

San Jose Redevelopment Agency  
FY 2011-12 Budget Study Session  
May 19, 2011



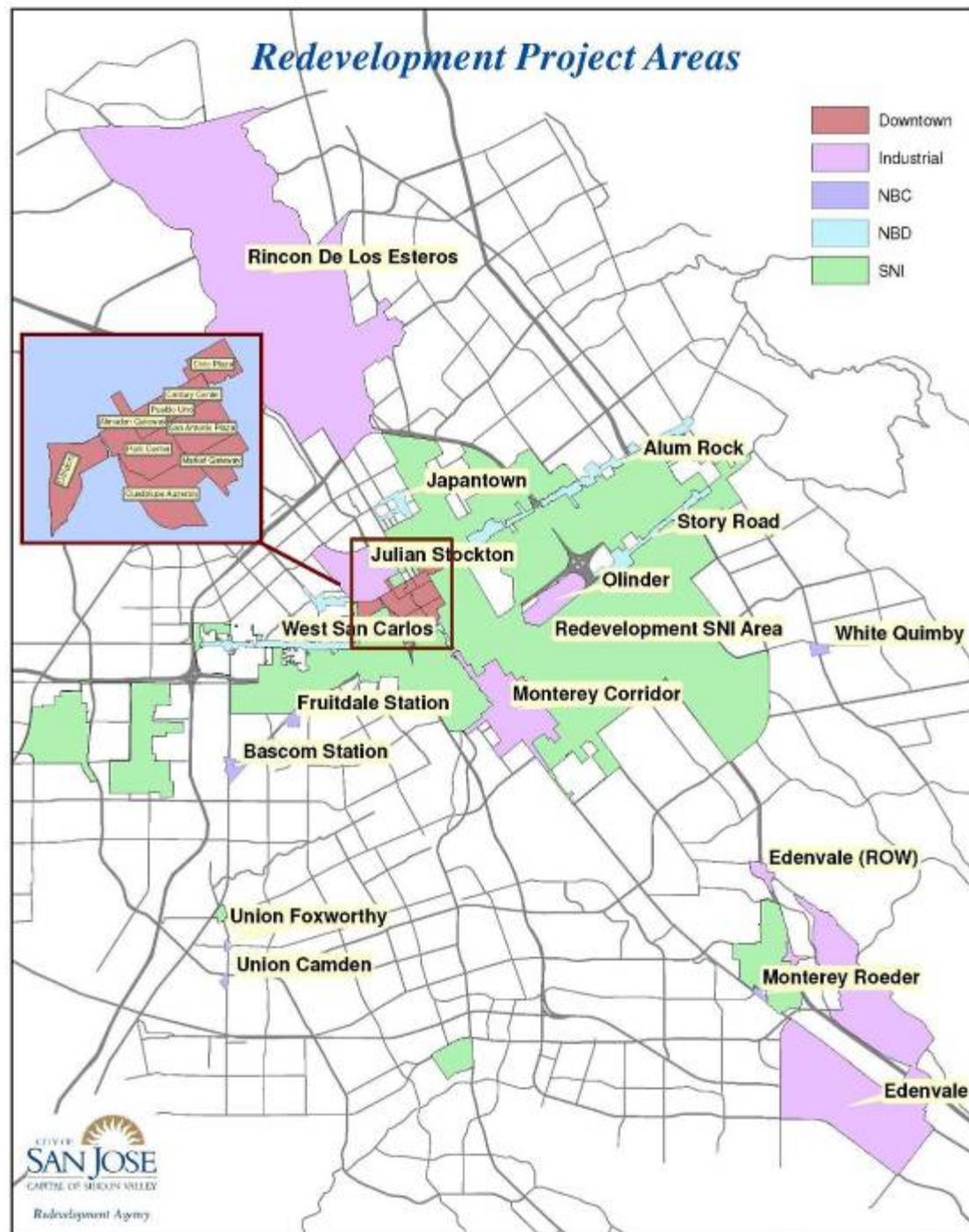
# Budget Presentation

---

- I. Overview
- II. FY 2010-11 Agency Work Program Highlights
- III. Assumptions on Tax Increment and Revenue Sources.
- IV. One Year Capital & Operating Budget
- V. Moving Forward

# I. Overview

Three decades of programs/projects with significant return on agency investment in the Downtown, Industrial Areas, Business Districts, and Strong Neighborhoods.



