B with direct economic impacts of $1.86 billion and direct jobs of about 6,100. The indirect and induced economic impacts are also highest under this scenario. Construction activity (including construction of the stadium) generates temporary economic activity and is expected to support about 8,600 direct person-years of employment under the "without stadium" scenario and between 13,800 and 12,900 person-years of employment under the "with stadium" scenarios.

7. **Student generation at the iStar site under the "with stadium" scenarios is likely to require the affected school districts to add new classrooms or adjust the district boundaries.**

   Development of housing on the iStar site is expected to generate 240 elementary-aged students, 60 intermediate-aged students, and 120 high school-aged students. Given the limited capacity within the Oak Grove Elementary School District and the East Side Union High School District, new classrooms and/or district boundary adjustments will likely be required.

Key Assumptions

The results of this analysis are sensitive to each of the following assumptions.

- **Pace of Development and Absorption**. This analysis estimates the economic and fiscal impacts of development under the three scenarios at full buildout. It does not consider the impacts of market demand or macro-economic cycles on the pace of absorption. This level of detail could be provided through the development of a dynamic fiscal impact analysis model, if needed.
- **Development Values.** Updated development values in this model are based on information provided by the developer as well as prior work EPS has performed in the City of San Jose. The development cost of the stadium was reduced from $100 million to $60 million based on input from the developer. In addition, office/light industrial market values are discounted by 15 percent to reflect current market conditions. Retail market values are discounted by 20 percent, and hotel room values are discounted by 20 percent. Residential values are reduced by 11 percent based on 2008 monthly CBIA/Hanley Wood Market Intelligence New Home Sales and Pricing Reports for the San Jose/Sunnyvale/Santa Clara region.[2]
- **Economic Performance**. To adjust for deteriorating economic conditions, retail sales per square foot were reduced by 10 percent and hotel room rates were reduced by 10 percent.
- **Reallocation of iStar Development Capacity**. This analysis assumes that there is land available within the Edenvale Redevelopment Area to accommodate the transferred entitlements from the iStar site. There may be more potential to transfer the office/industrial entitlement than the retail entitlement, which is why this analysis considers Scenario C, in addition to Scenario B. Whether or not the retail can be shifted to one or more other sites in Edenvale has significant sales and use tax revenue implications.

[2] http://www.cbia.org/go/cbia/newsroom/housing-statistics/median-prices/index.cfm

- **Airport West Development.** This analysis assumes the same commercial development program capacity at the Airport West site regardless of whether or not the stadium is developed. This analysis also assumes that there is the same level of market demand for the commercial space (retail and hotel especially) regardless of whether or not the stadium is developed.

- **Stadium-Related Public Service Costs.** This analysis assumes the Athletics make direct payments of stadium-related public service costs to the City's General Fund. As a result, stadium-related revenue from possessory interest tax and sales and use taxes represents a net addition to the City's General Fund.

- **Public Service Costs.** Public service costs in this analysis are based on current budget and staffing ratios, which are assumed to be satisfactory. They are not based on departmental interviews or full consideration of existing capacity. Methodologies for fiscal impact analysis are either per capita or per employee costs and draw upon prior EPS fiscal analyses conducted for development projects in the City of San Jose.

- **Tax Increment Revenues.** This analysis assumes that after the housing set aside and other obligatory pass-throughs, approximately 56 percent of tax increment revenue generated by the new development stays with the City's Redevelopment Agency. This percentage is based on a review of the Agency's budget but has not been confirmed with Agency staff.

- **Expenditures inside Stadium.** SportsEconomics' report estimated that expenditures inside the stadium (tickets, concessions, and merchandise) would be approximately $13.2 million. This updated analysis reduces this estimate by 10 percent to $11.9 million. This analysis assumes 100 percent of these sales are taxable retail sales, based on SportsEconomics' report.

- **Property tax from Stadium.** Unlike in the February 2008 analysis where it was envisioned that the Stadium would be owned by the City and leased to the Athletics, it is now anticipated that the Stadium land will be sold to the developer and privately owned. This arrangement shifts what was estimated as possessory interest tax revenue to property tax revenue. This analysis assesses the value of the stadium at 80 percent of the Stadium's estimated construction cost and then calculates the City's share of the 1 percent property tax.

Table 1
Project Description Summary
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Scenario/ Land Use	Airport West	iStar	Elsewhere in Edenvale	Total
Scenario: A				
Office/Light Industrial (square feet)	1,514,000	1,000,000	0	2,514,000
Retail (square feet)	75,000	450,000	0	525,000
Hotel (rooms)	300	0	0	300
Residential (units)	0	0	0	0
Stadium	No	na	na	No
Scenario B				
Office/Light Industrial (square feet)	1,514,000	0	1,000,000	2;514,000
Retail (square feet)	75,000	0	450,000	525,000
Hotel (rooms)	300	0	0	300
Residential (units)	0	1,300	0	1,300
Stadium	Yes	na	na	Yes
Scenario C				
Office/Light Industrial (square feet)	1,514,000	0	1,000,000	2,514,000
Retail (square feet)	75,000	0	0	75,000
Hotel (rooms)	300	0	0	300
Residential (units)	0	1,300	0	1,300
Stadium	Yes	na	na	Yes

Sources: City of San Jose; Oakland Athletics/ Hunter Storm; Economic & Planning Systems, Inc.

Table 2
Annual Fiscal Impact Summary at Project Buildout (2009 Dollar Terms) by Scenario
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Category	Scenario A Without Stadium	Scenario B With Stadium	Scenario C With Stadium/No Edenvale Retail
City General Fund			
Revenues	$3,497,000	$4,639,000	$3,535,000
Expenditures	$961,000	$2,385,000	$2,172,000
Net Annual Fiscal Balance	$2,536,000	$2,254,000	$1,363,000
City Redevelopment Agency			
Net Tax Increment to Redevelopment Agency	$2,958,000	$7,336,000	$6,707,000
Housing Set-Aside Revenues	$940,000	$2,332,000	$2,132,000
Total Revenue to City [1]	**$6,434,000**	**$11,922,000**	**$10,202,000**

[1] Estimate does not include non-General Fund revenues. For example, at the time of construction, approximately $240,000 to $340,000 in construction taxes would be generated. Similarly, this analysis looks at the portion of the Transient Occupancy Tax that goes to the General Fund (4%) but not the other 6% which is allocated to arts and cultural programming and the Convention and Visitors Bureau (approximately $770,000 annually).

