



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jacky Morales-Ferrand  
Kim Walesh  
Lee Wilcox

**SUBJECT: COMMERCIAL LINKAGE FEE  
SCOPE AND TIMELINE**

**DATE:** February 28, 2019

Approved

Date

3/1/19

## RECOMMENDATION

Direct the City Manager to procure a consultant in an amount not to exceed \$150,000 to conduct a nexus study and a feasibility study for a Commercial Linkage Fee and return to the City Council to present the results of those studies and provide a recommendation to the Council on the establishment of a Commercial Linkage Fee.

## OUTCOME

Approval of the recommended actions will enable staff to move forward with the preparation of a nexus study and feasibility study for a Commercial Linkage Fee. A nexus study examines the impact of commercial development on the need for affordable housing and provides evidence of a reasonable relationship between the need for affordable housing and the type of development. A feasibility study assesses the effect of a fee on the feasibility of commercial development. Together, these studies would inform a staff recommendation to the City Council on the establishment of a Commercial Linkage Fee and support Council deliberation on the issue.

## BACKGROUND

At the November 18, 2014 City Council meeting, as part of its action to adopt a Housing Impact Fee, the Council directed staff to “do additional research on a potential non-residential development fee as an additional source of revenue for affordable housing development.” Consistent with this direction, the Council added development of a Commercial Linkage Fee to the Council Priority List during the June 23, 2015 Council Priority Setting Session. A Commercial Linkage Fee is a fee assessed on new commercial development for the purpose of offsetting the need for affordable housing generated by that development. Fee revenues can be used to construct income-restricted affordable housing.

At the December 15, 2015 City Council meeting staff presented options for pursuing study of a Commercial Linkage Fee. Staff recommended conducting both a nexus study and a feasibility study, which are described as follows:

- **Nexus Study:** A nexus study is a requirement for establishing a Commercial Linkage Fee. It establishes the basis for the fee by assessing how new commercial development increases the need for affordable housing and provides evidence of a reasonable relationship between the need for affordable housing and the type of development.
- **Feasibility Study:** A feasibility study is an optional companion to a nexus study that assesses the affect a Commercial Linkage Fee might have on the feasibility of new commercial development. It assesses the costs and revenues associated with new development and attempts to determine whether the addition of a fee would deter development.

In their December 2015 report, staff identified three different approaches to studying a Commercial Linkage Fee for the Council to consider:

1. Option 1: San Jose could conduct an RFP and hire its own consultant to undertake a nexus study and a feasibility study.
2. Options 2: San Jose could join the regional nexus study (known as the “Grand Nexus”) that was then being initiated. The Grand Nexus undertook a nexus study that covered twelve jurisdictions—six in Alameda County and six in Santa Clara County. It was subsidized by the Silicon Valley Community Foundation.
3. Option 3: Don’t study a Commercial Linkage Fee now, but revisit the issue at a future time.

The Council chose Option 3 and postponed work on developing a fee out of concern for San Jose’s Jobs/Employed Residents Ratio.

Because of the Council’s decision to postpone work, the Administration recommended that the Council remove the Commercial Linkage Fee item from the priority list at the March 7, 2017 Council Priority Setting Session. The Council declined the Administration’s recommendation and left the item on the priority list, on the rationale that work on a Commercial Linkage Fee had been postponed but not foreclosed. At the October 17, 2017 Council Priority Setting Session, the Council again decided to leave Commercial Linkage Fee on the priority list, and ranked it as priority number 12.

On January 12, 2018, staff released an information memo<sup>1</sup> updating the Council on the status of the regional Grand Nexus study. Three cities (Cupertino, Mountain View and Sunnyvale) had adopted fees prior to the Grand Nexus. The information memo explained that since the completion of the Grand Nexus study in 2017, two cities (Palo Alto and Santa Clara) had adopted Commercial Linkage Fees, bringing the total number of jurisdictions in Santa Clara

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<sup>1</sup> <http://files.constantcontact.com/7a210436601/a2eaa424-6d21-429e-bb8d-3f65fc702f35.pdf>

County with a fee to five. The memo also indicated that eleven jurisdictions in San Mateo County, nine jurisdictions in Alameda County, and the City and County of San Francisco had also adopted Commercial Linkage Fees.

At the June 12, 2018 council meeting, as part of the Housing crisis work plan, staff recommended a phased approach to studying a Commercial Linkage Fee, starting with studying a fee in the Diridon Station Area. The Council declined to approve this recommendation and instead directed staff to pursue a Bay Area-wide job-housing imbalance impact fee.

At the September 11, 2018 City Council meeting, the City Council considered a response to a Santa Clara County Civil Grand Jury report entitled "Affordable Housing Crisis: Density is Our Destiny." Among other findings, the report concluded that "commercial linkage fees can be an important tool to generate critical revenues to support [below market rate] housing" and that "use of commercial linkage fees is overdue and could be expected to substantially increase [below market rate] units."

Concurrent with the Council's consideration of the Grand Jury report, Vice Mayor Carrasco and Councilmembers Peralez, Rocha and Jimenez issued a memo recommending that the Council agendize direction to staff to pursue a Commercial Linkage Fee. Mayor Liccardo also issued a memo to the same effect. The Council approved their recommendations and agendized discussion of a Commercial Linkage Fee for the September 18, 2018 Council meeting. At that meeting the Council did not take action to advance study of the fee.

At the November 27, 2018 meeting, Vice Mayor Carrasco and Councilmember Peralez issued a memo under the Annual Homeless Report item recommending that the City Council agendize discussion of the Commercial Linkage Fee before the end of 2018. The item was agendized for the December 11, 2018 meeting. At that meeting, the Council approved memos from Mayor Liccardo and from Vice Mayor Carrasco and Councilmembers Peralez, Jimenez and Rocha that directed staff to return with a recommendation on the approach to a citywide nexus study and feasibility study for a Commercial Linkage fee. The Council also provided the following direction contained in Mayor Liccardo's memo:

- Explore a separate study for a Downtown Core Commercial (office and R & D) development impact fee, which would address affordable housing and infrastructure needs (i.e. transit and parks).
- Include a Regional Commercial Linkage Fee as a legislative priority of the City, as previously discussed by the City Council.
- Provide a progress report on (a) the formation of the City Council-authorized RHNA subregion, sponsored by the Santa Clara County Cities Association, with specific "next steps" identified for Staff and Council, and (b) formation of a Bay Area-wide commercial linkage fee, requiring state legislation, similarly based on relative jobs/housing ratios.

- Provide data regarding ongoing and one-time tax revenues generated from employers in the City of San José.
- Explore a funding partnership with the Silicon Valley Community Foundation, which has funded similar studies, consistent with its housing and transit strategic grant priority.

## **ANALYSIS**

In response to the need for affordable housing in San Jose, the Council has set a goal of building 10,000 affordable units between 2017 and 2022. Staff estimates that with current City funding for affordable housing, 3,506 new affordable units will be completed, under construction, or funded by the end of that period. Staff also estimates that 2,161 new affordable units will be funded by non-City sources, for a total of 5,667 new units.

Securing additional sources of funding for affordable housing is necessary to increase affordable housing production and to meet the affordable housing goal of producing 10,000 units by 2022. A Commercial Linkage Fee is one potential new funding source. A Commercial Linkage Fee is assessed on new commercial development as a means of mitigating the impact that new development has in increasing the need for affordable housing. Conducting a nexus study is a necessary first step in establishing such a fee. By analyzing the number of new jobs created by commercial development and employee pay rates, a nexus study demonstrates the link between new development and increased need for affordable housing, thus satisfying the legal requirement under State law to establish such a fee.

In addition to its goal of constructing 10,000 affordable units, the Council has also established numerous policy objectives through the 2040 General Plan that prioritize commercial development, including the goal of achieving a Jobs/Employed Residents ratio of 1.1 by the year 2040. As the City considers a Commercial Impact Fee, it will be important to understand whether it would affect the viability of new commercial projects. A feasibility study can help answer that question. By analyzing the cost and revenues of new development, a feasibility study would help determine whether different types of development would still be feasible at a given fee level. This information can help inform the decision on whether to adopt a fee as well as decisions on the level of the fee for different commercial uses.

The following sections set out staff's plan for conducting nexus and feasibility studies for a Commercial Linkage Fee, consistent with Council direction to provide a "scope of work for a nexus study and feasibility study, including consultant selection, a funding strategy, and timeline for completion of the studies."

