

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: JANUARY 27, 2009

INFORMATION

SUBJECT: SAFEWAY IN THE 88

Block 3 Development Partners, LLC, developer of The 88, has signed Safeway as the anchor tenant for the ground floor retail space at the southeast corner of Second and San Fernando Streets (see attached map). Safeway will occupy most of the ground floor with a new urban store to be called "The Market". The store will provide a range of groceries alongside high quality prepared and specialty offerings. The 88, with ample Agency-owned public parking under the building, and surrounded by vibrant housing, retail, and arts uses, is an ideal location for a high quality retail tenant such as Safeway. Safeway's new urban market concept will mark another major milestone in meeting the needs of downtown residents, workers and visitors.

The Redevelopment Agency has been working closely with the developer of The 88 to support the opening of a new Safeway in The 88. The opening of the Safeway store is contingent upon the construction of new elevator serving the public garage. The Safeway project is anticipated to have a positive impact for our downtown by advancing the Agency's and the City's efforts to create a vibrant downtown.

Given the importance of this project to the downtown, the Executive Director will be recommending that the Agency Board approve approximately \$1.85 million in additional improvements and modifications to the Agency-owned 338-space below-grade public parking garage. The public parking modifications will include the construction of a new elevator in the garage to directly serve Safeway customers.

Agency staff is preparing to bring its recommendations to the Agency Board for consideration on February 24, 2009. This project meets the threshold Sunshine policy requirements for the preparation of a cost benefit analysis for expenditure of public funds of \$1 million or more. In accordance with this policy, attached for public review is an Assessment of Economic and Fiscal Impacts of Safeway prepared by Keyser Marston Associates.

This assessment examines both the economic and the general fund impacts of the project. In terms of economic impacts, the analysis estimates a total economic impact of 77 new, on-going jobs created with a net economic impact of \$14⁺ million a year to the local economy. This is in addition to the one-time economic boost from construction that will have an additional impact of approximately 142 jobs and an economic output of \$10.7 million during the five-month construction period. While the tax increment generated by this tenant will not fully repay the additional investment of the Redevelopment Agency, the net impact to the general fund is positive, generating a cumulative net surplus of approximately \$1.8 million over 30 years. Given both the overall economic impact and the positive effect for downtown housing and retail, staff believes that this additional support is warranted.

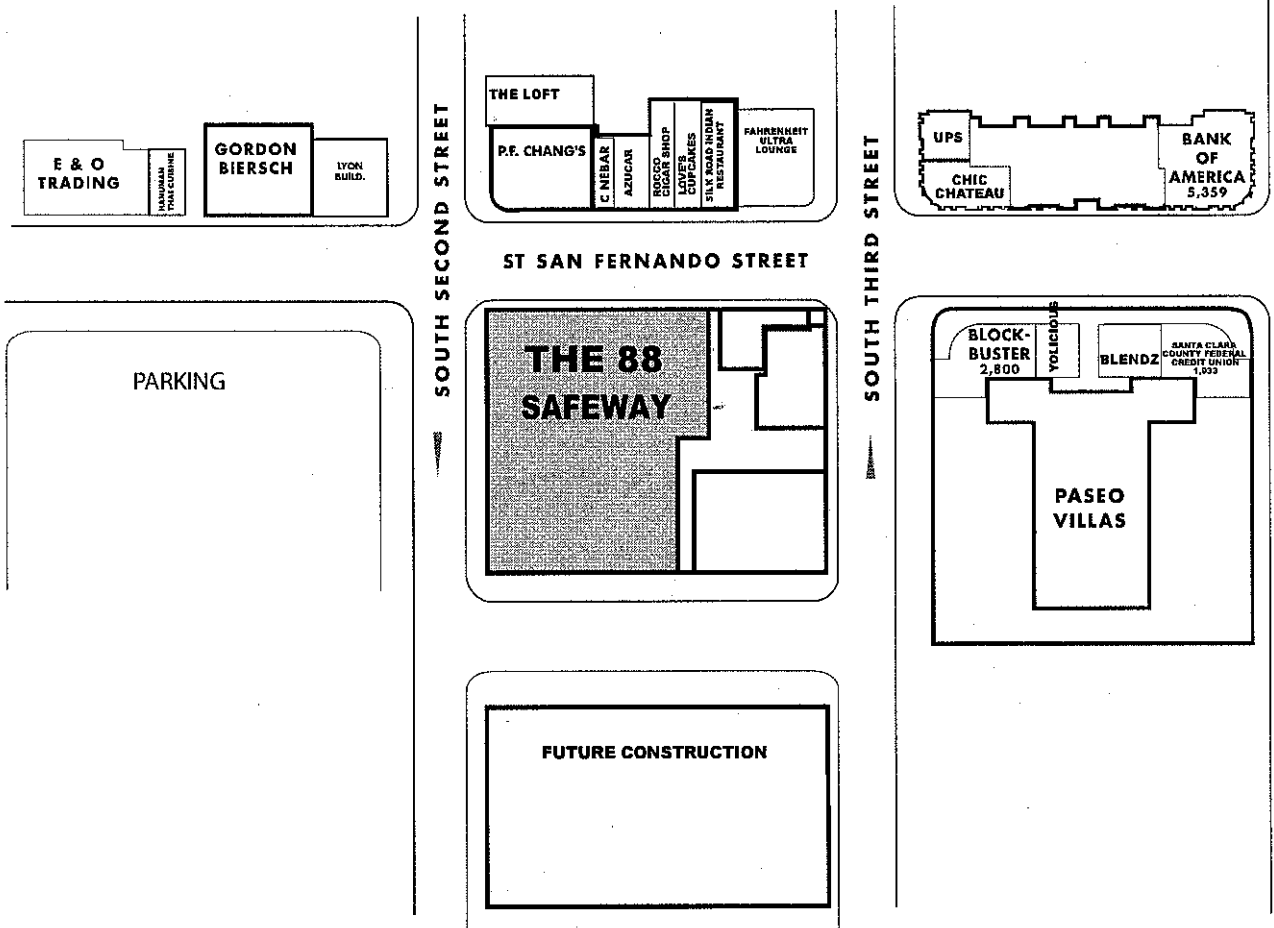
Consistent with Sunshine policy requirements, a more detailed staff report on the recommended Agency investment and other matters related to The 88 will be released for public review 14 days in advance of the scheduled Agency Board meeting.