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

Table 3
Annual Fiscal Impact Expanded Summary at Project Buildout (2009 Dollar Terms) by Scenario
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Category	Scenario A Without Stadium	Scenario B With Stadium	Scenario C With Stadium/no Edenvale Retail
City General Fund Revenues			
Property Tax	$813,909	$873,909	$873,909
Property Tax In-Lieu of VLF	$417,724	$696,493	$658,267
Possessory Interest Tax	$0	$0	$0
Sales Tax	$1,272,164	$1,571,755	$613,179
Transient Occupancy Tax [1]	$510,489	$510,489	$510,489
Franchise Fee	$95,258	$212,551	$191,533
Utility Users Tax	$191,542	$427,390	$385,128
Business Tax	$196,217	$223,668	$180,374
Fines, Forfeitures, and Penalties	$0	$46,495	$46,495
Motor Vehicle License Fee	$0	$14,487	$14,487
Gas Tax Transfer	$0	$61,405	$61,405
Construction and Conveyance Tax Transfer	$18,461	$40,946	$39,257
Total General Fund Revenue	**$3,497,302**	**$4,638,642**	**$3,535,267**
City General Fund Expenditures			
General Government			
General Government	$46,498	$76,273	$66,014
Finance	$9,029	$14,810	$12,818
Economic Development	$4,179	$6,855	$5,933
Total General Government	$59,706	$97,938	$84,765
Public Safety			
Fire	$266,129	$654,087	$595,368
Police	$513,571	$1,262,244	$1,148,929
Total Public Safety	$779,700	$1,916,331	$1,744,297
Capital Maintenance			
General Service	$42,787	$95,471	$86,031
Public Works	$22,568	$50,355	$45,376
Transportation	$35,475	$44,840	$35,971
Total Capital Maintenance	$100,829	$190,667	$167,378
Community Services			
Library	$0	$37,305	$37,305
Park, Recreation & Neighborhood Services	$0	$95,700	$95,700
Planning, Building & Code Enforcement	$21,044	$46,957	$42,313
Total Community Services	$21,044	$179,962	$175,319
Total General Fund Expenditures	**$961,279**	**$2,384,898**	**$2,171,758**
City General Fund - Net Annual Fiscal Balanc	**$2,536,023**	**$2,253,744**	**$1,363,509**
City Redevelopment Agency			
Net Tax Increment to Redevelopment Agency	$2,958,270	$7,336,251	$6,707,328
Housing Set-Aside Revenues	$940,178	$2,331,559	$2,131,679

[1] Includes General Fund share of TOT only, although additional TOT revenues (approximately $850,000 annually) benefiting fine arts and cult programs, the Convention and Visitors Bureau, and the conventions and cultural facilities operations are also generated.
[2] Represents the portion of C&C tax that offsets Parks O&M costs.

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

Table 4
Economic Impact Summary
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Item	Scenario A without Stadium	Scenario B with Stadium	Scenario C with Stadium/no Edenvale Retail
Annual Operations Impact [1]			
Output			
Direct	$1,582,934,079	$1,864,847,814	$1,743,479,681
Indirect	$555,080,096	$657,166,602	$626,707,776
Induced	$352,247,243	$414,540,618	$385,420,361
Output Subtotal	**$2,490,261,418**	**$2,936,555,034**	**$2,755,607,818**
Employment			
Direct Jobs	5,361	6,111	4,928
Indirect Jobs	2,082	2,456	2,307
Induced Jobs	2,069	2,435	2,264
Employment Subtotal	**9,512**	**11,002**	**9,499**
One-Time Construction Impact [2]			
Employment			
Direct Jobs	8,624	13,750	12,903
Indirect and Induced Jobs	3,713	5,920	5,555
Construction Employment Subtotal	**12,337**	**19,669**	**18,458**

[1] Annual operations impact does not include impact of stadium operations.
[2] One-time construction impact includes the construction of the stadium.

Source: IMPLAN 2.0, 2004; Economic & Planning Systems, Inc.

APPENDIX A

Key Assumptions and Calculations

Table A-1
Detailed Program Description and Assumptions
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Scenario	Maximum Planned Development	Market Value per Unit/ SF/ Room [1]	Project Assessed Value [2]	Persons/ Household	Occ. Households/ Leased SF [3]	Project Residents	Project Employees [4]	Daytime Service Population [5]
Scenario A (without Stadium)								
Airport West Site								
Office/Light Industrial	1,514,000 sq.ft.	$395	$598,030,000		1,362,600		2,271	1,136
Retail	75,000 sq.ft.	$237	$17,775,000		69,000		197	99
Hotel	300 rooms	$160,000	$48,000,000		210		210	105
Subtotal, Scenario A: Airport West			$663,805,000				2,678	1,339
iStar Site								
Residential	0 units							
Single-Family Detached Cluster Units								
Townhomes								
Podium Apartments (Affordable)								
Office/Light Industrial	1,000,000 sq.ft.	$395	$395,000,000		900,000		1,500	750
Retail	450,000 sq.ft.	$237	$106,650,000		414,000		1,183	591
Subtotal, Scenario A: iStar			$501,650,000		1,314,000		2,683	1,341
Total, Scenario A			**$1,165,455,000**				**5,361**	**2,681**
Scenario B (with Stadium)								
Airport West Site								
Office/Light Industrial	1,514,000 sq.ft.	$395	$598,030,000		1,362,600		2,271	1,136
Retail	75,000 sq.ft.	$237	$17,775,000		69,000		197	99
Hotel	300 rooms	$160,000	$48,000,000		210		210	105
Subtotal, Scenario B: Airport West			$663,805,000				2,678	1,339
iStar Site								
Residential								
Single-Family Detached Cluster Units	182 units	$778,319	$141,654,018	3.4	179	607		607
Townhomes	936 units	$533,704	$499,547,231	2.7	918	2,479		2,479
Podium Apartments (Affordable)	182 units	$266,852	$48,567,092	2.5	179	446		446
Subtotal, Scenario B: iStar			$689,768,341		1,275	3,533		3,533
Elsewhere in Edenvale								
Office/Light Industrial	1,000,000 sq.ft.	$435	$435,000,000		900,000		2,250	1,125
Retail	450,000 sq.ft.	$237	$106,650,000		414,000		1,183	591
Subtotal, Scenario B: Elsewhere in Edenvale			$541,650,000		1,314,000		3,433	1,716
Subtotal, Scenario C: Elsewhere in Edenvale			$435,000,000		900,000		2,250	1,125
Subtotal, Scenario B			$1,231,418,341			3,533	3,433	5,249
Subtotal, Scenario C			$1,124,768,341			3,533	2,250	4,658
Total, Scenario B			**$1,895,223,341**			**3,533**	**6,111**	**6,588**
Total, Scenario C			**$1,788,573,341**			**3,533**	**4,928**	**5,997**

[1] Market values based on information provided by Hunter/Storm and EPS calculations.
[2] This is a static estimate of the assessed value and does not take into consideration inflation or property value appreciation.
[3] Assumes 1.9% vacancy for all residential units per DOF 2007 estimate and 5% vacancy for all retail space.
[4] Assumes one employee per 350 square feet of retail space, one employee per 600 square feet of lower intensity office/industrial use, one employee per 400 square feet of higher intensity office/industrial use, and one employee per occupied hotel room.
[5] In cases where total new residents or total new employment does not accurately reflect relative service demands, an additional measure of service demand is used - daytime service population (100 percent of residents plus1/2 of employment).