## Scope

Selection of development prototypes is a key question in scoping nexus and feasibility studies. A development prototype is a model of a particular type of development characterized by land use, density and other features. As an example, consider the nexus and feasibility studies conducted for Redwood City<sup>2</sup> and Palo Alto<sup>3</sup> as part of the San Mateo Grand Nexus Study in 2016 (Palo Alto participated even though it isn't located in San Mateo County.) The Redwood City study used three prototypes (hotel, retail/restaurants/services, and office/R&D/medical office) while the Palo Alto study used two (hotel and office/R&D/medical office).

Commercial and industrial development in San Jose has a greater range of size and diversity compared to all other cities in the region. Based on an initial analysis of the types of development currently developed, under development, or envisioned through the General Plan, as many as sixteen development prototypes could be considered as part of San José's study (a list of these prototypes can be found in Attachment A.) In addition, the feasibility study will need to account for economic variations in the commercial market across different parts of the city, such as Downtown, employment growth areas like North San Jose and Edenvale, select urban villages, and more suburban parts of the city that host retail development. This will result in complex study including a wider variety of factors than other recent studies.

Staff will work with the consultant, once selected, to refine the scope and the appropriateness of various prototypes based on several factors, including the potential for significant amounts of future development, and consistency with other goals and policies (including small business displacement, retail activation, and industrial preservation). Staff would also work with the consultant to confirm the approach to study of office development. The prototype list provided in Attachment A includes a wide variety of office uses. Staff would work with the consultant to explore whether a separate prototype should be established for a single-occupancy high tech user. Following this analysis, as many as eight development prototypes may be appropriate across a wide range of uses. Through the procurement process, staff will prioritize selecting a consultant who has experience in both nexus and feasibility studies, and who also has expertise in the commercial market that can help inform the design of the study.

When evaluating prototypes, the entire stack of City fees would be accounted for as part of the project cost, to ensure that the potential Commercial Linkage Fee is analyzed in the context of other fees that the City charges. A range of fee levels should be tested across the different prototypes and geographies.

Finally, outreach will be an important component of the development and review of the consultant's work. After the consultant has been selected, staff will conduct outreach with the development community, affordable housing advocates and other stakeholders to inform the design of the study. Once work is underway, staff will provide an update to the Community and

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<sup>2</sup> <http://www.redwoodcity.org/home/showdocument?id=5385>

<sup>3</sup> <https://www.cityofpaloalto.org/civicax/filebank/documents/50935>

Economic Development Committee in fall of 2019. When a draft study is complete, staff will again conduct outreach with stakeholders and the general public to collect feedback.

### **Funding**

Staff estimates that consultant services to develop nexus and feasibility studies will cost \$150,000. The Council approved \$150,000 for this purpose as part of the 2018-2019 Mid-Year Budget Review Report on February 12, 2019.

### **Timeline**

Staff anticipates that a consultant contract could be signed by July 2019, a draft study could be released by April 2020, and staff could return to the council with a recommendation in June 2020. A more detailed timeline is provided below.

**Table 1. Commercial Linkage Fee Timeline**

<b>Estimated Time</b>	<b>Task</b>
March – June 2019	Conduct consultant procurement process
June – July 2019	Negotiate consultant contract
August – September 2019	Conduct initial outreach, confirm study design
September 2019 – March 2020	Consultant conducts study, including data gathering, analysis and drafting. Update to the Community and Economic Development committee in fall 2019
March – April 2020	Internal staff review, additional outreach and finalize study
April – June 2020	Development of staff recommendations, release of draft study, and additional outreach
June 2020	Report findings and recommendation to City Council

### **Other Direction**

Mayor Liccardo's memo dated September 10, 2018 and approved by the council on December 11, 2018 contains additional direction to staff. This section responds to that direction.

**Recommendation 2:** *Exploration of a separate study for a Downtown Core Commercial (office and R & D) development impact fee, which would address affordable housing and infrastructure needs (i.e. transit and parks).*

The nexus and feasibility studies conducted for the Commercial Linkage Fee could contribute to this proposal. The nexus study could be used to support collection of an affordable housing fee on commercial development in the Downtown, and the feasibility study could indicate what level of additional City fees could be accommodated by commercial development Downtown. While work on a Commercial Linkage Fee studies can begin now, study of infrastructure fees would require the creation of an infrastructure plan for Downtown on which the fees could be based, as well as additional nexus studies. It would be difficult to accommodate that effort within the

scope of work on a Commercial Linkage Fee. If the Council desires to pursue a broader commercial development impact fee for the Downtown, staff would recommend building the various components of the fee sequentially, beginning with the Commercial Impact Fee.

Recommendation 3b: *Include a Regional Commercial Linkage Fee as a legislative priority of the City, as previously discussed by the City Council.*

As part of its consideration of the 2019 Legislative Guiding Principles and Program, the City Council added a policy position to the legislative program that called support of “funding mechanisms for affordable housing development that emerge from the Metropolitan Transportation Commission’s Committee to House the Bay Area (CASA) process.” The CASA process has produced a document known as the CASA Compact, which includes a regional Commercial Linkage Fee as one of its proposed funding mechanisms. The CASA co-chairs and their Implementation Team are working to introduce State legislation to implement the CASA Compact. No legislation has yet been introduced concerning a regional Commercial Impact Fee, but if such legislation is introduced staff will bring it forward to the City Council to take a position.

Recommendation 3c: *Progress report on (a) the formation of the City Council-authorized RHNA subregion, sponsored by the Santa Clara County Cities Association, with specific "next steps" identified for Staff and Council, and (b) formation of a Bay Areawide commercial linkage fee, requiring state legislation, similarly based on relative jobs/housing ratios.*

The City Council adopted a resolution supporting the formation of a housing subregion of Santa Clara County local and county Governments at the January 15, 2019 City Council meeting. On the regional Commercial Linkage Fee, the response to Recommendation 3c above recommendation provides an update on the formation of a regional Commercial Linkage Fee.

Recommendation 3d: *Provide data regarding ongoing and one-time tax revenues generated from employers in the City of San Jose.*

As part of the last Four Year Review of the General Plan in 2015, the City commissioned a fiscal analysis from Applied Development Economics that provided a detailed break-down of San José General Fund tax revenues by land use categories, including commercial, industrial park, and light and heavy industrial. The analysis also estimated the City’s cost for serving each land use category and the net cost or revenue associated with each category.

**Table 2. Summary of Applied Development Economics fiscal analysis results for employment lands**

	<b>Commercial Land Uses</b>	<b>Industrial Park Land Uses</b>	<b>Light/Heavy Industrial Land uses</b>
Total General Fund Revenue	\$203,993,700	\$148,668,900	\$40,124,000
Total General Fund Expenditures	\$149,057,500	\$82,152,500	\$37,694,100
Net (Cost)/Revenue	\$54,936,200	\$66,516,400	\$2,429,900

The full report is included with this memo as Attachment B. Table 5 on pages five and six of the report provides a more detailed break-down of the above data.

*Recommendation 4: Explore a funding partnership with the Silicon Valley Community Foundation, which has funded similar studies, consistent with its housing and transit strategic grant priority.*

City staff has made contact with Silicon Valley Community Foundation staff responsible for the housing and transit grant priority and has a call scheduled for February 27<sup>th</sup>, 2019 to pursue discussion of a potential partnership.

#### **EVALUATION AND FOLLOW-UP**

Staff will return to the Community and Economic Development Committee in fall of 2019 with a progress update, and will return to City Council with finalized studies and staff recommendations in June of 2020.

#### **PUBLIC OUTREACH**

This memorandum will be posted on the City Council Agenda website for the March 12, 2019 City Council Meeting.

#### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

#### **COMMISSION RECOMMENDATION/INPUT**

There is no commission recommendation/input associated with this action.