# Redevelopment in San Jose

---

The San Jose Redevelopment Agency has invested tax increment revenues over the past 25 years in:

- Job generation
- Housing Stock
- Public Facilities
- Capital infrastructure
- Neighborhood revitalization

# Investments and Outcomes

---

- Invested over \$3 billion in the San Jose community, which generated \$19 billion in private investments
- On average, each \$1 the Agency invested leveraged \$7 in private investment
- Created 114,000 private sector jobs (25% of all San Jose jobs)
- Agency's activity generates \$31 million in annual sales taxes to the City's General Fund to provide services to the community (nearly 30% of total annual Citywide sales tax collections)
- Housing has invested over \$835 million in affordable housing and rehab projects, which increased housing supply by over 21,000 units in San Jose

# Obligations

---

- Over the past ten years Agency paid the City more than \$335 million (includes Debt Service and City Support Services)
- Over the past ten years paid County more than \$300 million
- Paid State \$118.2 million since 2003-04; includes \$12.8 million paid to the State on May 10, 2011 from Housing Fund

## II. FY 2010-11 Agency Work Program Highlights

# Business Attraction, Retention, and Business Appreciation Events

- 152 Retention Visits
- 38 Attraction Efforts
- Business appreciation events



*Monterey Corridor Event Hosted by Grubb & Ellis*



*North San Jose Event Hosted by Brocade*

# Retention & Attraction of Jobs in FY 2010-11

- Retained Brocade, SunPower, and SunPods and attracted Maxim, C8-Medisensors, Hospira, and SolFocus, adding over 5,000 jobs in FY 2010-11 with a potential to grow to 7,000.
- Continued to administer the Enterprise Zone (EZ) program. Issued 1,952 hiring tax credit vouchers to 248 businesses in FY 2010-11.
- Assisted in the grand opening ceremony for Power Integrations' new photovoltaic solar carport, Equinix's data center, Shocking Technologies new production line, Brocade's new campus, and F-5 Networks in North San Jose.



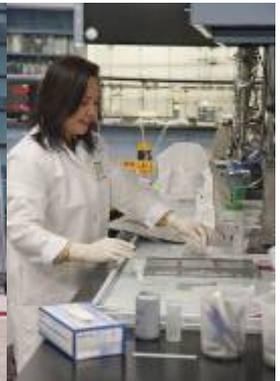
Power Integration Solar Carport



Equinix



Brocade



Shocking Technologies

# San Jose Incubator Program

| <b>Program</b> | <b>Founded</b> | <b>Number of Tenants</b> | <b>Number of Employees</b> | <b>Number of Affiliates</b> |
|----------------|----------------|--------------------------|----------------------------|-----------------------------|
| EBC            | 1994           | 11                       | 54                         | 12                          |
| USMAC          | 1996           | 38                       | 71                         | 54                          |
| SJBC           | 2004           | 22                       | 213                        | 8                           |

eCenter has 6 service providers, including SBA and SBDC, hosts 300 training events and serves 8,000 clients annually.

Agency invested \$838,000 in FY 2010-11 in the San Jose Incubator Program .

# Civic Auditorium Improvements



Agency Investment \$12 Million

Project included:

- Structural upgrades
- A new elevator
- New fixed seating
- ADA Improvements



# New Retail



Whole Foods



Los Gatos Brewing Co.



Satori.

# Edenvale Community Center



Total project cost \$18 million  
Agency invested \$13 Million  
City invested \$5 million