Source: California Department of Finance; Bo Radanovich, Mission Valley Properties; Economic & Planning Systems, Inc.

Table A-2
Citywide Demographic Data
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Item		Amount	Source
Households (2008)		307,613	DoF
Mean Household Income ($2009) [1]		$101,085	ABAG
Single Family Housing Units		196,100	DoF
Multi Family Housing Units		100,485	DoF
Population	a	989,496	DoF
Persons per Household		3.24	DoF
Total Employed Residents		402,290	ABAG
Total Jobs	b	363,380	ABAG
Daytime Service Population [2]	c	1,171,186	c = a + 1/2 * b

[1] 2005 ABAG estimate inflated to $2008 using San Francisco-Oakland-San Jose, CA CPI and then inflated to $2009 by 3.0%.

[2] "Daytime Service Population" equals 100 percent of City residents plus 1/2 of City jobs. This measure of service population is used for cost impacts where employment affects the demand for service but by less than the residential demand.

Source: California Department of Finance 2008 estimate, Association of Bay Area Governments 2005 Projection, and Economic & Planning Systems, Inc.

Table A-3
General Fund Expenditures 2008/09 and Estimating Factors
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Item	Table Reference	2008-09 Adopted General Fund	Percent Variable Costs [1]	Estimating Factor/Approach	Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
					Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
General Government [2]		$68,658,723	25%	$17 per daytime service pop.	$23,229	$23,270	$0	$46,498	$23,229	$23,270	$29,775	$76,273	$23,229	$23,270	$19,515	$66,014
Finance [3]		$13,331,865	25%	$3 per daytime service pop.	$4,510	$4,518	$0	$9,029	$4,510	$4,518	$5,782	$14,810	$4,510	$4,518	$3,789	$12,818
Economic Development/Department Operation [4]		$6,170,654	25%	$2 per daytime service pop.	$2,088	$2,091	$0	$4,179	$2,088	$2,091	$2,676	$6,855	$2,088	$2,091	$1,754	$5,933
Police	Table A-4	$281,146,892	100%	$160,856 per sworn officer	$256,560	$257,011	$0	$513,571	$256,560	$676,825	$328,859	$1,262,244	$256,560	$676,825	$215,544	$1,148,929
Fire	Table A-5	$158,203,354	100%	$154,421 per firefighter	$132,947	$133,182	$0	$266,129	$132,947	$350,726	$170,413	$654,087	$132,947	$350,726	$111,694	$595,368
Capital Maintenance [5]																
General Service		$24,926,510	75%	$18 per daytime service pop.	$21,375	$21,412	$0	$42,787	$21,375	$46,698	$27,398	$95,471	$21,375	$46,698	$17,958	$86,031
Public Works		$9,860,408	100%	$8 per daytime service pop.	$11,274	$11,294	$0	$22,568	$11,274	$24,631	$14,451	$50,355	$11,274	$24,631	$9,472	$45,376
Transportation		$32,894,600	100%	$14,333 per road mile	$17,737	$17,737	$0	$35,475	$17,737	$9,365	$17,737	$44,840	$17,737	$9,365	$8,869	$35,971
Community Services [6]																
Library	Table A-6	$29,574,613	30%	$11 per capita	$0	$0	$0	$0	$0	$37,305	$0	$37,305	$0	$37,305	$0	$37,305
Park, Rec. & Neighborhood Services [7]		$59,008,629	100%	$15,000 per acre of parkland	$0	$0	$0	$0	$0	$95,700	$0	$95,700	$0	$95,700	$0	$95,700
Planning, Building & Code Enforcement		$36,779,509	25%	$8 per daytime service pop.	$10,513	$10,531	$0	$21,044	$10,513	$22,968	$13,476	$46,957	$10,513	$22,968	$8,832	$42,313
Other Community Services		$842,189	-	- not estimated												
Non-Departmental [8]		$328,380,084	-	- not estimated				-				-				
Total General Fund Expenditures		**$1,049,776,030**			**$480,233**	**$481,047**	**$0**	**$961,279**	**$480,233**	**$1,294,099**	**$610,566**	**$2,384,898**	**$480,233**	**$1,294,099**	**$397,427**	**$2,171,758**

[1] Percentage of costs that increases with growth, as opposed to fixed costs.
[2] Includes city attorney, auditor, clerk, manager, mayor, council, emergency services, employee services, and information technology.
[3] Includes independent police auditor.
[4] Includes redevelopment agency expenses.
[5] Includes general services, public works and transportation. In calculating transportation costs, it is assumed that 10% of gross site acreage is allocated to roads and that roads are, on average, 50 feet wide. At the iStar site, under Scenario B1 and B2, total public street (Streets A & B) length is 3,450 feet.
[6] Community Services includes Environmental Services. It is assumed that the incremental costs of providing environmental services are covered through user fees.
[7] Assumes per acre maintenance cost of $15,000 based on an interview with a department staff as part of a previous study for the City. Required park acreage at iStar site (6.38 acres) is provided by David Mitchell, Parks Planning Manager, in a memo to John Lang, dated January 31, 2008.
[8] Includes citywide expenses, transfers, capital contributions and reserves.

Source: City of San Jose Adopted Budget 2008/2009; Economic & Planning Systems, Inc.

Table A-4
Police Department Expenditures
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

	Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
Project Service Population	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Daytime Service Population	1,339	1,341	0	2,681	1,339	3,533	1,716	6,588	1,339	3,533	1,125	5,997
Total New Officers Required	1.6	1.6	0.0	3.2	1.6	4.2	2.0	7.8	1.6	4.2	1.3	7.1
Annual Expenditure per Officer [1]	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232	$146,232
Annual Overhead per Officer [2]	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623	$14,623
Total Cost	**$256,560**	**$257,011**	**$0**	**$513,571**	**$256,560**	**$676,825**	**$328,859**	**$1,262,244**	**$256,560**	**$676,825**	**$215,544**	**$1,148,929**

Assumptions

Existing Sworn Officers 2008	1,395
Existing Daytime Service Population	1,171,186
Per 1,000 Daytime Service Population	1.19

[1] Includes salary, benefits, and ongoing uniform and safety equipment. Per officer estimate is $125,000 in $2006. EPS inflated this estimate by 4% per year to $2009.
[2] Assumes an annual overhead cost equivalent to 10% of the Expenditure per Officer.