## **FISCAL/POLICY ALIGNMENT**

The 2040 General Plan establishes multiple policy objectives related to creation of affordable housing, including the following:

*H-2.1 Facilitate the production of extremely low-, very low-, and moderate-income housing by maximizing use of appropriate policies and financial resources at the federal, state and local levels; and various other programs.*

*H12.14 Seek permanent sources of affordable housing funds.*

The General Plan also establishes many policies that promote commercial development, including the following:

*The Envision San José 2040 General Plan establishes achievement of a [Jobs/Employed Residents Ratio (J/ER)] of 1.1 to 1 by the year 2040 as a core objective of the Plan informing its policies and Land Use/Transportation Diagram designations. In the near term, the Plan strives to achieve a J/ER ratio of 1.0 by the year 2025. (Major Strategy #4)*

*IE-2.2 Attract and sustain a growing concentration of companies to serve as the economic engine of San José and the region, particularly in driving industries such as information and communication technologies, clean technology, bioscience, and other sectors base on creativity and innovation.*

*IE-2.6 Promote retail development to the maximum extent feasible, consistent with other General Plan goals and policies, in order to generate City revenue, create jobs, improve customer convenience, and enhance neighborhood livability.*

Through the nexus and feasibility studies proposed in this memo, staff will evaluate a potential Commercial Linkage Fee in light of policy objectives related both to promotion of affordable housing and commercial development.

## **COST SUMMARY/IMPLICATIONS**

The cost for consultant services to develop nexus and feasibility studies is estimated to be \$150,000. The Council approved \$150,000 for this purpose as part of the 2018-2019 Mid-Year Budget Review Report.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations to fund the contract recommended as part of this memo.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2018-2019 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	205I	Commercial Development Impact Study	\$150,000	\$150,000	N/A	2/12/2019 Ord. No. 30223

**CEQA**

Not a Project, File No. PP17-001, Feasibility and Planning Studies with no commitment to future actions.

/s/  
JACKY MORALES-FERRAND  
Director  
Housing Department

/s/  
KIM WALES  
Deputy City Manager  
Director of Economic Development

/s/  
LEE WILCOX  
Chief of Staff  
Office of the City Manager

For questions, please contact Peter Hamilton, Senior Executive Analyst, at (408) 535-7998.

**Attachments:**

Attachment A: Potential Commercial and Industrial Development Prototypes  
Attachment B: Applied Development Economics Fiscal Analysis

**Attachment A**  
**Potential Commercial and Industrial Prototypes**

- Major Mall Expansion
- Large Format Retail
- Mid-sized Commercial Center
- Neighborhood Serving/Amenity Retail
- Ground Floor Retail in Mixed Use (small scale)
- Experiential/Entertainment (Top golf, Gyms, etc.)
- Office (12+ story)
- Urban Village Commercial Office/Mixed Use (0.5 FAR)
- Office/R&D (6-12 story)
- Office/R&D (1-2 story)
- R&D/Manufacturing (single story)
- Warehouse/Distribution (single story)
- Urban Multi-tenant industrial (1-4 story)
- Medical Office (1-6 story)
- Hotel Citywide (4-6 story)
- Hotel Downtown (12+ story)



# MEMO

**TO:** John Lang, Chief Economist, City of San Jose

**FROM:** Doug Svensson, AICP

**DATE:** April 10, 2015 (rev. November 24, 2015)

**SUBJECT:** Fiscal Analysis

ADE has updated the fiscal analysis from the Envision San Jose 2040 General Plan Update, published in 2010. The housing and employment lands data have been update to reflect growth since 2007/2008, as shown in Tables 1 and 2. San Jose experienced growth of 15,590 housing units (5.1 percent) during this time. According to the California Department of Finance, the average household size declined from 3.24 to 3.18, resulting in a growth in household population of only one percent.

TABLE 1 RESIDENTIAL LAND USE AND POPULATION FIGURES IN FISCAL MODEL				
Land Use Category	Units 2008	Units 2014	Adjusted Persons Per Housing Units 2014	Household Population 2014
<b>Single Family</b>				
Single Family Detached	167,873	176,059	3.40	597,806
Single Family Attached	28,227	32,281	2.97	95,806
<b>Low Density Multi-Family</b>				
Multi-Family 2-4 Units	23,425	23,198	3.14	72,859
Mobile Homes	11,028	10,959	2.69	29,472
<b>Medium Density</b>				
5 plus Units per Building	77,060	80,706	2.36	190,690
<b>Total</b>	<b>307,613</b>	<b>323,203</b>	<b>3.05</b>	<b>986,634*</b>
Persons per occupied housing unit			3.18	

*\*Note: This figure does not include population in group quarters. Total population reported by DOF for 2014 is 1,000,536. Source: ADE, Inc., California Department of Finance, Demographic Research Unit, E-5 Report*

During this same time, San Jose added 10,360 jobs, an increase of 2.8 percent. Much of this growth occurred in the Commercial sector, which generates the most sales tax for the City. Other business sectors with significant growth include Business Services, Health Care, Software, and Transportation/Distribution. Industries with declines in employment include Hardware, Innovation Services, Construction and Semiconductors.

**TABLE 2**  
**CORRESPONDENCE OF INDUSTRIES AND EMPLOYMENT BY LAND USE CATEGORY**

Land Use Category and Industry Sector	Citywide		North San Jose		Central San Jose		South San Jose	
	Firms	Jobs	Firms	Jobs	Firms	Jobs	Firms	Jobs
<b>Agriculture</b>	<b>94</b>	<b>1,722</b>	<b>7</b>	<b>77</b>	<b>64</b>	<b>1,355</b>	<b>23</b>	<b>280</b>
<b>Commercial</b>	19,791	147,569	1,653	12,012	10,973	92,294	7,112	43,080
Bldg/Const/Real Estate (40%)	915	9,784	74	1,228	525	7,104	301	1,394
Financial Services	889	10,207	73	965	568	7,775	243	1,413
Health Care (75%)	1,248	21,544	75	822	726	13,597	443	7,115
Retail/Consumer Services	16,359	100,079	1,392	8,593	8,930	59,597	6,000	31,700
Visitor	129	5,651	13	371	86	4,057	30	1,347
Other	251	305	26	33	138	164	96	111
<b>Industrial Pk./Campus Ind.</b>	<b>5,158</b>	<b>115,765</b>	<b>740</b>	<b>46,012</b>	<b>3,010</b>	<b>50,244</b>	<b>1,377</b>	<b>19,136</b>
Biomedical	75	3,725	16	1,915	33	345	26	1,465
Business Services	1,495	35,411	190	8,551	831	21,983	458	4,625
Comp And Comm Hardware	47	22,219	26	18,824	14	604	7	2,791
Corporate Offices	79	3,802	14	771	47	2,276	17	711
Creative Services	379	3,807	41	681	254	2307	81	811
Electronic Component	94	5,387	58	3,284	24	1,037	11	1,067
Health Care (25%)	416	7,181	25	274	242	4532	148	2372
Innovation Services	1,516	15,226	165	2724	1016	9226	323	3243
Software	838	18,740	182	8,960	429	7,791	222	1,955
Other	221	268	23	29	121	144	85	98
<b>Light/Heavy Industrial</b>	<b>3,283</b>	<b>58,357</b>	<b>620</b>	<b>22,892</b>	<b>1,833</b>	<b>27,997</b>	<b>802</b>	<b>7,337</b>
Bldg/Const/Real Estate (60%)	1,372	14,676	111	1842	788	10656	451	2091
Industrial Supplies Services	312	5,786	77	1,813	173	3,375	59	575
Misc. Manufacturing	222	3,675	44	2,006	137	1,302	42	367
Semiconductors	130	12,569	65	8,047	38	1,469	28	3,053
Transportation/Distribution	1,080	21,447	307	9,163	606	11,085	159	1,178
Other	167	203	17	22	92	109	64	74
<b>Public/Quasi Public</b>	<b>1,436</b>	<b>53,091</b>	<b>171</b>	<b>6,137</b>	<b>840</b>	<b>35,951</b>	<b>415</b>	<b>10,813</b>
Civic	1,314	52,943	158	6,122	774	35,871	369	10,759
Other	123	282	13	16	68	213	47	54
<b>Total</b>	<b>29,763</b>	<b>376,500</b>	<b>3,191</b>	<b>87,130</b>	<b>16,721</b>	<b>207,840</b>	<b>9,730</b>	<b>80,646</b>

Source: ADE, Inc., based on EDD CEW 2013 Q3 to 2014 Q1.

The analysis also divides the City into three sub-areas: North, Central and South (Figure 1). The North area has less than ten percent of the City's population but it has 40 percent of the industrial employment in the City, including Campus and Industrial Park uses. The Central Area is the jobs center of the City, however, with higher industrial employment than the North area and also most of the Civic and Commercial employment in the City. The Central area is also home to about half of the City's population. In the Central Area, there are roughly two-thirds as many multi-family housing units

as single family. In the South Area, single family housing is nearly three times more prevalent than multi-family housing. The South area has about 30 percent of the City's commercial employment but only about 15 percent of total industrial employment.