HARRY S. MAVROGENES
Executive Director

Attachments

SAFEWAY AT THE 88



 APPROXIMATE LODCATION OF SAFEWAY



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Redevelopment Agency of the City of San Jose

From: Keyser Marston Associates, Inc.

Date: January 21, 2009

Subject: Draft Assessment of Economic and Fiscal Impacts of Safeway at
100 S. 2nd Street

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In accordance with your request, Keyser Marston Associates, Inc. (KMA) has estimated the economic and fiscal impacts to be generated by the construction of a 24,000 square foot Safeway supermarket, located on the first floor of "The 88" condominium building on the northern end of the block bounded by San Fernando Street, South 2nd Street, South 3rd Street, and East San Carlos Street. The analysis is designed to meet the City's requirement that a Cost/Benefit Analysis be undertaken for any investment of public funds over \$1 million. While the City of San Jose will not be providing any cash assistance to this project, the Redevelopment Agency (Agency) will be providing approximately \$1.7 million of cash assistance to fund parking garage and store front improvements. In addition, eight City/Agency-owned public parking spaces valued at approximately \$344,000 will be lost to provide parking structure improvements for the project, and the Agency will reimburse the Developer for \$150,000 of incurred fees and permit costs.

The following impacts are addressed in the analysis:

- Economic output¹
- Employment
- Payroll
- Net change in housing stock
- Fiscal Impact to the City's General Fund

¹ Economic output refers to the value of goods and services produced in an economy. It is a measure equivalent to the gross receipts of a company.

To: Redevelopment Agency of the City of San Jose
Subject: Economic and Fiscal Impacts – Safeway

January 21, 2009
Page 2

The findings of the analysis and major assumptions are described below and summarized on Tables 1 and 2. Supporting analysis and assumptions are included on Tables 3 through 11.

Summary of Economic Impacts

KMA has analyzed the direct and combined total of direct, indirect, and induced economic impacts from the construction and on-going operations of the supermarket. Direct impacts include economic output, employment, and payroll generated on-site. Indirect and induced impacts are generated as expenditures on materials, supplies, services, and consumer spending by employees stimulates further economic activity.

Direct impacts are estimated based on operational and development cost information provided by Safeway, the developer, and Agency staff. Indirect and induced economic impacts (multiplier effects) are estimated using RIMS II multipliers for Santa Clara County developed by the U.S. Bureau of Economic Analysis. Indirect and induced impacts are based on multipliers applicable to the County and occur throughout Santa Clara County.

A. On-Going Operations

The projected economic impacts to be generated from the on-going operations of the Safeway are summarized in the table below and presented in Tables 1 and 10. As shown, it is estimated that the market will employ 60 people, with a total payroll of approximately \$2.5 million. Gross receipts are expected to approximate \$9.5 million annually.

The proposed Safeway will provide a merchandise line similar to other Safeway stores, including a deli, baker, branded coffee shop, and a full-service meat counter. While there are no other full-service regional chain supermarkets in the immediate market area, there are a number of locally owned grocery stores, bakeries, delis, and convenience stores that offer overlapping merchandise with the proposed Safeway. The degree of overlap and the percentage of Safeway sales that would likely be generated by a transfer of sales from existing merchants to Safeway have not been evaluated. For purposes of this analysis, it has been conservatively assumed that 50% of Safeway's gross output and taxable sales will represent transfer sales from other retailers.

The expenditures of the retailer and its employees will have a ripple effect throughout the County. As shown, on a County-wide basis, it is estimated that Safeway will generate a total of 77 new jobs, \$3.6 million of new payroll per year and \$14 million of net new gross receipts.