# San Pedro Square Urban Market

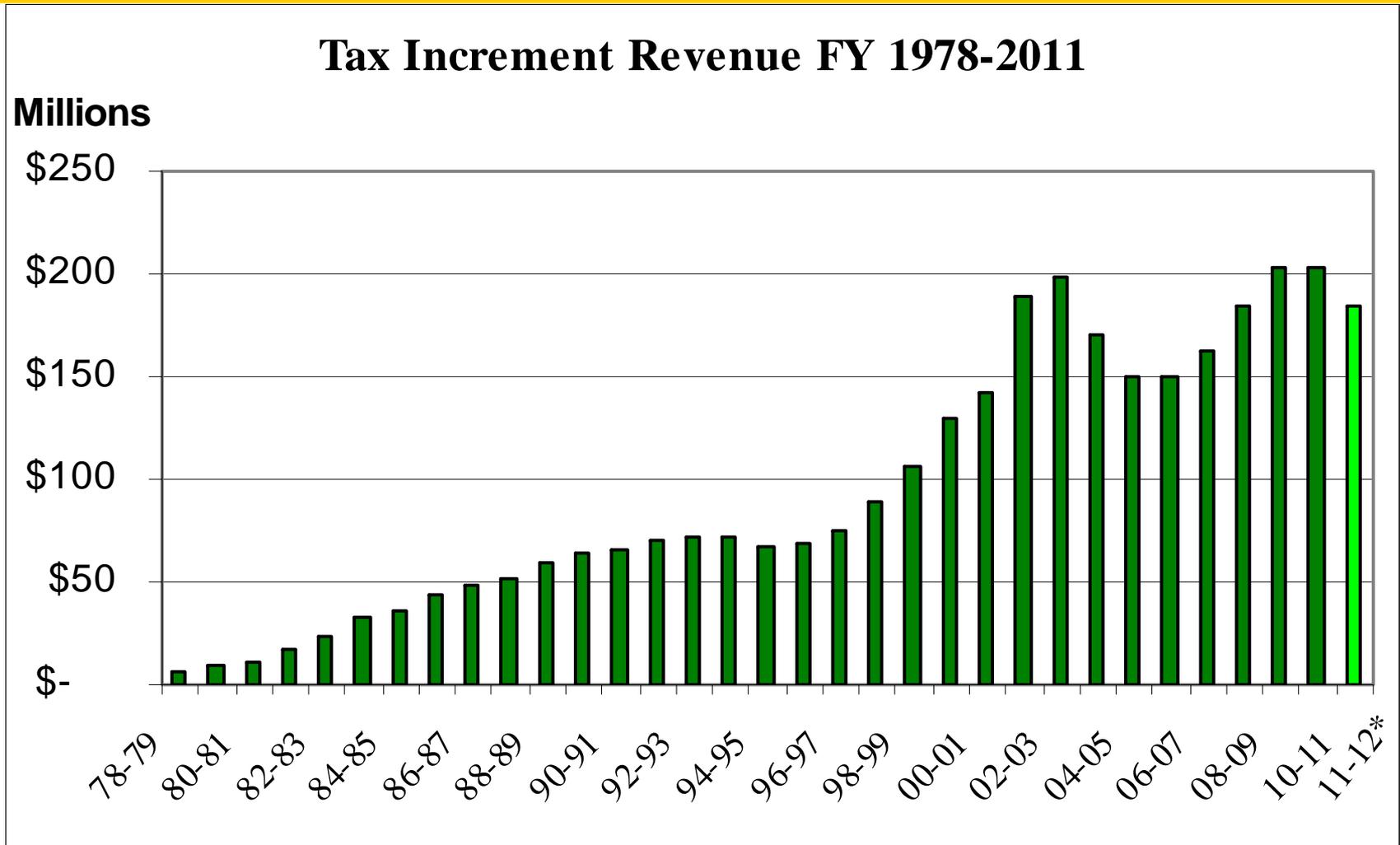


Agency investment \$6 Million



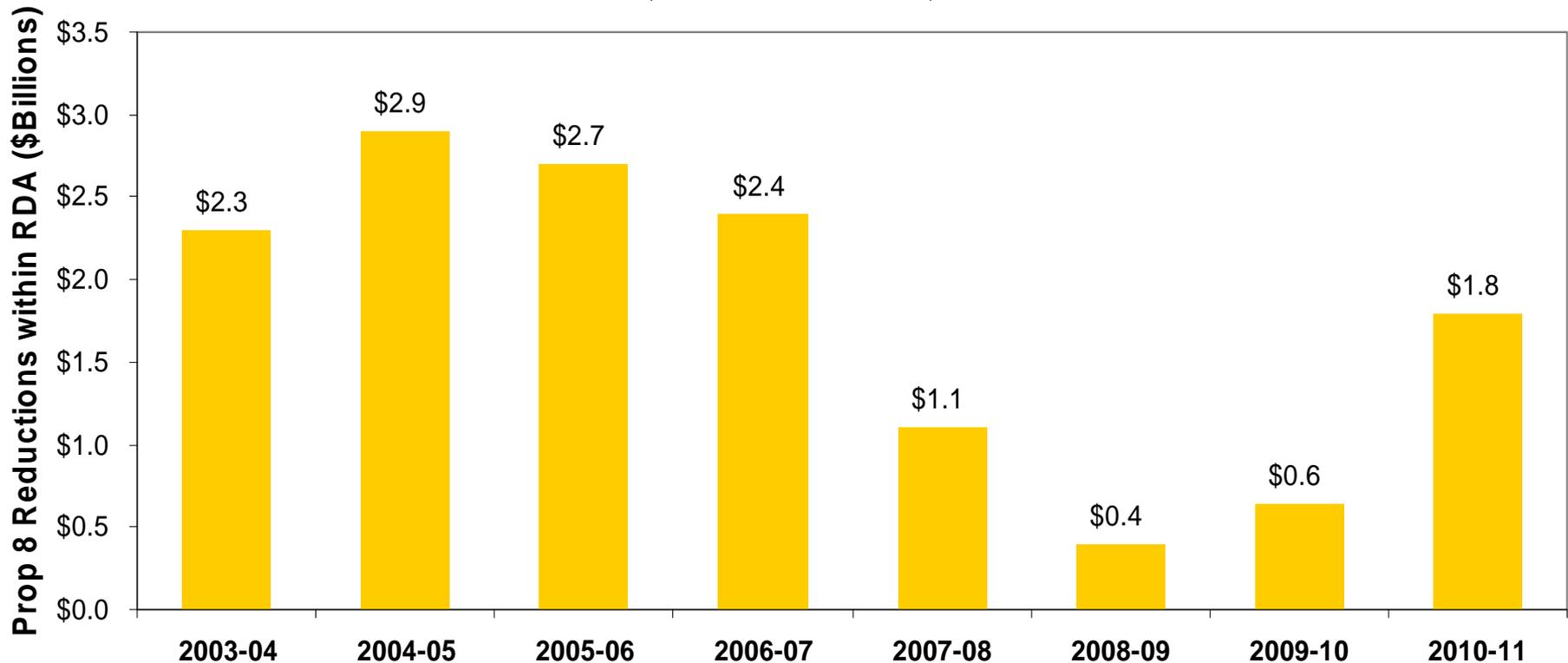
# III. Assumptions on Tax Increment and Revenue Sources

# Historical Tax Increment Revenue



\*Fiscal Year 2011-12 is estimated.

# Temporary Prop 8 Reductions to Assessed Value within Project Area During Recovery from Last Downturn (\$Billions)



*Source: Santa Clara County Assessor Annual Report*

# Assessment List for Significant SJRA Projects FY 2011-12

| Project Name/<br>Owner | Project<br>Status | Square Ft/<br>Rms/Units | Incremental<br>Value         | Project<br>Area |
|------------------------|-------------------|-------------------------|------------------------------|-----------------|
| Brocade Mixed Use I    | Complete          | 565,000                 | \$ 158,213,047               | Rincon          |
| Equinix Data Center    | Complete          | 170,000                 | 129,524,125                  | Edenvale        |
| Hotel Sierra           | Complete          | 164                     | 5,074,527                    | Rincon          |
| Target Store           | Complete          | 138,000                 | 20,700,000                   | Rincon          |
| Block 8 (Sobrato)      | Sale(5/26/10)     | 64,904                  | 13,000,000                   | SanAnton        |
| 101 San Fernando       | Sale(7/7/10)      | 215                     | 11,431,973                   | CentCtr         |
| BRE Properties         | Sale(8/12/10)     | 226                     | 8,345,772                    | Rincon          |
| Block 2 (Sobrato)      | Sale(5/26/10)     | 44,736                  | 7,000,000                    | SanAnton        |
| San Jose Market Center | Sale(7/8/10)      | 360,000                 | 6,797,808                    | Julstock        |
|                        |                   |                         | <b><u>\$ 360,087,252</u></b> |                 |

# Tax Increment Budget Assumptions

---

| <u>Fiscal Year</u> | <u>Tax Increment</u><br>(In millions) | <u>% Increase</u> |
|--------------------|---------------------------------------|-------------------|
| 2010-11            | \$184                                 | -7.9%             |
| 2011-12            | \$175                                 | -5.0%             |

# What If?

---

Budget assumes a 5% drop in assessed value in FY 2011-12.

What if assessed value drops more?