## **FISCAL ANALYSIS**

The preliminary results of the fiscal analysis are shown in Table 4, with more detailed data provided in Tables 5-8 for the City as a whole and each of the subareas. The fiscal model addresses General Fund revenues and costs, which represent \$1.13 billion in operating expenditures, about 53 percent of the City's total operating budget. Special revenue funds make up the remaining operating budget and capital funds add another \$924 million to the City's total \$3.03 billion annual budget. The General Fund, however, includes all general tax revenues, which the City has limited ability to increase through legislative action and which must fund the bulk of municipal services such as public safety and parks and recreation.

### **IMPACTS BY LAND USE**

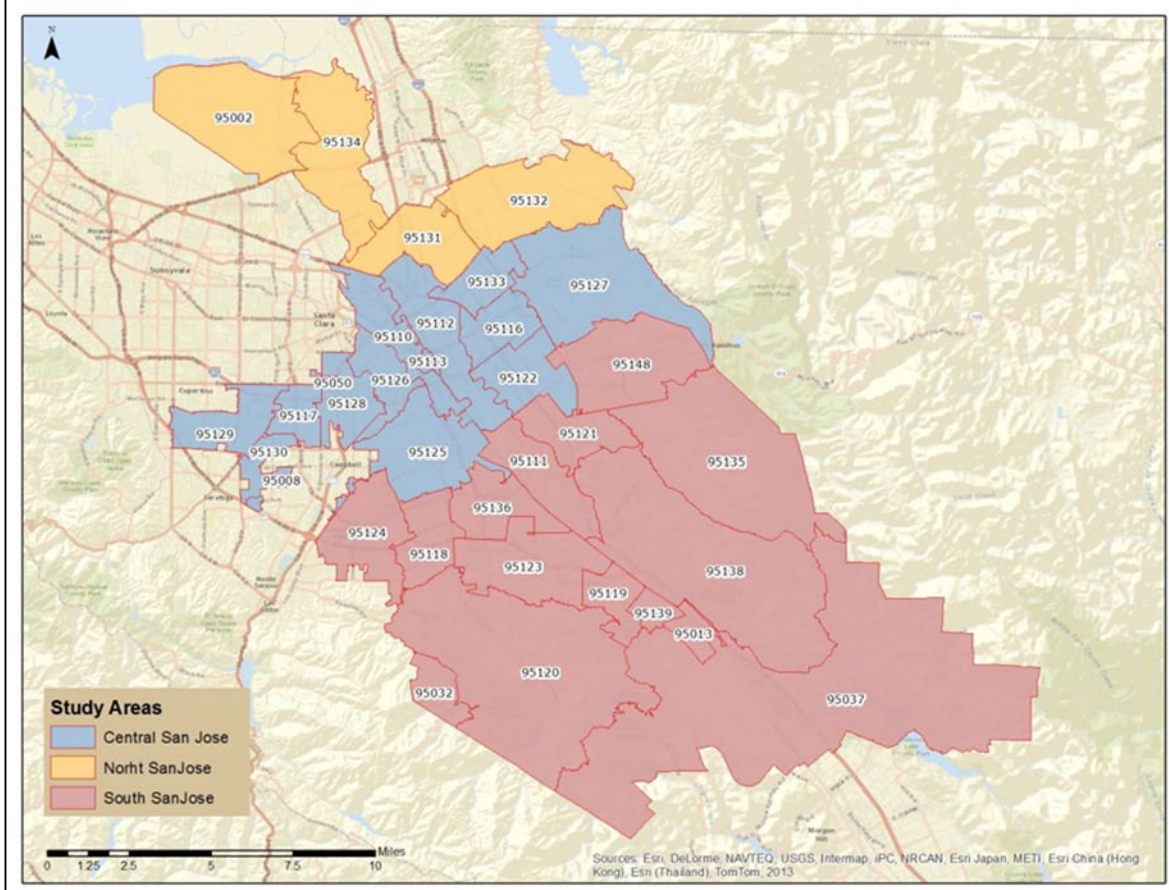
From a land use perspective, residential uses require more in City services than they provide directly in City revenue. This is typical for most California cities, due to limitations on the property tax imposed by Proposition 13. It also reflects the fact that San Jose loses some of its sales tax to other cities, as residents shop elsewhere to find better prices or product selection. This household sale leakage is currently estimated at about 30 percent.<sup>1</sup> Within the residential category, single family residences are mainly detached units on individual lots, but also include townhomes at higher densities. This category generates more revenue per resident, as well as slightly higher costs, but have a better net fiscal impact per resident than do low or medium density multi-family units. The higher revenue is mainly due to higher assessed values for the units, but also reflects higher income levels in these households that result in higher taxable sales. Low and medium density multifamily units create some efficiencies in terms of the lower amount of street pavement needed to serve higher density development, but also may create higher response requirements for police and fire services.

Non-residential uses create the tax base needed to balance the funding for services in the residential neighborhoods. Commercial uses, including lodging and visitor services, create the highest net revenue due to the sales tax and the transient occupancy tax. Industrial uses also generate sales taxes (see Table A-1 for sales tax distribution by business type), as well as relatively high property taxes. Industrial uses typically require fewer City services, resulting in a positive net fiscal impact.

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<sup>1</sup> John Lang, San Jose Chief Economist, based on the retail leakage model prepared by Bay Area Economics in their 2009 retail study, as updated by staff.

FIGURE 1  
SAN JOSE SUB-AREAS BY ZIP CODE



Source: ADE, Inc., in consultation with John Lang, Chief Economist, San Jose.

### IMPACTS BY CITY SUB-AREA

In terms of fiscal impact by sub-area, the North area generates the largest net fiscal benefit, due to its lower residential unit count relative to its employment base. The Central area is well-balanced from the land use perspective, but generates a relatively small fiscal deficit due in part to the concentration of civic uses that are non-tax generating. The South area has fewer commercial and industrial uses to balance its residential areas, and generates a larger net fiscal deficit, in contrast to the other areas.

### HIGH DENSITY RESIDENTIAL CASE STUDIES

In order to explore the fiscal impacts of higher density residential development, City staff identified six projects that have been built since 2007 at densities ranging from 43 to as much as 266 units per acre (Table 3). Most of the projects are rental apartments, although The 360 and Morrison Park were originally built as condominiums.

**TABLE:3**  
**SELECTED RECENT HIGH DENSITY RESIDENTIAL DEVELOPMENTS**

<b>PROJECT</b>	<b>UNIT TYPE</b>	<b>UNITS</b>	<b>UNITS/ ACRE</b>	<b>ASSESSED VALUE PER UNIT*</b>	<b>YEAR BUILT</b>
The Axis	Condos	330	266	\$563,625	2007
The 360	Apts	203	201	\$661,206	2008
One East Julian	Condos	43	43	\$414,996	2007
Morrison Park	Apts	250	56	\$472,755	2013/14
Winchester Urban Village	Apts	50	63	\$447,892	2009
Southwest Expressway Urban Village	Apts	91	49	\$486,117	2008

*\*Assessed values have been escalated to 2014/2015 market levels*

As shown in Table 9, all of the projects are estimated to generate a positive fiscal impact. The variations in density in the projects have a minor effect on the costs per capita to provide services, but the main difference in the projects relates to the amount of property tax they generate. The One East Julian project, with an assessed value of about \$415,000 per unit, represents the break-even point for these higher density residential projects to generate enough City General Fund revenues to cover municipal costs for services, assuming high density units require the same average level of service per capita.

It should be noted that several of these projects are in the former Redevelopment Area, and the property tax increment is dedicated to service the outstanding redevelopment bonds for a period of some twenty years. Therefore, for these projects, which include The Axis, The 360 and One East Julian, the General Fund will experience a negative fiscal impact until the full tax increment is reverted back to the General Fund.

#### **SERVICE DELIVERY CONSIDERATIONS RELATED TO DENSITY**

The density of development may affect municipal service delivery costs in several ways. Higher densities create efficiencies for services related to the circulation pattern, in terms of reducing the amount of pavement in the street system and the length of water, sewer and other utilities located in the streets. Certainly higher density supports mass transit systems, which have numerous environmental and energy efficiency benefits. However, in some ways higher densities may create higher service costs for public safety. Higher intensity buildings require different firefighting equipment, for example, and police calls for service may require higher manpower to cover the street level situation while officers are responding to incidents at the upper floor levels. ADE evaluated the number of calls for service for both police and fire protection to the six projects in Table 3 above and found that the calls per capita were very similar to the citywide averages, so any difference in services costs to these projects would only be due to the nature of the response required. The analysis above indicates that many higher density market rate developments do generate sufficient revenue to support average service costs, and could support higher costs for certain services if necessary.