Recurring Annual Economic Impact of Safeway	Direct Economic Impact of Safeway on City of San Jose	Total Direct, Indirect, Induced Economic Impact of Safeway on Santa Clara County
<i>Total Employment</i>	60 jobs	77 jobs
<i>Total Payroll</i>	\$2.5 Million / Year	\$3.6 Million / Year
<i>Total Gross Economic Output</i>	\$19 Million / Year	\$28 Million / Year
<i>Total Net Economic Impact (after transfer sales)</i>	\$9.5 Million/Year	\$14 Million/Year

B. Construction / One-Time

The one-time construction period impacts from constructing the Safeway improvements are summarized in the table below and presented on Table 1. Direct construction costs are expected to be \$7.0 million, which is estimated to translate into the equivalent of 89 construction jobs for a 5-month period. Direct, indirect, and induced construction jobs supported during the construction period are estimated to be about 142 throughout the County. Estimates of the economic impacts from construction are shown on Table 11.

One-Time Economic Impacts of Construction	Direct Economic Impact of Safeway on City of San Jose	Total Direct, Indirect, Induced Economic Impact of Safeway on Santa Clara County
<i>Total Employment</i>	89 jobs for 5 months	142 jobs for 5 months
<i>Total Payroll</i>	\$2.1 Million	\$3.1 Million
<i>Total Economic Output</i>	\$7.0 Million	\$10.7 Million

Net Change in Housing Stock

The project will have no net impact on the City's housing stock since no housing units will be demolished or constructed.

Summary of City General Fund Impacts

General Fund revenues to be generated by the Safeway include sales tax, property tax in-lieu of vehicle license fees, franchise fees, business license taxes and utility user taxes (Table 4). Annual General Fund revenues are estimated at \$43,400 upon stabilization. New sales tax revenues (net of transfers from other neighboring merchants) are estimated to account for approximately \$33,300, or about 77% of projected revenues. Annual property tax in-lieu of vehicle license fees is estimated at \$6,000, or 14% of revenues. The Safeway building is located within the San Antonio Plaza Redevelopment Project Area. Property taxes generated by Safeway will accrue to the Redevelopment Agency through 2022 and thereafter will accrue to the General Fund.

Potential on-going expenses to the City's General Fund consist of expenses to the following departments: Police, Fire, General Government, Capital Maintenance, Finance, Economic Development and Community Services. The proposed Safeway is a tenant in a multi-use building in downtown. Given its size and location, the service cost impacts on the General Fund are anticipated to be relatively insignificant. As shown on Table 5, it is estimated that Safeway will generate a cost to the General Fund of approximately \$10,000 per year. The cost estimates are based on per capita cost factors derived from the City's FY 2007-08 budget.

Safeway is estimated to generate a net positive impact on the General Fund, totaling approximately \$33,400 per year. The cumulative net General Fund fiscal surplus is approximately \$380,000 over the first 10 operating years or \$278,000 on a net present value basis. Over a 30 year operating period, the cumulative net surplus approximates \$1,837,000, or \$720,000 on a net present value basis. (See summary Table 2 and Table 8).

Cash Impact on General Fund from Safeway Operations	Cumulative 10 Year Period	NPV Cumulative 10 Year Period	Cumulative 30 Year Period	NPV Cumulative 30 Year Period
Projected GF Fiscal Impacts				
Annual GF Revenues	\$504,000	\$369,000	\$2,417,000	\$948,000
Annual GF Service Costs	<u>(\$124,000)</u>	<u>(\$91,000)</u>	<u>(\$580,000)</u>	<u>(\$228,000)</u>
Net Annual GF Revenue / (Cost)	\$380,000	\$278,000	\$1,837,000	\$720,000

Summary of Redevelopment Agency Revenues and Costs

It is our understanding that the Agency will invest \$1.7 million of cash into the project for improvements to the public parking garage and retail storefronts and will reimburse the Developer for \$150,000 of fees and permit expenses. In addition, eight public parking spaces will be lost to provide parking lot improvements for Safeway. The components of the investment and value of lost parking spots are summarized on Table 7 and are as follows:

- \$1,450,000 of cash assistance for public parking garage and storefront improvements;
- \$250,000 of cash assistance for retail storefront improvements;
- \$344,000 of lost value for 8 parking spaces; and
- \$150,000 of cash assistance to reimburse permits and fees expenses.

The Agency will collect tax increment from the project through the Redevelopment Project Area's limit to repay indebtedness, on January 1, 2022. Annual tax increment based on \$7.0 million in construction costs, and net of pass-throughs, is estimated at

\$49,200 of non-housing funds and \$21,000 of affordable housing funds, as shown in Table 6. Over a 10 year operating period, the Agency is expected to collect \$720,000 in total tax increment, or \$516,000 on an NPV basis. If tax increment is collected through the indebtedness repayment limit (for 13 years), a total of about \$952,000 will accrue to the Agency, or \$632,000 on an NPV basis. (See Table 9).