- A 1% reduction in property value results in \$1.5 million reduction in funds

# Revenue Sources

---

- Fund Balance
- Tax Increment
- Interest Income
- Other/Miscellaneous Revenues (e.g. land sales and grants)

# SJRA Challenges

---

- \$75 million State take away (SERAF)
- Santa Clara County Assessment Roll declined by 2.43%
- FY 2010-11 Assessed Value declined from \$20.0 Billion to \$18.5 Billion (-7.3%)
- FY 2010-11 Gross Tax Increment declined from \$200.1 million to \$184.3 million

# Redevelopment Statewide Issues

---

- Elimination of Redevelopment Agencies in order to save perceived \$1.7 billion for the state budget
- CRA and the League of Cities Redevelopment Reform Plan
- CRA is working on two pieces of legislation, SB450 and SB286 that would impose reforms on redevelopment and guide redevelopment to maximize job creation, revitalize run-down communities, clean up contaminated properties, finance infrastructure and build affordable housing.

# Proposed Reforms

---

- Tighten the definition of blight and ensure that it focuses on areas most in need
- Limit Redevelopment size (percentage of land area in any given city)
- New redevelopment projects require that school districts retain all property taxes, increasing school funding
- Implement strict performance-based standards focusing on State priorities and increase oversight by local citizens
- Increase accountability with stringent reporting and performance standards
- Require annual performance audits by the State Auditor
- Prohibit the use of funds for non-redevelopment expenses
- Reduce redevelopment footprint in the State

# IV. One Year Capital & Operating Budget

**THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**  
**PROPOSED FY2011-12 MERGED AREA SOURCE AND USE OF FUNDS SUMMARY**

| <b>SOURCE OF FUNDS</b>                        | <b>Estimated<br/>FY 2010-11</b> | <b>Year 1<br/>FY 2011-12</b> | <b>Total</b> |
|---|---------------------------------|------------------------------|--------------|
| 1 TI Growth Rate                              | -7.89%                          | -5.00%                       |              |
| 2 Beginning Fund Balance                      | \$ 75,684,820                   | 30,585,306                   | 75,684,820   |
| 3 Tax Increment (Merged Area)                 | 184,328,000                     | 175,111,600                  | 359,439,600  |
| 4 Supplemental Assessments                    | 0                               | 0                            | 0            |
| 5 Anticipated Reduction in TI                 | 0                               | (500,000)                    | (500,000)    |
| 6 SERAF Loan from City                        | 12,815,668                      | 0                            | 12,815,668   |
| 7 Trust Account Interest                      | 594,732                         | 595,542                      | 1,190,273    |
| 8 Redevelopment Fund Interest                 | 991,803                         | 856,183                      | 1,847,986    |
| 9 City Parking Revenue Fund Reimbursement (1) | 3,400,000                       | 3,400,000                    | 6,800,000    |
| 10 Other Miscellaneous Revenue (2)            | 25,149,743                      | 9,991,648                    | 35,141,391   |
| 11  |                                 |                              |              |
| 12 TOTAL SOURCE OF FUNDS                      | \$ 302,964,766                  | 220,040,278                  | 492,419,739  |
| 13  |                                 |                              |              |
| 14 <b>USE OF FUNDS</b>                        |                                 |                              |              |
| 15  |                                 |                              |              |
| 16 Financing/Other Costs:                     |                                 |                              |              |
| 17 Tax Allocation Bonds                       | \$ 133,045,380                  | 133,006,474                  | 266,051,854  |
| 18 Variable Bond                              | 3,375,517                       | 3,636,900                    | 7,012,417    |
| 19 HUD 108 (3)                                | 1,760,401                       | 310,014                      | 2,070,415    |
| 20 ERAF Loan Payment                          | 4,497,184                       | 4,490,494                    | 8,987,678    |
| 21 20% Housing Set Aside                      | 36,865,600                      | 34,922,320                   | 71,787,920   |
| 22 SERAF Payment                              | 12,815,668                      | 0                            | 12,815,668   |
| 23 AB1290 Pass-Through Payments               | 2,706,446                       | 2,571,124                    | 5,277,570    |
| 24 4th St. Parking Garage Bond - Debt Service | 3,400,000                       | 3,400,000                    | 6,800,000    |
| 25 Convention Center Bond Debt Service        | 15,012,113                      | 5,340,225                    | 20,352,338   |
| 26 Total Financing/Other Costs:               | \$ 213,478,309                  | 187,677,550                  | 401,155,859  |

**THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
PROPOSED FY2011-12 MERGED AREA SOURCE AND USE OF FUNDS SUMMARY**

| <b>USE OF FUNDS</b>                          | <b>Estimated<br/>FY 2010-11</b> | <b>Year 1<br/>FY 2011-12</b> | <b>Total</b> |
|--|---------------------------------|------------------------------|--------------|
| 27 Capital Expenditures:                     |                                 |                              |              |
| 28 Strengthen Neighborhoods                  | \$ 499,618                      | 140,555                      | 640,173      |
| 29 Strong Neighborhoods Initiative           | 2,200,902                       | 1,368,437                    | 3,569,339    |
| 30 Develop, Preserve Housing                 | 35,472                          | 5,914,661                    | 5,950,133    |
| 31 Build Public Facilities                   | 12,003,385                      | 1,583,369                    | 13,586,755   |
| 32 Economic Development                      | 7,913,713                       | 9,328,428                    | 17,242,141   |
| 33 Litigation Services (4)                   | 250,000                         | 200,000                      | 450,000      |
| 34 Total Capital Expenditures                | \$ 22,903,090                   | 18,535,451                   | 41,438,540   |
| 35   |                                 |                              |              |
| 36 Operating Expenditures                    |                                 |                              |              |
| 37 Personnel (5)                             | \$ 14,544,366                   | 1,250,000                    | 15,794,366   |
| 38 Non - Personnel/Capital Equipment (6)     | 2,756,289                       | 400,000                      | 3,156,289    |
| 39 City Support Services (7)                 | 4,168,313                       | 250,000                      | 4,418,313    |
| 40 Total Operating Expenditures              | \$ 21,468,968                   | 1,900,000                    | 23,368,968   |
| 41   |                                 |                              |              |
| 42 Obligated Payments:                       |                                 |                              |              |
| 43 Fiscal Agent Fees                         | \$ 150,000                      | 150,000                      | 300,000      |
| 44 Letter of Credit Fees                     | 2,000,000                       | 2,034,270                    | 4,034,270    |
| 45 Line of Credit Liquidity Reserve          | 5,000,000                       | 0                            | 5,000,000    |
| 46 Arena Pass-Through Payment                | 355,000                         | 355,000                      | 710,000      |
| 47 County Tax Collection Fees                | 2,024,094                       | 1,843,280                    | 3,867,374    |
| 48 County Past Due Payment Settlement        | 5,000,000                       | 1,011,696                    | 6,011,696    |
| 49 County Delegated Payment (8)              | 0                               | 0                            | 0            |
| 50 County Pass-Through Agreement Payment (9) | 0                               | 0                            | 0            |
| 51 Total Obligated Payments                  | \$ 14,529,094                   | 5,394,246                    | 19,923,340   |
| 52   |                                 |                              |              |
| 53 <b>TOTAL USE OF FUNDS</b>                 | \$ 272,379,461                  | 213,507,247                  | 485,886,707  |
| 54   |                                 |                              |              |
| 55 <b>ECONOMIC UNCERTAINTY RESERVE</b>       | \$ 30,585,306                   | 6,533,031                    | 6,533,031    |

**THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
PROPOSED FY2011-12 MERGED AREA SOURCE AND US OF FUNDS SUMMARY**

|                                   | <b>Estimated<br/>FY 2010-11</b> | <b>Year 1<br/>FY 2011-12</b> |
|-----------------------------------|---------------------------------|------------------------------|
| <b>Bond Proceeds (Restricted)</b> | 3,011,343                       | 0                            |
| <b>Unrestricted</b>               | 27,573,963                      | 6,533,031                    |
| <b>Total</b>                      | <b>30,585,306</b>               | <b>6,533,031</b>             |

Assumptions:

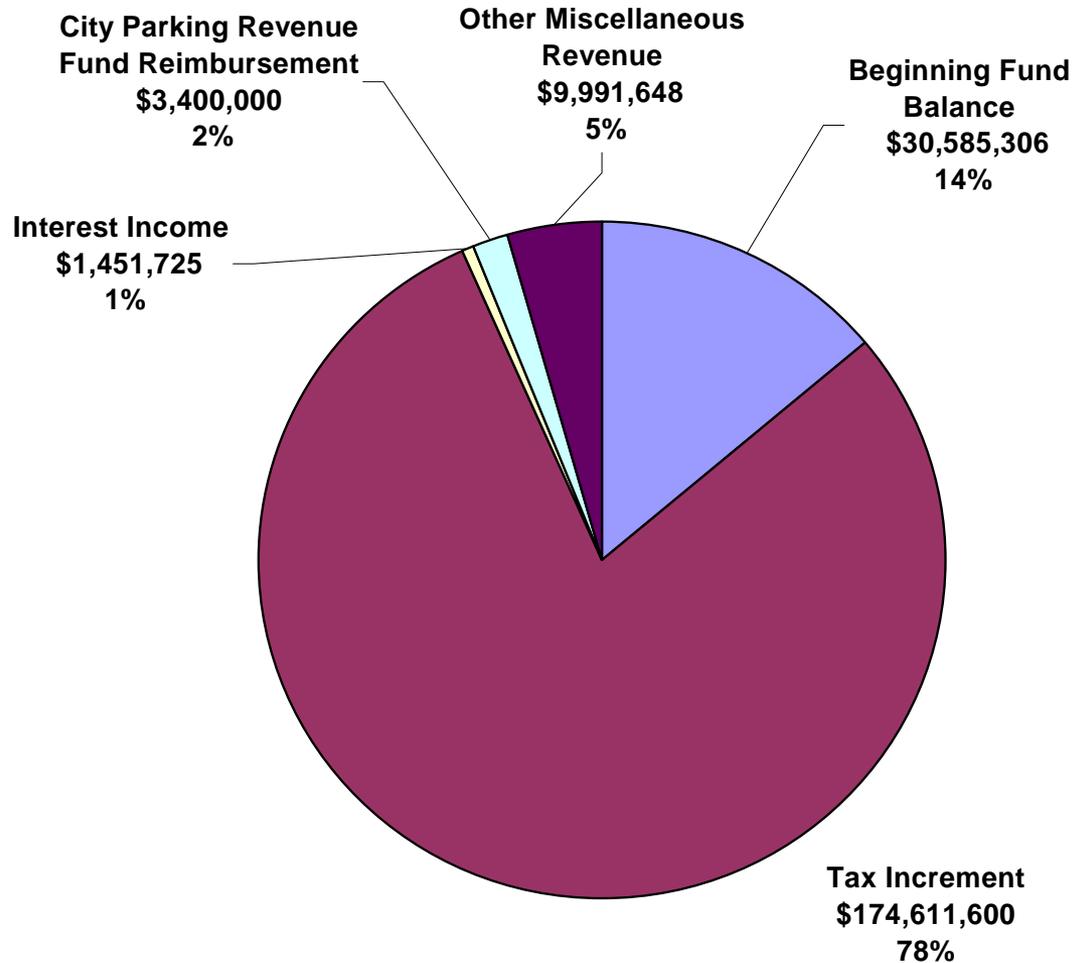
- (1) City will fund \$3.4 million for 4th Street Parking Garage Debt Service for FY2011-12 from Parking Fund
- (2) See attached Other Miscellaneous Revenue Summary for details
- (3) HUD 108 principal and interest Debt Service for FY2011-12 to be funded by City with CDBG funds. Amount in FY2011-12 reflects HUD loan payment from developers
- (4) For Litigation Services as needed.
- (5) Funding for 10 FTE's (includes 8 Agency and 2 General Counsel FTE's) for FY2011-12
- (6) \$100,000 for rent and \$300,000 for Annual Fiscal Audit, IT financial system support and office supplies FY2011-12
- (7) \$250,000 in FY2011-12 for Mayor & Council, HR, IT and Clerk.
- (8) No Bond Issue in FY2011-12
- (9) County payment deferred for FY2011-12

# Fund Balance

- Beginning fund balance of \$30.5 Million shown on Source and Use of Fund Summary is as of June 30, 2011.
  - As we fund projects and pay obligations the fund balance decreases and the capital project lines decrease correspondingly.
  - From July 1, 2010 through May 15, 2011, liquidated contracts totaled \$4.0 million.