Source: City of San Jose, e-mail from John Lang; Economic & Planning Systems, Inc.

Table A-5
Fire Department Expenditures
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Project Service Population	Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Daytime Service Population	1,339	1,341	0	2,681	1,339	3,533	1,716	6,588	1,339	3,533	1,125	5,997
Total New Fire Fighters Required	0.9	0.9	0.0	1.7	0.9	2.3	1.1	4.2	0.9	2.3	0.7	3.9
Annual Expenditure per Fire Fighter [1]	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383	$140,383
Annual Overhead per Fire Fighter [2]	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038	$14,038
Total Cost	**$132,947**	**$133,182**	**$0**	**$266,129**	**$132,947**	**$350,726**	**$170,413**	**$654,087**	**$132,947**	**$350,726**	**$111,694**	**$595,368**

Assumptions

Existing Fire Fighters 2008	753
Existing Daytime Service Population	1,171,186
Per 1,000 Daytime Service Population	0.64

[1] Includes salary, benefits, and on-going uniform and safety equipment. Per officer estimate is $120,000 in $2006. EPS inflated this estimate by 4% per year to $2009.
[2] Assumes an annual overhead cost equivalent to 10% of the Expenditure per Fire Fighter.

Source: City of San Jose, e-mail from John Lang; Economic & Planning Systems, Inc.

Table A-6
Library Expenditures
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
Item		Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Project Resident Population		0	0	0	0	0	3,533	0	3,533	0	3,533	0	3,533
Total Cost [1]		**$0**	**$0**	**$0**	**$0**	**$0**	**$37,305**	**$0**	**$37,305**	**$0**	**$37,305**	**$0**	**$37,305**
Assumptions													
Net O&M costs of a typical library per capita	$10.56												

[1] In $2009. Based on operation and maintenance of a typical library in the City.

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

Table A-7
General Fund Revenue 2008/09 and Estimating Factors
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Item	Table Reference	2008-09 Adopted General Fund	Estimating Factor/Assumptions		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
					Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Fund Balance		$231,559,793	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Property Tax	Table A-8	$208,267,000	12.5%	of Property Tax	$813,909	$0	$0	$813,909	$873,909	$0	$0	$873,909	$873,909	$0	$0	$873,909
Property Tax In-Lieu of VLF	Table A-12			based on assessed value	$237,922	$179,802	$0	$417,724	$255,126	$247,228	$194,139	$696,493	$255,126	$247,228	$155,913	$658,267
Possessory Interest Tax	#REF!			based on value of stadium	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales Tax	Table A-10	$152,536,000	1.00%	of estimated taxable sales	$255,628	$1,016,536	$0	$1,272,164	$374,629	$151,610	$1,045,516	$1,571,755	$374,629	$151,610	$86,940	$613,179
Transient Occupancy Tax [1]	Table A-11	$9,972,000	4.0%	of hotel rent revenue	$510,489	$0	$0	$510,489	$510,489	$0	$0	$510,489	$510,489	$0	$0	$510,489
Franchise Fees		$41,621,000	$35.54	per daytime service pop.	$47,587	$47,671	$0	$95,258	$47,587	$103,966	$60,998	$212,551	$47,587	$103,966	$39,980	$191,533
Utility Tax		$83,690,000	$71.46	per daytime service pop.	$95,687	$95,855	$0	$191,542	$95,687	$209,052	$122,652	$427,390	$95,687	$209,052	$80,390	$385,128
Licenses and Permits																
Business Tax		$13,300,000	$36.60	per employee	$98,022	$98,195	$0	$196,217	$98,022	$0	$125,645	$223,668	$98,022	$0	$82,352	$180,374
Other (building permits, fire permits, etc.)		$65,583,904	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Fines, Forfeitures, and Penalties		$15,726,000	$15.89	per capita	$0	$0	$0	$0	$0	$46,495	$0	$46,495	$0	$46,495	$0	$46,495
Revenue from Money and Property		$13,221,500	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from Local Agencies		$48,071,886	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from State Government																
Motor Vehicle License Fee		$4,900,000	$4.95	per capita	$0	$0	$0	$0	$0	$14,487	$0	$14,487	$0	$14,487	$0	$14,487
Other (Airplane In-Lieu Tax, Grants, etc.)		$5,365,304	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from Federal Government		$3,815,311	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Departmental Charges		$30,863,305	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenues [2]		$17,496,485	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and Reimbursements																
Gas Tax		$17,200,000	$17.38	per capita	$0	$0	$0	$0	$0	$61,405	$0	$61,405	$0	$61,405	$0	$61,405
Construction and Conveyance Tax Transfer	Table A-13	$2,550,000		based on assessed value of re-sold properties	$10,515	$7,946	$0	$18,461	$10,515	$21,852	$8,580	$40,946	$10,515	$21,852	$6,890	$39,257
Other		$84,038,542	-	not estimated	-	-	-	-	-	-	-	-	-	-	-	-
Total General Fund Revenue		**$1,049,778,030**														

[1] Includes General Fund share of TOT only, although additional TOT revenues (approximately $850,000 annually) benefiting fine arts and cultural programs, the Convention and Visitors Bureau, and the conventions and cultural facilities operations are also generated.
[2] Includes reimbursements from investment programs, sidewalk repair activities, HP Pavilion revenue, and sale of surplus property.

Source: City of San Jose Adopted Budget 2008-2009; Economic & Planning Systems, Inc.