The net impacts of the Safeway project on Agency revenues are summarized below and in Table 2. As shown, it is estimated that the Safeway Project will generate a net cost to the Agency. The cumulative net cost over a 10 year period is estimated at \$1.5 million, or \$1.7 million in NPV terms. Upon reaching the debt repayment period term limit of 2022, the cumulative net cost is estimated to total \$1.2 million, or a net present value of \$1.6 million.

Net Impact to Redevelopment Agency for Safeway Investment	Cumulative 10 Year Period	NPV Cumulative 10 Year Term	Cumulative through 2022 (Debt Repayment Limit)	NPV through 2022 (Debt Repayment Limit)
Projected Revenues/Costs				
Non-Housing Tax Increment	\$502,000	\$360,000	\$667,000	\$443,000
Housing Tax Increment	\$218,000	\$156,000	\$285,000	\$189,000
Cash Investment	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)
Foregone Parking Spaces	(\$344,000)	(\$344,000)	(\$344,000)	(\$344,000)
Permit and Fee Reimbursement	<u>(\$150,000)</u>	<u>(\$150,000)</u>	<u>(\$150,000)</u>	<u>(\$150,000)</u>
Net Cost to Redevelopment Agency	(\$1,474,000)	(\$1,678,000)	(\$1,242,000)	(\$1,562,000)

Limiting Conditions

1. The analysis contained in this document is based, in part, on data provided by the Developer, and other secondary sources such as state and local governments, planning agencies, and other third parties. The source of each specific piece of data is cited in the attached technical analytical tables. While Keyser Marston Associates, Inc. (KMA) believes that these sources are reliable; we cannot guarantee their accuracy.
2. A projection of economic and fiscal impacts is inherently based on judgment. The projections contained herein are based on the best information available at the time that this document was prepared. However, the actual impacts may vary.
3. The analysis assumes that the economy will grow at a moderate rate.
4. The estimates are based on the best project-specific data available at this time as well as experience with comparable projects. Any changes to costs, development program, or project performance may render the conclusions contained herein invalid.

Table 1
Summary of Economic Benefits
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

On-Going Economic Benefits / Operations

Table 9

Direct Impact - *within City of San Jose* ¹

Employment	60	jobs
Payroll	\$2.5	Million/Yr
Economic Output	\$9.5	Million/Yr

Direct, Indirect, Induced Impact - *County-wide* ²

Employment	77	jobs
Payroll	\$3.6	Million/Yr
Economic Output	\$14.0	Million/Yr

Construction Economic Benefits / One-Time

Table 10

Direct Impact - *within City of San Jose*

Employment ³	89	Full time jobs for 5 months
Payroll	\$2.1	Million
Economic Output	\$7.0	Million

Direct, Indirect, Induced Impact - *County-wide* ²

Employment ³	142	Full time jobs for 5 months
Payroll	\$3.1	Million
Economic Output	\$10.7	Million

Notes:

¹ For stabilized year.

² Total inclusive of direct impacts identified above.

³ Expressed in terms of full time jobs during the 5 month construction period.

Table 2
Summary of Fiscal Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
 FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

		Pre - 2022 Annual Impact ¹	After 2022 Annual Impact ¹	10 Year Term		30 Year Term	
				Cumulative	Net Present Value ²	Cumulative	Net Present Value ²
Projected City General Fund Fiscal Impacts							
Annual General Fund Revenues	Table 4, 7	\$43,000	\$56,000	\$504,000	\$369,000	\$2,417,000	\$948,000
Annual General Fund Service Costs	Table 5, 7	<u>(\$10,000)</u>	<u>(\$10,000)</u>	<u>(\$124,000)</u>	<u>(\$91,000)</u>	<u>(\$580,000)</u>	<u>(\$228,000)</u>
Net Annual General Fund Revenue / (Cost)		\$33,000	\$46,000	\$380,000	\$278,000	\$1,837,000	\$720,000
Projected Redevel. Agency Revenues/Costs							
Non-Housing Tax Increment Revenue	Table 6, 9	\$49,200	\$49,200	\$502,000	\$360,000	\$667,000	\$443,000
Housing Fund Tax Increment Revenue	Table 6, 9	\$21,000	\$21,000	\$218,000	\$156,000	\$285,000	\$189,000
Agency Construction Assistance	Table 9	one time	one time	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)
Foregone Public Parking Spaces	Table 9	one time	one time	(\$344,000)	(\$344,000)	(\$344,000)	(\$344,000)
Reimbursement for Permits and Fees	Table 9	one time	one time	<u>(\$150,000)</u>	<u>(\$150,000)</u>	<u>(\$150,000)</u>	<u>(\$150,000)</u>
Net Agency Revenue/(Cost)				(\$1,474,000)	(\$1,678,000)	(\$1,242,000)	(\$1,562,000)
Total City and Agency Fiscal Impact				(\$1,094,000)	(\$1,400,000)	\$595,000	(\$842,000)

Notes:

¹ The Redevelopment Agency's limit to collect tax increment for purposes of repaying indebtedness is January 1, 2022. The City will begin collecting its share of 1% base levy property taxes after this date.