**TABLE 4**  
**SUMMARY OF FISCAL IMPACTS BY LAND USE – CITYWIDE AND CITY SUB-AREAS**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
<b>CITYWIDE</b>								
<b>NET (COST)/REVENUE</b>	(\$869,100)	(\$53,209,200)	(\$23,266,800)	(\$34,004,200)	\$54,936,200	\$66,516,400	\$2,429,900	(\$14,271,400)
Net Per DU/1,000 sq.ft.	(\$2)	(\$255)	(\$681)	(\$421)	\$1,064	\$1,321	\$58	(\$538)
Net Per Person/Employee	(\$1)	(\$77)	(\$227)	(\$179)	\$372	\$575	\$42	(\$269)
Rev. Per Person/Emp.	\$756	\$667	\$473	\$512	\$1,382	\$1,284	\$688	\$541
Costs Per Person/Emp.	\$757	\$743	\$701	\$690	\$1,010	\$710	\$646	\$810
<b>NORTH SAN JOSE</b>								
<b>NET (COST)/REVENUE</b>	\$24,237,500	(\$1,769,100)	(\$4,081,300)	(\$962,300)	\$3,944,912	\$28,258,300	\$252,400	(\$1,405,400)
Net Per DU/1,000 sq.ft.	\$337	(\$129)	(\$747)	(\$109)	\$938	\$1,412	\$15	(\$458)
Net Per Person/Employee	\$143	(\$39)	(\$249)	(\$46)	\$328	\$614	\$11	(\$229)
Rev. Per Person/Emp.	\$880	\$712	\$447	\$670	\$1,330	\$1,332	\$651	\$589
Costs Per Person/Emp.	\$737	\$751	\$696	\$716	\$1,002	\$717	\$640	\$818
<b>CENTRAL SAN JOSE</b>								
<b>NET (COST)/REVENUE</b>	(\$2,748,000)	(\$41,569,000)	(\$6,666,000)	(\$24,161,300)	\$48,568,331	\$29,419,100	\$1,195,600	(\$9,534,700)
Net Per DU/1,000 sq.ft.	(\$11)	(\$422)	(\$518)	(\$461)	\$1,504	\$1,346	\$59	(\$530)
Net Per Person/Employee	(\$4)	(\$127)	(\$173)	(\$195)	\$526	\$586	\$43	(\$265)
Rev. Per Person/Emp.	\$755	\$607	\$538	\$491	\$1,533	\$1,297	\$689	\$545
Costs Per Person/Emp.	\$759	\$733	\$711	\$687	\$1,007	\$712	\$646	\$811
<b>SOUTH SAN JOSE</b>								
<b>NET (COST)/REVENUE</b>	(\$23,127,000)	(\$10,128,600)	(\$12,491,200)	(\$8,876,100)	\$1,142,987	\$8,816,800	\$920,400	(\$2,511,300)
Net Per DU/1,000 sq.ft.	(\$140)	(\$105)	(\$790)	(\$456)	\$76	\$1,059	\$174	(\$464)
Net Per Person/Employee	(\$47)	(\$32)	(\$264)	(\$193)	\$27	\$461	\$125	(\$232)
Rev. Per Person/Emp.	\$714	\$720	\$430	\$494	\$1,038	\$1,148	\$788	\$585
Costs Per Person/Emp.	\$761	\$752	\$694	\$687	\$1,012	\$687	\$662	\$817

Source: ADE, Inc.

**TABLE 5**  
**FISCAL IMPACT BY LAND USE - CITYWIDE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
<b>REVENUES</b>								
Property Taxes	\$225,122,100	\$137,782,900	\$10,512,000	\$20,227,600	\$14,090,500	\$37,577,100	\$2,883,200	\$2,048,800
Sales Tax	\$180,024,000	\$58,536,500	\$4,669,600	\$13,118,500	\$68,414,700	\$28,443,800	\$6,120,800	\$720,100
Transient Occupancy Tax	\$11,750,000	\$0	\$0	\$0	\$11,750,000	\$0	\$0	\$0
Franchise Fees	\$44,849,600	\$21,062,300	\$3,107,400	\$5,783,700	\$5,865,300	\$4,601,200	\$2,319,500	\$2,110,200
Utility Tax	\$93,785,300	\$44,043,500	\$6,497,900	\$12,094,400	\$12,265,000	\$9,621,600	\$4,850,300	\$4,412,600
Telephone Line Tax	\$20,473,200	\$9,614,600	\$1,418,500	\$2,640,200	\$2,677,400	\$2,100,400	\$1,058,800	\$963,300
Business Taxes	\$43,479,700	\$1,514,700	\$223,500	\$415,900	\$16,271,800	\$12,764,900	\$6,434,800	\$5,854,100
Licenses & Permits	\$13,624,200	\$6,398,200	\$944,000	\$1,757,000	\$1,781,700	\$1,397,700	\$704,600	\$641,000
Fines & Forfeitures	\$14,049,600	\$6,598,000	\$973,400	\$1,811,800	\$1,837,400	\$1,441,400	\$726,600	\$661,000
Revenue from Money and Property	\$2,800,200	\$1,257,200	\$131,700	\$265,000	\$554,800	\$404,300	\$109,100	\$78,100
Revenue from Local Agencies	\$1,891,200	\$888,200	\$131,000	\$243,900	\$247,300	\$194,000	\$97,800	\$89,000
Revenue from State Government	\$11,036,400	\$7,760,500	\$1,144,900	\$2,131,000	\$0	\$0	\$0	\$0
Revenue from Federal Government	\$4,112,100	\$2,891,500	\$426,600	\$794,000	\$0	\$0	\$0	\$0
Departmental Charges	\$38,734,000	\$18,190,300	\$2,683,700	\$4,995,100	\$5,065,500	\$3,973,800	\$2,003,200	\$1,822,400
Other revenue	\$14,994,900	\$7,041,900	\$1,038,900	\$1,933,700	\$1,961,000	\$1,538,400	\$775,500	\$705,500
Fund Bal., Transfers/Reimb.	\$308,977,900	\$138,719,900	\$14,534,400	\$29,242,600	\$61,211,300	\$44,610,300	\$12,039,800	\$8,619,600
Total Revenue	\$1,029,704,400	\$462,300,200	\$48,437,500	\$97,454,400	\$203,993,700	\$148,668,900	\$40,124,000	\$28,725,700
<b>EXPENDITURES</b>								
General Government	\$77,288,100	\$38,660,700	\$5,377,500	\$9,858,800	\$11,178,600	\$6,161,000	\$2,826,900	\$3,224,600
Economic Development	\$4,273,100	\$297,900	\$43,900	\$81,800	\$1,515,700	\$1,189,100	\$599,400	\$545,300
Environmental Services	\$695,700	\$326,700	\$48,200	\$89,700	\$91,000	\$71,400	\$36,000	\$32,700