Table A-8
Property Tax and Tax Increment Calculation
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
Category	**Assumptions/Reference**	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Assessed Values by Land Use													
Office/Light Industrial	See Table A-9	$598,030,000	$395,000,000	$0	$993,030,000	$598,030,000	$0	$435,000,000	$1,033,030,000	$598,030,000	$0	$435,000,000	$1,033,030,000
Retail	See Table A-9	$17,775,000	$106,650,000	$0	$124,425,000	$17,775,000	$0	$106,650,000	$124,425,000	$17,775,000	$0	$0	$17,775,000
Hotel	See Table A-9	$48,000,000	$0	$0	$48,000,000	$48,000,000	$0	$0	$48,000,000	$48,000,000	$0	$0	$48,000,000
Stadium [1]		$0	$0	$0	$0	$48,000,000	$0	$0	$0	$48,000,000	$0	$0	$0
Residential	See Table A-1	$0	$0	$0	$0	$0	$689,768,341	$0	$689,768,341	$0	$689,768,341	$0	$689,768,341
Assessed Value of Site (land and structures)		$663,805,000	$501,650,000	$0	$1,165,455,000	$711,805,000	$689,768,341	$541,650,000	$1,943,223,341	$711,805,000	$689,768,341	$435,000,000	$1,836,573,341
Existing Assessed Value of Site (land and structures)		$12,678,059	$31,561,076	$0	$44,239,135	$12,678,059	$31,561,076	$34,077,657	$78,316,792	$12,678,059	$31,561,076	$27,367,822	$71,606,957
Incremental Assessed Value of Site		$651,126,941	$470,088,924	$0	$1,121,215,865	$699,126,941	$658,207,265	$507,572,343	$1,864,906,549	$699,126,941	$658,207,265	$407,632,178	$1,764,966,384
Redevelopment Area Site? (yes, no)		no	yes	yes	n/a	no	yes	yes	n/a	no	yes	yes	n/a
Property Tax Total	1.0% of Assessed Value	$6,511,269	$0	$0	$6,511,269	$6,991,269	$0	$0	$6,991,269	$6,991,269	$0	$0	$6,991,269
Share of Property Tax to General Fund [2]		12.5%	14.8%	14.8%		12.5%	14.8%	14.8%		12.5%	14.8%	14.8%	
Property Tax to General Fund		**$813,909**	**$0**	**$0**	**$813,909**	**$873,909**	**$0**	**$0**	**$873,909**	**$873,909**	**$0**	**$0**	**$873,909**
Gross Tax Increment	1.0% of Assessed Value	$0	$4,700,889	$0	$4,700,889	$0	$6,582,073	$5,075,723	$11,657,796	$0	$6,582,073	$4,076,322	$10,658,394
Less Housing Set Aside	20.0% of Tax Increment	$0	$940,178	$0	$940,178	$0	$1,316,415	$1,015,145	$2,331,559	$0	$1,316,415	$815,264	$2,131,679
Less Obligated Payments and Pass Throughs	17.1% of Tax Increment	$0	$802,442	$0	$802,442	$0	$1,123,560	$866,426	$1,989,986	$0	$1,123,560	$695,828	$1,819,388
Net Tax Increment to Redevelopment Agency	**62.9% of Tax Increment**	**$0**	**$2,958,270**	**$0**	**$2,958,270**	**$0**	**$4,142,098**	**$3,194,153**	**$7,336,251**	**$0**	**$4,142,098**	**$2,565,229**	**$6,707,328**

[1] Value of Stadium is based on 80% of the construction cost estimate ($60 million) but could vary depending on the evaluation of the County Assessor.
[2] Tax allocation rates were provided by the County Finance Agency, Controller-Treasure Department for FY 2007-08 on 12/06/2007and are specific to the Project's Tax Rate Area and does not reflect additional allocation retained in-lieu of VLF.
Instead, property tax in-lieu of VLF is calculated separately in Table A-12.

Source: City of San Jose; Santa Clara County Finance Agency; Economic & Planning Systems, Inc.

Table A-9
Assessed Value Calculation (NOI Approach)
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
		Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Office/Industrial Square Footage (Gross)		1,514,000	1,000,000	0	2,514,000	1,514,000	0	1,000,000	2,514,000	1,514,000	0	1,000,000	2,514,000
Office/Industrial Square Footage (Occupied)		1,362,600	900,000	0	2,262,600	1,362,600	0	900,000	2,262,600	1,362,600	0	900,000	2,262,600
Rent per Square Foot per Year (NNN) [1]	$40.00	$54,504,000	$36,000,000	$0	$90,504,000	$54,504,000	$0	$39,600,000	$94,104,000	$54,504,000	$0	$39,600,000	$94,104,000
Less Expenses	10.0%	$5,450,400	$3,600,000	$0	$9,050,400	$5,450,400	$0	$3,960,000	$9,410,400	$5,450,400	$0	$3,960,000	$9,410,400
Less Commissions	6.0%	$3,270,240	$2,160,000	$0	$5,430,240	$3,270,240	$0	$2,376,000	$5,646,240	$3,270,240	$0	$2,376,000	$5,646,240
NOI		$45,783,360	$30,240,000	$0	$76,023,360	$45,783,360	$0	$33,264,000	$79,047,360	$45,783,360	$0	$33,264,000	$79,047,360
Capitalized Value	6.5%	$704,359,385	$465,230,769	$0	$1,169,590,154	$704,359,385	$0	$511,753,846	$1,216,113,231	$704,359,385	$0	$511,753,846	$1,216,113,231
Value per Gross Square Foot		$465	$465			$465		$512		$465		$512	
Adjusted Value per Gross Square Foot [2]		$395	$395			$395		$435		$395		$435	
Adjusted Value		$598,030,000	$395,000,000		$993,030,000	$598,030,000		$435,000,000	$1,033,030,000	$598,030,000		$435,000,000	$1,033,030,000
Retail Square Footage (Gross)		75,000	450,000	0	525,000	75,000	0	450,000	525,000	75,000	0	0	75,000
Retail Square Footage (Occupied)		69,000	414,000	0	483,000	69,000	0	414,000	483,000	69,000	0	0	69,000
Rent per Square Foot per Year	$35.00	$2,415,000	$14,490,000	$0	$16,905,000	$2,415,000	$0	$14,490,000	$16,905,000	$2,415,000	$0	$0	$2,415,000
Less Expenses	25.0%	$603,750	$3,622,500	$0	$4,226,250	$603,750	$0	$3,622,500	$4,226,250	$603,750	$0	$0	$603,750
Less Commissions	6.0%	$144,900	$869,400	$0	$1,014,300	$144,900	$0	$869,400	$1,014,300	$144,900	$0	$0	$144,900
NOI		$1,666,350	$9,998,100	$0	$11,664,450	$1,666,350	$0	$9,998,100	$11,664,450	$1,666,350	$0	$0	$1,666,350
Capitalized Value	7.5%	$22,218,000	$133,308,000	$0	$155,526,000	$22,218,000	$0	$133,308,000	$155,526,000	$22,218,000	$0	$0	$22,218,000
Value per Gross Square Foot		$296	$296			$296		$296		$296			
Adjusted Value per Gross Square Foot [2]		$237	$237			$237		$237		$237			
Adjusted Value		$17,775,000	$106,650,000		$124,425,000	$17,775,000		$106,650,000	$124,425,000	$17,775,000			$17,775,000
Hotel Rooms (Total)		300			300	300			300	300			300
Value per Room		$200,000			$200,000	$200,000			$200,000	$200,000			$200,000
Total Hotel Value		$60,000,000			$60,000,000	$60,000,000			$60,000,000	$60,000,000			$60,000,000
Adjusted Value per Room [2]		$160,000				$160,000				$160,000			
Adjusted Value		$48,000,000			$48,000,000	$48,000,000			$48,000,000	$48,000,000			$48,000,000

[1] Office/Industrial lease rates are assumed to be 10% higher elsewhere in Edenvale to reflect higher quality environment due to higher FARs that result in construction that functions more like office space than industrial space.
[2] Adjusted market value assumptions reflect deteriorating market conditions and are provided by Hunter/Storm. Office/Light Industrial values are discounted by 15%. Retail values are discounted by 20%, and hotel values are discounted by 20%.