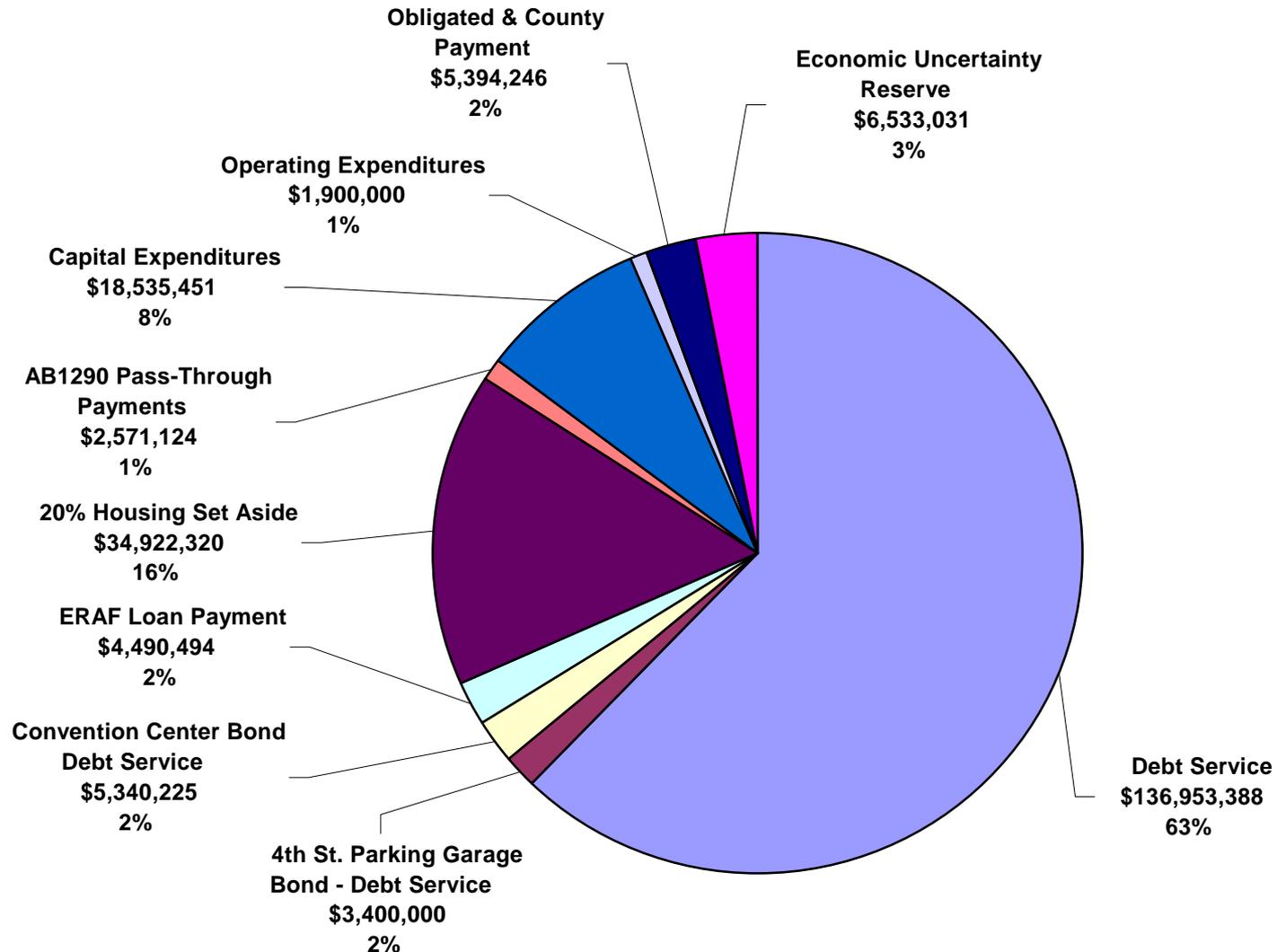
# Proposed FY 2011-12 Capital & Operating Budget

## Source of Funds \$220 Million



# Proposed FY 2011-12 Capital & Operating Budget

## Use of Funds \$220 Million



# Proposed FY 2011-12 Capital Budget

---

|                                       | <u>In Millions</u> |
|---------------------------------------|--------------------|
| • Contract/Lease Obligations          | \$13.2             |
| • Grant Restricted Funded Project     | 3.4                |
| • Job Creation & Economic Development | 1.7                |
| • Litigation Services                 | <u>0.2</u>         |
| TOTAL                                 | <u>\$18.5</u>      |

# V. Moving Forward

# Mayor/Agency Board Direction

---

- Pay Contractual Obligations
- Retention/Recruitment
- Tax Increment Generation
- Incubator Program

# Proposed SJRA Staffing

July 1, 2011

