

Fiscal and Economic Analysis – Synopsis

Introduction

In order to fully understand the fiscal and economic contributions of the Vallco Town Center Specific Plan Initiative, a complete analysis of the initiative has been prepared by Keyser Marston Associates, an independent consultant. This analysis examines all fiscal impacts to the City of Cupertino (City), local schools, and local economic benefits resulting from the construction and operations of projects proposed or anticipated in the area included in the Vallco Town Center Specific Plan. Economic impacts include direct, on-site jobs, output, and compensation, as well as indirect/induced impacts generated within the City and Santa Clara County (County) as a result of expenditures by firms, employees and residents.

Overall, this fiscal and economic analysis determined that the revitalization of Vallco as proposed in the Town Center Initiative will bring both significant one-time and recurring economic benefits to Cupertino. These include \$5.3 million in direct annual fiscal benefits to the City, \$14.7 million one-time construction-related revenues to the City, \$13.2 million in annual property tax revenues to local public agencies and schools and \$549.6 million in community benefits.

Fiscal Analysis

Upon completion, the revitalization of Vallco as envisioned in the Town Center Initiative will generate approximately \$6.6 million in new ongoing tax revenues to the City of Cupertino, primarily from transient occupancy taxes, sales taxes and property taxes. After taking into account the annual cost of providing municipal services (\$1.3 million), the revitalization of Vallco is anticipated to annually generate a \$5.3 million net fiscal surplus to the City. Further, as the result of off-site spending of residents, workers and visitors, the Vallco Town Center Specific Plan is estimated to indirectly generate approximately \$128,000 in additional annual sales tax revenues to the City's General Fund.

In addition to these new ongoing revenues, the City of Cupertino will receive approximately \$14.7 million in one-time tax revenues from the development and construction of the revitalization of Vallco. The use of these tax revenues is not restricted, and these taxes are in addition to building permit and impact fee revenues, including an estimated \$50 million in affordable housing impact fee revenues.

Economic Analysis

Beyond generating new revenues, the Town Center Initiative will also have positive economic contributions to the City and County. The construction of the revitalization of Vallco will generate approximately 12,555 jobs over the development period. Further, development of the Vallco Town Center Specific Plan will support \$1.4 billion of payroll expenditures in the City and \$1.6 billion in the County, as well as \$3.4 billion in output countywide.

Once completed and in operation, the revitalization of Vallco is anticipated to directly generate 8,264 permanent, full-time jobs, approximately \$1.1 billion in additional annual employee compensation and \$1.8 billion in additional annual economic output above current economic conditions. These direct economic impacts reflect the output, employment, and salaries of retail and office tenants, building services contractors and the hotel within the Vallco Town Center Specific Plan. Additionally, approximately \$2.3 billion in additional economic output will be created for businesses in the City.

FUHSD and CUSD Fiscal Impacts

The Town Center Initiative will create a net positive impact on the already world-class schools in Cupertino. In addition to the state-mandated building impact fee revenue to FUHSD and CUSD, the total financial contribution to schools will be over \$50 million and include a variety of benefits and amenities for Cupertino's schools - more than 12 times the anticipated costs to the districts to accommodate the students resulting from the revitalization of Vallco. This contribution is over and above the payment of all state-mandated development fees.

These extraordinary benefits, which will support both districts, are estimated to offset any capital impacts generated by the Town Center Initiative and create additional capacity. After accounting for these benefits, the net capital facility surplus will be approximately \$31.5 million to FUHSD and \$21.7 million to CUSD (in the event CUSD opts for the Town Center developer to build new education facilities instead of making a \$19 million cash donation).

It is estimated that the projected student population increase is estimated to generate approximately \$217,000 of additional operating expense to FUHSD. However, property tax and parcel tax revenues are estimated to exceed incremental operating costs, resulting in a surplus to FUHSD of approximately \$3.2 million per year. And for CUSD, the Property Owner has volunteered to pay the equivalent applicable parcel tax for each non-senior residential unit, estimated to be approximately \$77,000 per year.

Furthermore, the Town Center Initiative will generate \$1 million of new property tax revenue annually to each district dedicated to the repayment of outstanding bonds issued by FUHSD and CUSD. This new revenue will accelerate the repayment of the districts' outstanding bonds and will represent between four and five percent of the respective property taxes currently collected for debt service in each district.

As a result of these guaranteed benefits, the Town Center Initiative will have a positive impact by enhancing Cupertino's world-class schools and providing unprecedented funding and support.

Impacts to Local Public Agencies and Public-Serving Improvements

The Town Center Initiative will also provide funding for vital community services. The revitalization of Vallco is anticipated to generate an estimated \$19 million of property tax revenue to support these services. Approximately \$9 million of these funds will be allocated to the City of Cupertino and the local school districts. The remaining \$10 million will be distributed to other local service agencies including the Santa Clara County Library, the Central Fire Protection District and Santa Clara County.

Additionally, the Town Center Initiative includes numerous private investments in public-serving improvements, including traffic improvements and upgrades to area-serving infrastructure which are estimated to total \$52 million.

Community Benefit Investments

Beyond generating a fiscal surplus to the City of Cupertino General Fund, the revitalization of Vallco under the Town Center Initiative will provide extraordinary community benefits, including open space, civic space and mobility improvements.

Among these community benefits are approximately \$404 million in community benefit improvements, such as the proposed rooftop park, iconic children's play area, community banquet hall, public transit center, trail network and recycled water capabilities. The investments also include \$97 million in community benefit uses, including things like a high school Innovation Center, office space for local non-

profit organizations and a modernized ice skating facility. An additional \$49 million in community benefit direct financial contributions will support things like CUSD's 8th grade Yosemite Program, bike trails and a free community shuttle.

Conclusion

This analysis of the Town Center Initiative demonstrates that it will not only have a positive impact on Vallco but monumental positive fiscal and economic impacts on the entire City and Cupertino schools as well. By bringing in new revenues for the City and the school districts and strengthening the City's economy and the school districts' fiscal well-being, the Town Center Initiative will improve Cupertino's quality of life.

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