Table A-10
Sales Tax Calculation
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
	Assumptions	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Household Expenditures													
Household Income Assumptions													
Average Unit Selling Price [1]							$490,263		$490,263		$490,263		$490,263
Percentage Mortgaged							90%		90%		90%		90%
Total Mortgage							$441,237		$441,237		$441,237		$441,237
Annual Mortgage Payment [2]							$35,558		$35,558		$35,558		$35,558
Ratio of Housing Expenditures to Household Income							1:3		1:3		1:3		1:3
Required Household Income per Unit							$106,673		$106,673		$106,673		$106,673
Average Taxable Expenditures per Household [3]	26% of household income						$27,647		$27,647		$27,647		$27,647
Net New Household Expenditures [4]	50% of expenditures						$13,823		$13,823		$13,823		$13,823
Total Occupied Households							1,097		1,097		1,097		1,097
Total Net New Taxable Retail Expenditures							$15,160,993		$15,160,993		$15,160,993		$15,160,993
Subtotal New Sales Tax to the City	*1% of taxable sales*						*$151,610*		*$151,610*		*$151,610*		*$151,610*
Employee Expenditures													
Total Employees		2,678	2,683		5,361	2,678		3,433	6,111	2,678		2,250	4,928
Average Taxable Expenditures per Employee in City [5	$3,328 per employee	$8,912,859	$8,928,549		$17,841,408	$8,912,859		$11,424,549	$20,337,408	$8,912,859		$7,488,000	$16,400,859
Total Net New Taxable Expenditures [6]	50% of expenditures	$4,456,430	$4,464,274		$8,920,704	$4,456,430		$5,712,274	$10,168,704	$4,456,430		$3,744,000	$8,200,430
Subtotal New Sales Tax to the City	*1% of taxable sales*	*$44,564*	*$44,643*		*$89,207*	*$44,564*		*$57,123*	*$101,687*	*$44,564*		*$37,440*	*$82,004*
Retail Sales													
Total Occupied Square Feet of Retail		69,000	414,000		483,000	69,000		414,000	483,000	69,000			69,000
Taxable Retail Sales Generated/SqFt		$315	$315		$315	$315		$315	$315	$315			$315
Total Taxable Retail Sales		$21,735,000	$130,410,000		$152,145,000	$21,735,000		$130,410,000	$152,145,000	$21,735,000			$21,735,000
Total Net New Taxable Retail Sales [7]	70% of total sales	$15,214,500	$91,287,000		$106,501,500	$15,214,500		$91,287,000	$106,501,500	$15,214,500			$15,214,500
Subtotal New Sales Tax to the City	*1% of taxable sales*	*$152,145*	*$912,870*		*$1,065,015*	*$152,145*		*$912,870*	*$1,065,015*	*$152,145*			*$152,145*
In-Stadium Spending													
Spending Inside Proposed Stadium Facility [8]						$11,900,097				$11,900,097			
Total Net New Taxable Retail Sales	100%					$11,900,097				$11,900,097			
Subtotal New Sales Tax to the City	*1% of taxable sales*					*$119,001*				*$119,001*			
Non-Retail Sales													
Subtotal Net New Sales Tax to the City [9]	*$22 per employee*	*$58,919*	*$59,023*	*$0*	*$117,942*	*$58,919*	*$0*	*$75,523*	*$134,442*	*$58,919*	*$0*	*$49,500*	*$108,419*
Total Sales Tax Generated		**$255,628**	**$1,016,536**	**$0**	**$1,272,164**	**$374,629**	**$151,610**	**$1,045,516**	**$1,571,755**	**$374,629**	**$151,610**	**$86,940**	**$613,179**

[1] Weighted average, in $2009.
[2] Calculation assumes 10% down, 30-Year Fixed Mortgage at 7 percent interest rate.
[3] Bureau of Labor Statistics; assumes households with average incomes over $70,000 spend 26% of household income on taxable expenditures.
[4] Assumes 50% of retail expenditures made by new residents are captured within the City of San Jose.
[5] Based on the annual workday spending by office workers in suburban locations as reported by the Office Worker Retail Spending Patterns: a Downtown and Suburban Area Study, ICSC Research; includes average annual spending of office workers on lunch, shoppers goods, convenience goods, and dinner/drinks. Assumes 100% of lunch and 40% of all other goods are purchased near work (in San Jose) based on the source's finding that workers conduct 40% of their retail spending closer to work than home.
[6] Adjusts estimate to account for percentage of employees who live outside of the City of San Jose.
[7] Net new retail sales represent sales that would not have been generated in the City absent this new retail.
[8] In-Stadium spending estimate from Exhibit 6-5 (page 49) of SportsEconomics December 19, 2007 analysis - "Market Assessment and Economic Impact Analysis For Proposed Soccer Stadium in the City of San Jose" is reduced by 10% to reflect current market conditions. This estimate includes spending on tickets, merchandise, concessions, and in-stadium amenities such as luxury boxes, etc. Sales tax calculation methodology assumes 100% of spending is taxable as confirmed by Dan Rascher of SportsEconomics.
[9] Based on business to business sales tax generated in the Edenvale Area.

Sources: U.S. Bureau of Labor Statistics; International Council of Shopping Centers; Dollars and Cents, ULI 2000; City of San Jose; Economic & Planning Systems, Inc.

Table A-11
Transient Occupancy Tax (TOT) Calculation
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
		Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Number of Hotel Rooms		300	0	0	300	300			300	300			300
Average Occupancy Rate	[1]	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Annual Room Nights		76,650	0	0	76,650	76,650	0	0	76,650	76,650	0	0	76,650
Average Room Rate per Night		$167	$167	$167	$167	$167	$167	$167	$167	$167	$167	$167	$167
Annual Revenue		$12,762,225	$0	$0	$12,762,225	$12,762,225	$0	$0	$12,762,225	$12,762,225	$0	$0	$12,762,225
Transient Occupancy Tax	4.0% [2]	$510,489	$0	$0	$510,489	$510,489	$0	$0	$510,489	$510,489	$0	$0	$510,489
Non-General Fund Revenue													
Transient Occupancy Tax Func	6.0% [3]	$765,734	$0	$0	$765,734	$765,734	$0	$0	$765,734	$765,734	$0	$0	$765,734

[1] The 2007 occupancy rate in the "Uptown" area was 56%. Typically, hotel operations break-even at a 70% occupancy rate or higher. This analysis assumes the hotel would not be developed until hotel marke conditions improve enough to generate at least a 70% occupancy rate.
[2] The TOT tax rate is currently 10%, 6% of which is placed in the Transient Occupancy Tax Fund and 4% of which is deposited in the General Fund. This calculation looks at the General Fund deposit onl)
[3] The revenues collected in the TOT Fund are distributed by formula to three program categories: the Conventions, Arts and Entertainment Operating Subsidy; Cultural Grants; and the San Jose Convention and Visitors Bureau.