**TABLE 5**  
**FISCAL IMPACT BY LAND USE - CITYWIDE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
Police	\$324,062,800	\$152,098,600	\$22,439,600	\$41,766,300	\$63,533,400	\$19,271,700	\$9,714,900	\$15,238,300
Fire/EMS	\$159,455,500	\$78,211,000	\$10,520,100	\$19,649,400	\$19,260,100	\$17,861,800	\$7,337,400	\$6,615,700
Planning/Bldg./Code Enf.	\$16,335,800	\$9,998,100	\$762,800	\$1,467,800	\$1,022,500	\$2,726,700	\$209,200	\$148,700
Housing	\$235,600	\$110,600	\$16,300	\$30,400	\$30,800	\$24,200	\$12,200	\$11,100
Public Works	\$36,434,100	\$17,110,200	\$2,524,300	\$4,698,500	\$4,764,800	\$3,737,900	\$1,884,200	\$1,714,200
Parks, Recreation, Neigh. Svcs.	\$55,327,500	\$34,980,200	\$5,160,700	\$9,605,600	\$2,197,500	\$1,723,900	\$869,000	\$790,600
Library	\$24,586,100	\$14,383,500	\$2,122,100	\$3,949,700	\$1,626,500	\$1,275,900	\$643,200	\$585,200
Capital Contributions	\$34,244,300	\$16,081,800	\$2,372,600	\$4,416,100	\$4,478,400	\$3,513,200	\$1,771,000	\$1,611,200
Transportation	\$28,214,700	\$21,159,500	\$1,596,300	\$1,355,100	\$1,603,300	\$1,116,600	\$611,400	\$772,500
Citywide	\$87,519,600	\$41,101,000	\$6,063,800	\$11,286,400	\$11,445,600	\$8,978,800	\$4,526,200	\$4,117,800
Transfers Out	\$35,357,900	\$17,686,600	\$2,460,100	\$4,510,200	\$5,114,000	\$2,818,600	\$1,293,200	\$1,475,200
Reserves	\$146,542,700	\$73,303,000	\$10,196,000	\$18,692,800	\$21,195,300	\$11,681,700	\$5,359,900	\$6,114,000
Total Expenditures	\$1,030,573,500	\$515,509,400	\$71,704,300	\$131,458,600	\$149,057,500	\$82,152,500	\$37,694,100	\$42,997,100
<b>NET (COST)/REVENUE</b>	<b>(\$869,100)</b>	<b>(\$53,209,200)</b>	<b>(\$23,266,800)</b>	<b>(\$34,004,200)</b>	<b>\$54,936,200</b>	<b>\$66,516,400</b>	<b>\$2,429,900</b>	<b>(\$14,271,400)</b>
<b>UNIT ANALYSIS</b>								
Net Per DU/1,000 sq.ft.	(\$2)	(\$255)	(\$681)	(\$421)	\$1,064	\$1,321	\$58	(\$538)
Net Per Person/Employee	(\$1)	(\$77)	(\$227)	(\$179)	\$372	\$575	\$42	(\$269)
Revenue Per Person/Employee	\$756	\$667	\$473	\$512	\$1,382	\$1,284	\$688	\$541
Costs Per Person/Employee	\$757	\$743	\$701	\$690	\$1,010	\$710	\$646	\$810

Source: ADE, Inc.

**TABLE 6**  
**FISCAL IMPACT BY LAND USE – NORTH SAN JOSE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
<b>REVENUES</b>								
Property Taxes	\$34,627,800	\$10,549,800	\$1,379,600	\$4,524,000	\$732,600	\$16,454,500	\$546,500	\$440,800
Sales Tax	\$25,571,200	\$3,864,000	\$746,700	\$1,438,000	\$5,733,000	\$11,305,300	\$2,401,000	\$83,200
Transient Occupancy Tax	\$771,412	\$0	\$0	\$0	\$771,412	\$0	\$0	\$0
Franchise Fees	\$5,981,200	\$1,390,300	\$496,900	\$634,000	\$477,400	\$1,828,800	\$909,900	\$243,900
Utility Tax	\$12,507,300	\$2,907,300	\$1,039,000	\$1,325,700	\$998,400	\$3,824,200	\$1,902,600	\$510,100
Telephone Line Tax	\$2,730,200	\$634,700	\$226,800	\$289,400	\$217,900	\$834,800	\$415,300	\$111,300
Business Taxes	\$9,780,200	\$100,000	\$35,700	\$45,600	\$1,324,500	\$5,073,500	\$2,524,200	\$676,700
Licenses & Permits	\$1,816,900	\$422,400	\$150,900	\$192,600	\$145,000	\$555,500	\$276,400	\$74,100
Fines & Forfeitures	\$1,873,600	\$435,500	\$155,600	\$198,600	\$149,600	\$572,900	\$285,000	\$76,400
Revenue from Money and Property	\$407,000	\$88,700	\$19,900	\$38,000	\$43,500	\$166,600	\$40,500	\$9,800
Revenue from Local Agencies	\$252,200	\$58,600	\$21,000	\$26,700	\$20,100	\$77,100	\$38,400	\$10,300
Revenue from State Government	\$929,000	\$512,300	\$183,100	\$233,600	\$0	\$0	\$0	\$0
Revenue from Federal Government	\$346,100	\$190,900	\$68,200	\$87,000	\$0	\$0	\$0	\$0
Departmental Charges	\$5,165,600	\$1,200,800	\$429,100	\$547,500	\$412,300	\$1,579,400	\$785,800	\$210,700
Other revenue	\$1,999,700	\$464,800	\$166,100	\$212,000	\$159,600	\$611,400	\$304,200	\$81,600
Fund Bal., Transfers/Reimb.	\$44,910,800	\$9,783,100	\$2,194,400	\$4,198,200	\$4,795,200	\$18,384,500	\$4,471,300	\$1,084,100
Total Revenue	\$149,670,200	\$32,603,200	\$7,313,000	\$13,990,900	\$15,980,512	\$61,268,500	\$14,901,100	\$3,613,000
<b>EXPENDITURES</b>								
General Government	\$9,406,900	\$2,577,800	\$854,500	\$1,121,400	\$902,600	\$2,475,600	\$1,098,600	\$376,400
Economic Development	\$929,800	\$19,700	\$7,000	\$9,000	\$123,400	\$472,600	\$235,100	\$63,000
Environmental Services	\$92,800	\$21,600	\$7,700	\$9,800	\$7,400	\$28,400	\$14,100	\$3,800

**TABLE 6**  
**FISCAL IMPACT BY LAND USE – NORTH SAN JOSE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
Police	\$36,610,100	\$10,040,200	\$3,588,000	\$4,578,200	\$5,171,600	\$7,659,700	\$3,810,900	\$1,761,500
Fire/EMS	\$21,743,200	\$5,313,700	\$1,650,900	\$2,393,300	\$1,524,800	\$7,257,000	\$2,817,600	\$785,900
Planning/Bldg./Code Enf.	\$2,512,800	\$765,500	\$100,100	\$328,300	\$53,200	\$1,194,000	\$39,700	\$32,000
Housing	\$31,400	\$7,300	\$2,600	\$3,300	\$2,500	\$9,600	\$4,800	\$1,300
Public Works	\$4,858,900	\$1,129,500	\$403,600	\$515,000	\$387,800	\$1,485,700	\$739,100	\$198,200
Parks, Recreation, Neigh. Svcs.	\$5,483,600	\$2,309,100	\$825,200	\$1,052,900	\$178,900	\$685,200	\$340,900	\$91,400
Library	\$2,681,100	\$949,500	\$339,300	\$432,900	\$132,400	\$507,100	\$252,300	\$67,600
Capital Contributions	\$4,566,900	\$1,061,600	\$379,400	\$484,100	\$364,500	\$1,396,400	\$694,700	\$186,200
Transportation	\$2,704,000	\$1,396,800	\$255,300	\$148,500	\$130,500	\$443,800	\$239,800	\$89,300
Citywide	\$11,671,800	\$2,713,100	\$969,600	\$1,237,200	\$931,700	\$3,568,700	\$1,775,500	\$476,000
Transfers Out	\$4,303,400	\$1,179,300	\$390,900	\$513,000	\$412,900	\$1,132,500	\$502,600	\$172,200
Reserves	\$17,836,000	\$4,887,600	\$1,620,200	\$2,126,300	\$1,711,400	\$4,693,900	\$2,083,000	\$713,600
Total Expenditures	\$125,432,700	\$34,372,300	\$11,394,300	\$14,953,200	\$12,035,600	\$33,010,200	\$14,648,700	\$5,018,400
<b>NET (COST)/REVENUE</b>	\$24,237,500	(\$1,769,100)	(\$4,081,300)	(\$962,300)	\$3,944,912	\$28,258,300	\$252,400	(\$1,405,400)
<b>UNIT ANALYSIS</b>								
Net Per DU/1,000 sq.ft.	\$337	(\$129)	(\$747)	(\$109)	\$938	\$1,412	\$15	(\$458)
Net Per Person/Employee	\$143	(\$39)	(\$249)	(\$46)	\$328	\$614	\$11	(\$229)
Revenue Per Person/Employee	\$880	\$712	\$447	\$670	\$1,330	\$1,332	\$651	\$589
Costs Per Person/Employee	\$737	\$751	\$696	\$716	\$1,002	\$717	\$640	\$818

Source: ADE, Inc.