² NPV in FY 2008-09 based on a 6% discount rate. Rounded to nearest \$1,000.

Table 3
Summary of Proposed Facilities
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

Building Area

Retail Space - Gross SF 24,090 Sq. Ft.

On-Site Employment

Retail Space 60 Employees

Source: City of San José.

Table 4
Projection of Annual City General Fund Revenue
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

Property Tax (begins in 2022) ¹		
Additional Building Value ²		\$6,995,098
Additional Land Value ³		\$0
Additional Secured Property Value		\$6,995,098
Additional Unsecured/Personal Property Value		\$3,500,000
City of San José share of 1% Base Levy		12.43%
<i>Total City Tax Increment</i>		<i>\$13,000</i>
Additional Property Tax In-Lieu of VLF		
Assessed Property Value ^{2,3}		\$10,495,098
VLF in-lieu per \$1,000 in AV Growth ⁴		\$0.57
<i>Total Additional Tax</i>		<i>\$6,000</i>
Sales Tax		
Total Sales		\$19,000,000
Percent Net New Sales ⁵		50%
Percent Taxable ⁶		35%
Est. Total Taxable		\$3,325,000
<i>Total Tax</i>	1% local share	<i>\$33,300</i>
Franchise Tax		
Employees		60
Daytime Service Population ⁷	1/2 per empl	30
<i>Total Tax ⁷</i>	\$33.78/day time pop'n	<i>\$1,000</i>
Business License Tax		
Employees		60
<i>Total Tax ⁸</i>	\$18 /empl	<i>\$1,100</i>
Utility User Tax		
Employees		60
Daytime Service Population ⁷	1/2 per empl	30
Annual Utility Expenses ⁹	\$1,343 per service pop.	\$40,300
<i>Total Tax ⁸</i>	5%	<i>\$2,000</i>
Total Annual Rev. to City General Fund (before 2022 Agency TI collection limit)		\$43,400
Total Annual Rev. to City General Fund (after 2022 Agency TI collection limit)		\$56,400

Notes:

- ¹ The General Fund will begin collecting Property Tax in 2022, the limit for Redevelopment Agency tax increment collection.
- ² Includes \$1.7 M Wilson Meany direct construction, \$3.9 M Safeway direct construction, \$1.4 M in tenant improvements.
- ³ Assumes no change in land valuation due to Safeway project.
- ⁴ Per SB 1096, growth of property tax in lieu of VLF is proportional to growth in AV since 2004/05. Per the California State Controller's Office, property tax based VLF in 2004-05 was \$52,581,000 and gross AV for the City was \$92,565,000,000. This yields \$0.57 in revenue per \$1,000 in AV growth.
- ⁵ Assumes 50% of Safeway sales are transferred from existing retailers, and 50% are net new sales.
- ⁶ Assumes 35% of sales will be for taxable merchandise and the remaining 65% for non-taxable food/produce.
- ⁷ Revenue factor based on soccer stadium report.
- ⁸ Per San Jose 2007-2008 Adopted Budget.
- ⁹ Utility expense factor based on San Jose Budget.

Source: City of San José, Keyser Marston Associates

Table 5
Projection of Annual City General Fund Service Costs
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

November 24, 2008

	<u>Retail</u>
Service Population	
employees	60
daytime service population	30
	weighed at 1 per resident and 1/2 per employee ²
General Fund Service Costs	
General Government	<u>Service Cost Factors</u> ¹
Finance	\$13.84 per daytime service population
Economic Development	\$2.67 per daytime service population
Police	\$1.27 per daytime service population
Fire	\$155,000 per officer with 1.17 officers per 1,000
Capital Maintenance	\$148,000 per firefighter with 0.64 firefighters per 1,000
General Service	\$12.59 per daytime service population
Public Works	\$9.21 per daytime service population
Transportation ³	\$15,000 per road mile
Community Service	
Library	\$10.00 per resident
Parks, Recreation & Neighborhood Services	\$15,000 per acre of park
Planning, Building, and Code Enforcement	\$8.50 per daytime service population
Total Annual General Fund Service Cost ⁴	<u>\$9,740</u>
	or say \$10,000

Notes:
¹ All cost factors are based on the adopted report "Fiscal and Economic Impact Analysis of Major League Soccer Stadium Proposal" dated January 2008 prepared by Economic and Planning Systems.
² Weighting for purposes of computing daytime service population based on soccer stadium report.
³ Roads to the site are in place and it is assumed that no additional roads are required.
⁴ No material additional staff requirements are projected given this relatively minor increase in service costs which would be spread across a number of City departments.
 Source: City of San José; Economic and Planning Systems 2008.