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

Table A-12
Vehicle License Fee (VLF) Calculation
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

	Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
Property Tax In-Lieu of VLF	Airport West	iStar	Elsewhere In Edenvale	Total	Airport West	iStar	Elsewhere In Edenvale	Total	Airport West	iStar	Elsewhere In Edenvale	Total
2005 Motor Vehicle in-lieu Fee Rev (2%) [2]				$53,943,010				$53,943,010				$53,943,010
2005 Motor Vehicle License Fee Rev (.65%) [1]				$4,498,343				$4,498,343				$4,498,343
Base Value for Property Tax In-lieu of VLF [3]				$49,444,667				$49,444,667				$49,444,667
Citywide Assessed Value (Base Value) [4]	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637	$137,951,271,637
Project Assessed Value	$663,805,000	$501,650,000	-	$1,165,455,000	$711,805,000	$689,768,341	$541,650,000	$1,943,223,341	$711,805,000	$689,768,341	$435,000,000	$1,836,573,341
% Increase in Assessed Value	0.5%	0.4%	0.0%	0.8%	0.5%	0.5%	0.4%	1.4%	0.5%	0.5%	0.3%	1.3%
Total property tax in-lieu of VLF (Above the Base)	$237,922	$179,802	$0	$417,724	$255,126	$247,228	$194,139	$696,493	$255,126	$247,228	$155,913	$658,267

[1] From 2004-2005 adopted budget.
[2] 2004-2005 Vehicle License Fee amount before change of VLF calculation.
[3] Amount that is offset by the new State budget and will be reimbursed by property tax.
[4] Assumes 2009 assessed value as the base value (derived by taking the 2007 assessed value and applying 6% increase based on the average growth between 2003 and 2007.

Source: City of San Jose; CA State Controller Office; Economic & Planning Systems, Inc.

Table A-13
Construction & Conveyance Tax Calculation
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Land Use	Assumption		Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
			Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
Conveyance Taxable AV														
Resold Properties														
Residential	10%	Turnover Rate	$0	$0	$0	$0	$0	$68,976,834	$0	$68,976,834	$0	$68,976,834	$0	$68,976,834
Commercial	5%	Turnover Rate	$33,190,250	$25,082,500	$0	$58,272,750	$33,190,250	$0	$27,082,500	$60,272,750	$33,190,250	$0	$21,750,000	$54,940,250
Total Value			$33,190,250	$25,082,500	$0	$58,272,750	$33,190,250	$68,976,834	$27,082,500	$129,249,584	$33,190,250	$68,976,834	$21,750,000	$123,917,084
Conveyance Tax ($3.30/$1,000 value)			$109,528	$82,772	$0	$192,300	$109,528	$227,624	$89,372	$426,524	$109,528	$227,624	$71,775	$408,926
Construction Tax [1]	not estimated													
Total C&C Tax			$109,528	$82,772	$0	$192,300	$109,528	$227,624	$89,372	$426,524	$109,528	$227,624	$71,775	$408,926
Allocation to Parks O&M Use [2]			**$10,515**	**$7,946**	**$0**	**$18,461**	**$10,515**	**$21,852**	**$8,580**	**$40,946**	**$10,515**	**$21,852**	**$6,890**	**$39,257**
Allocation to Capital Programs														
Parks Capital Program (64%)			$70,098	$52,974	$0	$123,072	$70,098	$145,679	$57,198	$272,975	$70,098	$145,679	$45,936	$261,713
Communications (3.34%)			$3,658	$2,765	$0	$6,423	$3,658	$7,603	$2,985	$14,246	$3,658	$7,603	$2,397	$13,658
Service Yard (7.78%)			$8,521	$6,440	$0	$14,961	$8,521	$17,709	$6,953	$33,184	$8,521	$17,709	$5,584	$31,814
Library (14.25%)			$15,608	$11,795	$0	$27,403	$15,608	$32,436	$12,736	$60,780	$15,608	$32,436	$10,228	$58,272
Fire (8.4%)			$9,200	$6,953	$0	$16,153	$9,200	$19,120	$7,507	$35,828	$9,200	$19,120	$6,029	$34,350
Park Yards (1.2%)			$1,314	$993	$0	$2,308	$1,314	$2,731	$1,072	$5,118	$1,314	$2,731	$861	$4,907
Total			**$108,400**	**$81,920**	**$0**	**$190,319**	**$108,400**	**$225,279**	**$88,452**	**$422,130**	**$108,400**	**$225,279**	**$71,036**	**$404,714**
One-Time Construction Tax [3]														
Multi-Family Construction Tax	$75.00	per unit	$0	$0	$0	$0	$0	$97,500	$0	$97,500	$0	$97,500	$0	$97,500
Commercial Construction Tax	$0.08	per s.f.	$127,120	$116,000	$0	$243,120	$127,120	$0	$116,000	$243,120	$127,120	$0	$80,000	$207,120
Total One-Time Construction Tax			**$127,120**	**$116,000**	**$0**	**$243,120**	**$127,120**	**$97,500**	**$116,000**	**$340,620**	**$127,120**	**$97,500**	**$80,000**	**$304,620**

[1] Because this model reflects a stabilized year of operations, the construction tax is not estimated.
[2] Nearly 9.6% of the City's construction and conveyance tax revenue (or 15% of the City's Parks Capital Program revenue) can be used for parks operation and maintenance purposes.
[3] The construction tax represents a one-time source of revenue based on the current rate of $75 per multi-family unit and $0.08 per square foot of commercial buildings. Revenues are dedicated to the Park and Community Facilities, Communications, Fire, Library, and Service Yards Capital Programs.