**TABLE 7**  
**FISCAL IMPACT BY LAND USE - CENTRAL SAN JOSE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
<b>REVENUES</b>								
Property Taxes	\$95,869,100	\$51,450,600	\$5,709,500	\$11,382,200	\$7,655,400	\$16,767,900	\$1,408,400	\$1,495,100
Sales Tax	\$106,293,400	\$27,675,400	\$1,758,900	\$8,514,000	\$52,575,900	\$12,345,100	\$2,936,500	\$487,600
Transient Occupancy Tax	\$8,435,631	\$0	\$0	\$0	\$8,435,631	\$0	\$0	\$0
Franchise Fees	\$23,089,200	\$9,958,000	\$1,170,500	\$3,753,700	\$3,668,300	\$1,997,000	\$1,112,800	\$1,428,900
Utility Tax	\$48,282,000	\$20,823,300	\$2,447,600	\$7,849,300	\$7,670,900	\$4,176,000	\$2,326,900	\$2,988,000
Telephone Line Tax	\$10,539,900	\$4,545,700	\$534,300	\$1,713,500	\$1,674,500	\$911,600	\$508,000	\$652,300
Business Taxes	\$23,838,700	\$716,100	\$84,200	\$270,000	\$10,176,900	\$5,540,200	\$3,087,100	\$3,964,200
Licenses & Permits	\$7,014,000	\$3,025,000	\$355,600	\$1,140,300	\$1,114,400	\$606,600	\$338,000	\$434,100
Fines & Forfeitures	\$7,233,000	\$3,119,500	\$366,700	\$1,175,900	\$1,149,100	\$625,600	\$348,600	\$447,600
Revenue from Money and Property	\$1,430,500	\$541,000	\$56,400	\$165,200	\$384,900	\$177,300	\$52,400	\$53,300
Revenue from Local Agencies	\$973,700	\$419,900	\$49,400	\$158,300	\$154,700	\$84,200	\$46,900	\$60,300
Revenue from State Government	\$5,483,500	\$3,669,100	\$431,300	\$1,383,100	\$0	\$0	\$0	\$0
Revenue from Federal Government	\$2,043,100	\$1,367,100	\$160,700	\$515,300	\$0	\$0	\$0	\$0
Departmental Charges	\$19,940,800	\$8,600,200	\$1,010,900	\$3,241,800	\$3,168,100	\$1,724,700	\$961,000	\$1,234,100
Other revenue	\$7,719,500	\$3,329,300	\$391,300	\$1,255,000	\$1,226,500	\$667,700	\$372,000	\$477,700
Fund Bal., Transfers/Reimb.	\$157,842,500	\$59,692,700	\$6,227,900	\$18,227,400	\$42,465,300	\$19,559,100	\$5,786,900	\$5,883,200
Total Revenue	\$526,028,500	\$198,932,900	\$20,755,200	\$60,745,000	\$141,520,531	\$65,183,000	\$19,285,500	\$19,606,400
<b>EXPENDITURES</b>								
General Government	\$39,655,800	\$18,036,500	\$2,056,500	\$6,367,600	\$6,971,000	\$2,682,100	\$1,356,700	\$2,185,400
Economic Development	\$2,331,500	\$140,800	\$16,600	\$53,100	\$948,000	\$516,100	\$287,600	\$369,300
Environmental Services	\$358,300	\$154,500	\$18,200	\$58,200	\$56,900	\$31,000	\$17,300	\$22,200

**TABLE 7**  
**FISCAL IMPACT BY LAND USE - CENTRAL SAN JOSE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
Police	\$170,549,000	\$71,910,700	\$8,452,300	\$27,106,700	\$39,735,600	\$8,364,300	\$4,660,700	\$10,318,700
Fire/EMS	\$80,011,700	\$35,556,400	\$4,144,200	\$12,571,500	\$11,925,700	\$7,800,000	\$3,522,800	\$4,491,100
Planning/Bldg./Code Enf.	\$6,956,600	\$3,733,500	\$414,300	\$825,900	\$555,500	\$1,216,700	\$102,200	\$108,500
Housing	\$121,200	\$52,300	\$6,100	\$19,700	\$19,300	\$10,500	\$5,800	\$7,500
Public Works	\$18,756,700	\$8,089,500	\$950,800	\$3,049,300	\$2,980,000	\$1,622,300	\$904,000	\$1,160,800
Parks, Recreation, Neigh. Svcs.	\$27,791,200	\$16,538,300	\$1,943,900	\$6,234,100	\$1,374,400	\$748,200	\$416,900	\$535,400
Library	\$12,438,900	\$6,800,400	\$799,300	\$2,563,400	\$1,017,200	\$553,800	\$308,600	\$396,200
Capital Contributions	\$17,629,400	\$7,603,300	\$893,700	\$2,866,100	\$2,800,900	\$1,524,800	\$849,600	\$1,091,000
Transportation	\$13,788,600	\$10,004,000	\$601,300	\$879,500	\$1,002,800	\$484,600	\$293,300	\$523,100
Citywide	\$45,056,300	\$19,432,100	\$2,284,000	\$7,324,900	\$7,158,400	\$3,897,000	\$2,171,500	\$2,788,400
Transfers Out	\$18,141,700	\$8,251,400	\$940,800	\$2,913,000	\$3,189,100	\$1,227,000	\$620,600	\$999,800
Reserves	\$75,189,600	\$34,198,200	\$3,899,200	\$12,073,300	\$13,217,400	\$5,085,500	\$2,572,300	\$4,143,700
Total Expenditures	\$528,776,500	\$240,501,900	\$27,421,200	\$84,906,300	\$92,952,200	\$35,763,900	\$18,089,900	\$29,141,100
<b>NET (COST)/REVENUE</b>	<b>(\$2,748,000)</b>	<b>(\$41,569,000)</b>	<b>(\$6,666,000)</b>	<b>(\$24,161,300)</b>	<b>\$48,568,331</b>	<b>\$29,419,100</b>	<b>\$1,195,600</b>	<b>(\$9,534,700)</b>
<b>UNIT ANALYSIS</b>								
Net Per DU/1,000 sq.ft.	(\$11)	(\$422)	(\$518)	(\$461)	\$1,504	\$1,346	\$59	(\$530)
Net Per Person/Employee	(\$4)	(\$127)	(\$173)	(\$195)	\$526	\$586	\$43	(\$265)
Revenue Per Person/Employee	\$755	\$607	\$538	\$491	\$1,533	\$1,297	\$689	\$545
Costs Per Person/Employee	\$759	\$733	\$711	\$687	\$1,007	\$712	\$646	\$811

Source: ADE, Inc.

**TABLE 8**  
**FISCAL IMPACT BY LAND USE - SOUTH SAN JOSE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
<b>REVENUES</b>								
Property Taxes	\$93,731,500	\$75,529,300	\$3,422,900	\$4,321,400	\$4,440,900	\$4,394,200	\$875,800	\$747,000
Sales Tax	\$47,871,900	\$26,984,500	\$2,160,400	\$3,165,600	\$9,943,400	\$4,701,800	\$769,500	\$146,700
Transient Occupancy Tax	\$2,800,787	\$0	\$0	\$0	\$2,800,787	\$0	\$0	\$0
Franchise Fees	\$15,737,000	\$9,709,400	\$1,437,600	\$1,395,700	\$1,712,300	\$760,600	\$291,600	\$429,800
Utility Tax	\$32,907,700	\$20,303,400	\$3,006,300	\$2,918,500	\$3,580,500	\$1,590,500	\$609,800	\$898,700
Telephone Line Tax	\$7,183,700	\$4,432,200	\$656,300	\$637,100	\$781,600	\$347,200	\$133,100	\$196,200
Business Taxes	\$9,763,600	\$698,300	\$103,400	\$100,400	\$4,750,200	\$2,110,000	\$809,000	\$1,192,300
Licenses & Permits	\$4,780,500	\$2,949,500	\$436,700	\$424,000	\$520,100	\$231,000	\$88,600	\$130,600
Fines & Forfeitures	\$4,929,900	\$3,041,600	\$450,400	\$437,200	\$536,400	\$238,300	\$91,400	\$134,600
Revenue from Money and Property	\$957,800	\$626,400	\$55,300	\$61,800	\$121,700	\$59,700	\$15,700	\$17,200
Revenue from Local Agencies	\$663,600	\$409,400	\$60,600	\$58,900	\$72,200	\$32,100	\$12,300	\$18,100
Revenue from State Government	\$4,621,400	\$3,577,500	\$529,700	\$514,200	\$0	\$0	\$0	\$0
Revenue from Federal Government	\$1,721,900	\$1,332,900	\$197,400	\$191,600	\$0	\$0	\$0	\$0
Departmental Charges	\$13,591,200	\$8,385,500	\$1,241,600	\$1,205,300	\$1,478,800	\$656,900	\$251,900	\$371,200
Other revenue	\$5,261,500	\$3,246,200	\$480,700	\$466,600	\$572,500	\$254,300	\$97,500	\$143,700
Fund Bal., Transfers/Reimb.	\$105,685,700	\$69,118,200	\$6,104,400	\$6,815,700	\$13,423,300	\$6,592,000	\$1,734,600	\$1,897,500
Total Revenue	\$352,209,700	\$230,344,300	\$20,343,700	\$22,714,000	\$44,734,687	\$21,968,600	\$5,780,800	\$6,323,600
<b>EXPENDITURES</b>								
General Government	\$28,148,500	\$18,034,300	\$2,462,500	\$2,369,100	\$3,269,200	\$986,300	\$364,500	\$662,600
Economic Development	\$1,002,900	\$137,300	\$20,300	\$19,700	\$442,500	\$196,600	\$75,400	\$111,100
Environmental Services	\$244,200	\$150,600	\$22,300	\$21,700	\$26,600	\$11,800	\$4,500	\$6,700