Table 6
Projection of Annual Redevelopment Agency Revenue
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

Tax Increment Revenue ¹	
Additional Building Value ²	\$6,995,098
Additional Land Value ³	\$0
Additional Secured Property Value	\$6,995,098
Additional Unsecured/Personal Property Value	\$3,500,000
Non-Housing Share of Tax Increment	46.9%
Non-Housing Tax Increment Revenue	\$49,200
Housing Fund Share of Tax Increment	20.0%
Housing Fund Tax Increment Revenue	\$21,000

Notes:

¹ The Agency's limit to collect tax increment for purposes of repaying indebtedness in this project area is January 1, 2022. The City will begin collecting its share of 1% base levy property taxes after this date.

² Includes \$1.7 M Wilson Meany direct construction, \$3.9 M Safeway direct construction, \$1.4 M in tenant improvements.

³ Assumes no change in land valuation due to Safeway project.

Source: City of San José.

Table 7
Summary of Proposed Agency Participation
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

Construction Assistance

Public Parking Garage Improvements	\$1,450,000
Retail Store Front Improvements	<u>\$250,000</u>
<i>Total</i>	<i>\$1,700,000</i>

Foregone Parking Spaces

Parking Spaces Lost for Garage Improvements	8
Cost per Space	<u>\$43,000</u>
<i>Total</i>	<i>\$344,000</i>

Reimbursement for Permits and Fees **\$150,000**

Total Cost of Agency Participation **\$2,194,000**

Source: City of San José.

Table 8
Cash Flow Projection - City General Fund Fiscal Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

GF REVENUE & EXPENSES	Growth Rate	10 Year NPV @ 6% in 2008-09	30 Year NPV @ 6% in 2008-09	Uninflated Values	Apr - Jun 2008-09²	2009-10	2010-11	2011-12	2012-13
Revenues									
Property Tax ¹	2%	\$0	\$99,800	\$13,000	\$0	\$0	\$0	\$0	\$0
Property tax in-lieu of VLF ¹	2%	43,800	100,100	6,000	0	1,530	6,242	6,367	6,495
Sales Tax	3%	289,500	666,100	33,300	8,325	34,299	35,328	36,388	37,479
Franchise Tax	3%	8,700	20,000	1,000	250	1,030	1,061	1,093	1,126
Business License	3%	9,600	22,000	1,100	275	1,133	1,167	1,202	1,238
Utility User Tax	3%	17,400	40,000	2,000	500	2,060	2,122	2,185	2,251
		<u>\$369,000</u>	<u>\$948,000</u>	<u>\$56,400</u>	<u>\$9,350</u>	<u>\$40,052</u>	<u>\$45,920</u>	<u>\$47,235</u>	<u>\$48,589</u>
Recurring Service Expenses	4%	(90,600)	(227,900)	(10,000)	(2,500)	(10,400)	(10,816)	(11,249)	(11,699)
Net Annual GF Revenue/(Expense)²		<u>\$278,400</u>	<u>\$720,100</u>	<u>\$46,400</u>	<u>\$6,850</u>	<u>\$29,652</u>	<u>\$35,104</u>	<u>\$35,987</u>	<u>\$36,890</u>

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

² Assumes lease begins on estimated occupancy date, on April 1, 2009.

Table 8
Cash Flow Projection - City General Fund Fiscal Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

GF REVENUE & EXPENSES	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues										
Property Tax ¹	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,408	\$17,153
Property tax in-lieu of VLF ¹	6,624	6,757	6,892	7,030	7,171	7,314	7,460	7,609	7,762	7,917
Sales Tax	38,604	39,762	40,955	42,183	43,449	44,752	46,095	47,478	48,902	50,369
Franchise Tax	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426	1,469	1,513
Business License	1,275	1,313	1,353	1,393	1,435	1,478	1,523	1,568	1,615	1,664
Utility User Tax	<u>2,319</u>	<u>2,388</u>	<u>2,460</u>	<u>2,534</u>	<u>2,610</u>	<u>2,688</u>	<u>2,768</u>	<u>2,852</u>	<u>2,937</u>	<u>3,025</u>
	\$49,981	\$51,415	\$52,889	\$54,407	\$55,969	\$57,576	\$59,231	\$60,933	\$71,093	\$81,641
Recurring Service Expenses	(12,167)	(12,653)	(13,159)	(13,686)	(14,233)	(14,802)	(15,395)	(16,010)	(16,651)	(17,317)
Net Annual GF Revenue/(Expense) ²	\$37,815	\$38,761	\$39,730	\$40,721	\$41,736	\$42,774	\$43,836	\$44,923	\$54,443	\$64,324

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

² Assumes lease begins on estimated occupancy date, on April 1, 2009.