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

Table A-14
Annual Fiscal Impact Summary at Project Buildout (2009 Dollar Terms)
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

	Scenario A without Stadium				Scenario B with Stadium				Scenario C with Stadium/ no Edenvale Retail			
Category	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total	Airport West	iStar	Elsewhere in Edenvale	Total
City General Fund Revenues												
Property Tax	$813,909	$0	$0	$813,909	$873,909	$0	$0	$873,909	$873,909	$0	$0	$873,909
Property Tax In-Lieu of VLF	$237,922	$179,802	$0	$417,724	$255,126	$247,228	$194,139	$696,493	$255,126	$247,228	$155,913	$658,267
Sales Tax	$255,628	$1,016,536	$0	$1,272,164	$374,629	$151,610	$1,045,516	$1,571,755	$374,629	$151,610	$86,940	$613,179
Transient Occupancy Tax	$510,489	$0	$0	$510,489	$510,489	$0	$0	$510,489	$510,489	$0	$0	$510,489
Franchise Fee	$47,587	$47,671	$0	$95,258	$47,587	$103,966	$60,998	$212,551	$47,587	$103,966	$39,980	$191,533
Utility Users Tax	$95,687	$95,855	$0	$191,542	$95,687	$209,052	$122,652	$427,390	$95,687	$209,052	$80,390	$385,128
Business Tax	$98,022	$98,195	$0	$196,217	$98,022	$0	$125,645	$223,668	$98,022	$0	$82,352	$180,374
Fines, Forfeitures, and Penalties	$0	$0	$0	$0	$0	$46,495	$0	$46,495	$0	$46,495	$0	$46,495
Motor Vehicle License Fee	$0	$0	$0	$0	$0	$14,487	$0	$14,487	$0	$14,487	$0	$14,487
Gas Tax Transfer	$0	$0	$0	$0	$0	$61,405	$0	$61,405	$0	$61,405	$0	$61,405
Construction and Conveyance Tax Transfer [1]	$10,515	$7,946	$0	$18,461	$10,515	$21,852	$8,580	$40,946	$10,515	$21,852	$6,890	$39,257
Total General Fund Revenue	**$2,059,244**	**$1,438,058**	**$0**	**$3,497,302**	**$2,255,449**	**$834,244**	**$1,548,949**	**$4,638,642**	**$2,255,449**	**$834,244**	**$445,574**	**$3,535,267**
City General Fund Expenditures												
General Government												
General Government	$23,229	$23,270	$0	$46,498	$23,229	$23,270	$29,775	$76,273	$23,229	$23,270	$19,515	$66,014
Finance	$4,510	$4,518	$0	$9,029	$4,510	$4,518	$5,782	$14,810	$4,510	$4,518	$3,789	$12,818
Economic Development	$2,088	$2,091	$0	$4,179	$2,088	$2,091	$2,676	$6,855	$2,088	$2,091	$1,754	$5,933
Total General Government	$29,827	$29,879	$0	$59,706	$29,827	$29,879	$38,232	$97,938	$29,827	$29,879	$25,059	$84,765
Public Safety												
Fire	$132,947	$133,182	$0	$266,129	$132,947	$350,726	$170,413	$654,087	$132,947	$350,726	$111,694	$595,368
Police	$256,560	$257,011	$0	$513,571	$256,560	$676,825	$328,859	$1,262,244	$256,560	$676,825	$215,544	$1,148,929
Total Public Safety	$389,507	$390,193	$0	$779,700	$389,507	$1,027,552	$499,272	$1,916,331	$389,507	$1,027,552	$327,238	$1,744,297
Capital Maintenance												
General Service	$21,375	$21,412	$0	$42,787	$21,375	$46,698	$27,398	$95,471	$21,375	$46,698	$17,958	$86,031
Public Works	$11,274	$11,294	$0	$22,568	$11,274	$24,631	$14,451	$50,355	$11,274	$24,631	$9,472	$45,376
Transportation	$17,737	$17,737	$0	$35,475	$17,737	$9,365	$17,737	$44,840	$17,737	$9,365	$8,869	$35,971
Total Capital Maintenance	$50,386	$50,443	$0	$100,829	$50,386	$80,694	$59,586	$190,667	$50,386	$80,694	$36,298	$167,378
Community Services												
Library	$0	$0	$0	$0	$0	$37,305	$0	$37,305	$0	$37,305	$0	$37,305
Park, Recreation & Neighborhood Services	$0	$0	$0	$0	$0	$95,700	$0	$95,700	$0	$95,700	$0	$95,700
Planning, Building & Code Enforcement	$10,513	$10,531	$0	$21,044	$10,513	$22,968	$13,476	$46,957	$10,513	$22,968	$8,832	$42,313
Total Community Services	$10,513	$10,531	$0	$21,044	$10,513	$155,973	$13,476	$179,962	$10,513	$155,973	$8,832	$175,319
Total General Fund Expenditures	**$480,233**	**$481,047**	**$0**	**$961,279**	**$480,233**	**$1,294,099**	**$610,566**	**$2,384,898**	**$480,233**	**$1,294,099**	**$397,427**	**$2,171,758**
City General Fund - Net Annual Fiscal Balance	**$1,579,011**	**$957,012**	**$0**	**$2,536,023**	**$1,775,217**	**($459,855)**	**$938,383**	**$2,253,744**	**$1,775,217**	**($459,855)**	**$48,147**	**$1,363,509**
City Redevelopment Agency												
Net Tax Increment to Redevelopment Agency	$0	$2,958,270	$0	$2,958,270	$0	$4,142,098	$3,194,153	$7,336,251	$0	$4,142,098	$2,565,229	$6,707,328

[1] Represents the portion of C&C tax that offsets Parks O&M costs.

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

Table A-15
Student Generation Rates
Fiscal and Economic Impact Analysis of Major League Soccer Stadium; EPS #17125

Item	K-6	7-8	9-12	Total
Residential Units [1]				
Cluster	182	182	182	**182**
Townhome 1	260	260	260	**260**
Townhome 2	299	299	299	**299**
Townhome 3	377	377	377	**377**
Apartments	182	182	182	**182**
Age Restricted Senior	0	0	0	**0**
Total Units	**1,300**	**1,300**	**1,300**	**1,300**
Students [2]				
Student Generation Rate				
Cluster	0.16	0.04	0.08	**0.28**
Townhome 1	0.16	0.04	0.08	**0.28**
Townhome 2	0.16	0.04	0.08	**0.28**
Townhome 3	0.16	0.04	0.08	**0.28**
Apartments	0.32	0.08	0.16	**0.56**
Students Generated				
Cluster	29	7	15	**51**
Townhome 1	42	10	21	**73**
Townhome 2	48	12	24	**84**
Townhome 3	60	15	30	**105**
Apartments	58	15	29	**102**
Total Students	**237**	**59**	**119**	**415**

[1] Estimated iStar product mix
[2] Source: Oak Grove ESD Enrollment Study, 2006 and interpolated HSD SGR.

Sources: Oak Grove ESD Enrollment Study, 2006; Economic & Planning Systems, Inc.