Table 8
Cash Flow Projection - City General Fund Fiscal Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

GF REVENUE & EXPENSES	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Revenues										
Property Tax ¹	\$17,496	\$17,846	\$18,203	\$18,567	\$18,939	\$19,317	\$19,704	\$20,098	\$20,500	\$20,910
Property tax in-lieu of VLF ¹	8,075	8,237	8,401	8,569	8,741	8,916	9,094	9,276	9,461	9,651
Sales Tax	51,880	53,437	55,040	56,691	58,392	60,144	61,948	63,806	65,720	67,692
Franchise Tax	1,558	1,605	1,653	1,702	1,754	1,806	1,860	1,916	1,974	2,033
Business License	1,714	1,765	1,818	1,873	1,929	1,987	2,046	2,108	2,171	2,236
Utility User Tax	<u>3,116</u>	<u>3,209</u>	<u>3,306</u>	<u>3,405</u>	<u>3,507</u>	<u>3,612</u>	<u>3,721</u>	<u>3,832</u>	<u>3,947</u>	<u>4,066</u>
	\$83,839	\$86,099	\$88,421	\$90,808	\$93,261	\$95,782	\$98,373	\$101,036	\$103,773	\$106,587
Recurring Service Expenses	(18,009)	(18,730)	(19,479)	(20,258)	(21,068)	(21,911)	(22,788)	(23,699)	(24,647)	(25,633)
Net Annual GF Revenue/(Expense) ²	\$65,830	\$67,369	\$68,942	\$70,550	\$72,192	\$73,870	\$75,585	\$77,337	\$79,126	\$80,954

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

² Assumes lease begins on estimated occupancy date, on April 1, 2009.

Table 8
Cash Flow Projection - City General Fund Fiscal Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

GF REVENUE & EXPENSES	2033-34	2034-35	2035-36	2036-37	2037-38	to end Apr 2038-39	10 Year	30 Year
							Nominal Total	Nominal Total
Revenues								
Property Tax ¹	\$21,328	\$21,754	\$22,190	\$22,633	\$23,086	\$19,623	\$0	\$347,800
Property tax in-lieu of VLF ¹	9,844	10,041	10,241	10,446	10,655	9,057	61,200	241,900
Sales Tax	69,723	71,814	73,969	76,188	78,474	67,357	394,100	1,626,600
Franchise Tax	2,094	2,157	2,221	2,288	2,357	2,023	11,800	48,800
Business License	2,303	2,372	2,443	2,517	2,592	2,225	13,000	53,700
Utility User Tax	<u>4,188</u>	<u>4,313</u>	<u>4,443</u>	<u>4,576</u>	<u>4,713</u>	<u>4,045</u>	<u>23,700</u>	<u>97,700</u>
	\$109,479	\$112,451	\$115,507	\$118,648	\$121,877	\$104,330	503,800	2,416,600
Recurring Service Expenses	(26,658)	(27,725)	(28,834)	(29,987)	(31,187)	(27,028)	(123,700)	(580,400)
Net Annual GF Revenue/(Expense) ²	\$82,820	\$84,727	\$86,673	\$88,661	\$90,690	\$77,301	\$380,100	\$1,836,200

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

² Assumes lease begins on estimated occupancy date, on April 1, 2009.

Table 9
Cash Flow Projection - Redevelopment Agency Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

AGENCY REVENUE/COSTS	Growth Rate	10 Year NPV @ 6% in 2008-09	30 Year NPV @ 6% in 2008-09 ²	Uninflated Values	Apr - Jun 2008-09 ³	2009-10	2010-11	2011-12	2012-13
Non-Housing Tax Increment Revenue ¹	2%	\$359,500	\$443,300	\$49,200	\$0	\$12,546	\$51,188	\$52,211	\$53,256
Housing Fund Tax Increment Revenue ¹	2%	155,800	189,200	21,000	0	5,355	21,848	22,285	22,731
(less) Construction Assistance		(1,700,000)	(1,700,000)	(1,700,000)	(1,700,000)	0	0	0	0
(less) Foregone Parking Spaces		(344,000)	(344,000)	(344,000)	(344,000)	0	0	0	0
(less) Reimbursement for Permits + Fees		(150,000)	(150,000)	(150,000)	(150,000)	0	0	0	0
Net Agency Transaction Revenue/Costs		(\$1,678,700)	(\$1,561,500)	(\$2,123,800)	(\$2,194,000)	\$17,901	\$73,036	\$74,497	\$75,987

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

³ Assumes lease begins on estimated occupancy date, on April 1, 2009.

² Agency limit for collecting tax increment to repay indebtedness is January 1, 2022.

Table 9
Cash Flow Projection - Redevelopment Agency Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

AGENCY REVENUE/COSTS	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-Housing Tax Increment Revenue ¹	\$54,321	\$55,407	\$56,515	\$57,646	\$58,799	\$59,975	\$61,174	\$62,397	\$31,823	\$0
Housing Fund Tax Increment Revenue ¹	23,186	23,649	24,122	24,605	25,097	25,599	26,111	26,633	13,583	0
(less) Construction Assistance	0	0	0	0	0	0	0	0	0	0
(less) Foregone Parking Spaces	0	0	0	0	0	0	0	0	0	0
(less) Reimbursement for Permits + Fees	0	0	0	0	0	0	0	0	0	0
Net Agency Transaction Revenue/Costs	\$77,506	\$79,057	\$80,638	\$82,250	\$83,895	\$85,573	\$87,285	\$89,031	\$45,406	\$0

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

³ Assumes lease begins on estimated occupancy date, on April 1, 2009.

² Agency limit for collecting tax increment to repay indebtedness is January 1, 2022.

Table 9
Cash Flow Projection - Redevelopment Agency Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

AGENCY REVENUE/COSTS	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Non-Housing Tax Increment Revenue ¹	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Housing Fund Tax Increment Revenue ¹	0	0	0	0	0	0	0	0	0	0
(less) Construction Assistance	0	0	0	0	0	0	0	0	0	0
(less) Foregone Parking Spaces	0	0	0	0	0	0	0	0	0	0
(less) Reimbursement for Permits + Fees	0	0	0	0	0	0	0	0	0	0
Net Agency Transaction Revenue/Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.

³ Assumes lease begins on estimated occupancy date, on April 1, 2009.

² Agency limit for collecting tax increment to repay indebtedness is January 1, 2022.

Table 9
Cash Flow Projection - Redevelopment Agency Impacts
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

AGENCY REVENUE/COSTS	2033-34	2034-35	2035-36	2036-37	2037-38	to end Apr 2038-39	10 Year Nominal Total	30 Year Nominal Total
Non-Housing Tax Increment Revenue ¹	\$0	\$0	\$0	\$0	\$0	\$0	\$502,000	\$667,300
Housing Fund Tax Increment Revenue ¹	0	0	0	0	0	0	218,000	284,800
(less) Construction Assistance	0	0	0	0	0	0	(1,700,000)	(1,700,000)
(less) Foregone Parking Spaces	0	0	0	0	0	0	(344,000)	(344,000)
(less) Reimbursement for Permits + Fees	0	0	0	0	0	0	(150,000)	(150,000)
Net Agency Transaction Revenue/Costs	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,474,000)	(\$1,241,900)

Notes:

- ¹ Reflects one year lag for added assessed value to be placed on secured property tax roll.
- ³ Assumes lease begins on estimated occupancy date, on April 1, 2009.
- ² Agency limit for collecting tax increment to repay indebtedness is January 1, 2022.

Table 10
 Projection of Economic Benefits from On-Going Operations
 Fiscal Impact and Economic Benefit Analysis
 100 Second Street Safeway
 City of San José, CA

WORKING DRAFT
 FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

	<u>Annual Direct Impact City of San Jose</u>	<u>Santa Clara County Multiplier ¹</u>	<u>County-wide Indirect & Induced Impact</u>	<u>Total County-wide Annual Impact</u>
On-Going Economic Impacts				
Economic Output / Gross Sales ²	\$9,500,000	1.475	\$4,510,000	\$14,010,000
Payroll	\$2,500,000	1.424	\$1,060,000	\$3,560,000
Employment	60	1.277	17	77

Notes:

¹ Multiplier for retail center based on Bureau of Economic Analysis RIMS II multipliers for Santa Clara County applicable to the retail trade industry (NAICS 4A0000).

² Assumes that 50% of sales will be transferred from existing local retail businesses to the new Safeway market. Net new output is thus 50% of the store's total.

Sources: Bureau of Economic Analysis, City of San José.

Table 11
Projection of Economic Benefits from Construction
Fiscal Impact and Economic Benefit Analysis
100 Second Street Safeway
City of San José, CA

WORKING DRAFT
FOR INTERNAL DISCUSSIONS ONLY

November 24, 2008

		<u>Annual Direct Impact City of San Jose</u>	<u>Santa Clara County Multiplier ¹</u>	<u>County-wide Indirect & Induced Impact</u>	<u>Total County- wide Impact</u>
Construction Period Economic Impacts					
Economic Output / Gross Sales from Construction		\$6,995,098 ²	1.533	\$3,724,902	\$10,720,000
Construction Payroll	30% of cost ³	\$2,099,000	1.482	\$1,011,000	\$3,110,000
Construction Employment					
Total person years	\$57,000 avg pay ⁴	37 person years ⁵	1.590	22 person years ⁵	59 person years ⁵
Full time jobs during 5 mo. constr. period		89 ongoing jobs		53 ongoing jobs	142 ongoing jobs

Notes:

¹ Bureau of Economic Analysis RIMS II multipliers for Santa Clara County applicable to the construction industry (NAICS 230000).

² Based on hard construction cost estimate for improvements. 100% of direct economic output is shown as occurring in San Jose because construction activity will occur in San Jose; however, contractors may be based elsewhere. Purchases of plant machinery and equipment assumed to be from suppliers located outside of the region and are therefore not included in economic benefits of construction.

³ Based on the 2002 Economic Census. Ratio of net value of construction work to gross payroll for commercial building construction contractors.

⁴ Per California Employment Development Department data on average pay for construction workers in Santa Clara County in 2007 inflated by 3% to 2008.

⁵ A person year of employment is equivalent to full time employment of one person for one year.

Sources: Bureau of Economic Analysis, Economic Census, Employment Development Department, City of San José.