**TABLE 8**  
**FISCAL IMPACT BY LAND USE - SOUTH SAN JOSE**

	<b>Total</b>	<b>Single Family</b>	<b>Low Density Multi-Family</b>	<b>Medium Density Multi-Family</b>	<b>Commercial</b>	<b>Industrial Park</b>	<b>Light/ Heavy Industrial</b>	<b>Public/ Quasi Public</b>
Police	\$116,633,600	\$70,115,300	\$10,381,800	\$10,078,500	\$18,547,400	\$3,185,600	\$1,221,400	\$3,103,600
Fire/EMS	\$57,480,000	\$37,300,900	\$4,717,600	\$4,683,500	\$5,656,600	\$2,764,000	\$975,800	\$1,381,600
Planning/Bldg./Code Enf.	\$6,801,600	\$5,480,700	\$248,400	\$313,600	\$322,200	\$318,900	\$63,600	\$54,200
Housing	\$82,600	\$51,000	\$7,500	\$7,300	\$9,000	\$4,000	\$1,500	\$2,300
Public Works	\$12,784,200	\$7,887,600	\$1,167,900	\$1,133,800	\$1,391,000	\$617,900	\$236,900	\$349,100
Parks, Recreation, Neigh. Svcs.	\$22,027,700	\$16,125,400	\$2,387,600	\$2,317,900	\$641,500	\$285,000	\$109,300	\$161,000
Library	\$9,451,300	\$6,630,600	\$981,800	\$953,100	\$474,800	\$210,900	\$80,900	\$119,200
Capital Contributions	\$12,015,700	\$7,413,500	\$1,097,700	\$1,065,600	\$1,307,400	\$580,700	\$222,700	\$328,100
Transportation	\$11,706,700	\$9,754,200	\$738,600	\$327,000	\$468,100	\$184,600	\$76,900	\$157,300
Citywide	\$30,709,200	\$18,947,000	\$2,805,400	\$2,723,500	\$3,341,300	\$1,484,200	\$569,100	\$838,700
Transfers Out	\$12,877,400	\$8,250,400	\$1,126,500	\$1,083,800	\$1,495,600	\$451,200	\$166,800	\$303,100
Reserves	\$53,371,100	\$34,194,100	\$4,669,000	\$4,492,000	\$6,198,500	\$1,870,100	\$691,100	\$1,256,300
Total Expenditures	\$375,336,700	\$240,472,900	\$32,834,900	\$31,590,100	\$43,591,700	\$13,151,800	\$4,860,400	\$8,834,900
<b>NET (COST)/REVENUE</b>	<b>(\$23,127,000)</b>	<b>(\$10,128,600)</b>	<b>(\$12,491,200)</b>	<b>(\$8,876,100)</b>	<b>\$1,142,987</b>	<b>\$8,816,800</b>	<b>\$920,400</b>	<b>(\$2,511,300)</b>
<b>UNIT ANALYSIS</b>								
Net Per DU/1,000 sq.ft.	(\$140)	(\$105)	(\$790)	(\$456)	\$76	\$1,059	\$174	(\$464)
Net Per Person/Employee	(\$47)	(\$32)	(\$264)	(\$193)	\$27	\$461	\$125	(\$232)
Revenue Per Person/Employee	\$714	\$720	\$430	\$494	\$1,038	\$1,148	\$788	\$585
Costs Per Person/Employee	\$761	\$752	\$694	\$687	\$1,012	\$687	\$662	\$817

Source: ADE, Inc.

**TABLE 9**  
**FISCAL IMPACT OF SELECTED RESIDENTIAL PROJECTS**

	<b>The Axis</b>	<b>The 360</b>	<b>One E. Julian</b>	<b>Morrison Park</b>	<b>Winchester Urban Village</b>	<b>South-western Village</b>
<b>REVENUES</b>						
Property Taxes	\$345,400	\$249,300	\$33,100	\$219,500	\$41,600	\$82,100
Sales Tax	\$53,600	\$33,000	\$7,000	\$40,600	\$8,100	\$14,800
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0	\$0
Franchise Fees	\$23,600	\$14,500	\$3,100	\$17,900	\$3,600	\$6,500
Utility Tax	\$49,500	\$30,400	\$6,400	\$37,500	\$7,500	\$13,600
Telephone Line Tax	\$10,800	\$6,600	\$1,400	\$8,200	\$1,600	\$3,000
Business Taxes	\$1,700	\$1,000	\$200	\$1,300	\$300	\$500
Licenses & Permits	\$7,200	\$4,400	\$900	\$5,400	\$1,100	\$2,000
Fines & Forfeitures	\$7,400	\$4,600	\$1,000	\$5,600	\$1,100	\$2,000
Revenue from Money and Property	\$2,100	\$1,400	\$200	\$1,400	\$300	\$500
Revenue from Local Agencies	\$1,000	\$600	\$100	\$800	\$200	\$300
Revenue from State Government	\$8,700	\$5,400	\$1,100	\$6,600	\$1,300	\$2,400
Revenue from Federal Government	\$3,200	\$2,000	\$400	\$2,500	\$500	\$900
Departmental Charges	\$20,400	\$12,600	\$2,700	\$15,500	\$3,100	\$5,600
Other revenue	\$7,900	\$4,900	\$1,000	\$6,000	\$1,200	\$2,200
Fund Bal., Transfers/Reimb.	\$232,600	\$158,900	\$25,100	\$158,100	\$30,700	\$58,500
Total Revenue	\$775,100	\$529,600	\$83,700	\$526,900	\$102,200	\$194,900
<b>EXPENDITURES</b>						
General Government	\$44,400	\$28,000	\$5,600	\$33,100	\$6,600	\$12,100
Economic Development	\$300	\$200	\$0	\$300	\$100	\$100
Environmental Services	\$400	\$200	\$0	\$300	\$100	\$100
Police	\$170,800	\$105,100	\$22,300	\$129,400	\$25,900	\$47,100

**TABLE 9**  
**FISCAL IMPACT OF SELECTED RESIDENTIAL PROJECTS**

	<b>The Axis</b>	<b>The 360</b>	<b>One E. Julian</b>	<b>Morrison Park</b>	<b>Winchester Urban Village</b>	<b>South-western Village</b>
Fire/EMS	\$107,600	\$70,000	\$12,800	\$77,100	\$15,200	\$28,300
Planning/Bldg./Code Enf.	\$25,100	\$18,100	\$2,400	\$15,900	\$3,000	\$6,000
Housing	\$100	\$100	\$0	\$100	\$0	\$0
Public Works	\$19,200	\$11,800	\$2,500	\$14,600	\$2,900	\$5,300
Parks, Recreation, Neigh. Svcs.	\$39,300	\$24,200	\$5,100	\$29,800	\$6,000	\$10,800
Library	\$16,200	\$9,900	\$2,100	\$12,200	\$2,400	\$4,500
Capital Contributions	\$18,100	\$11,100	\$2,400	\$13,700	\$2,700	\$5,000
Transportation	\$400	\$300	\$200	\$1,500	\$300	\$600
Citywide	\$46,100	\$28,400	\$6,000	\$35,000	\$7,000	\$12,700
Transfers Out	\$20,300	\$12,800	\$2,600	\$15,100	\$3,000	\$5,500
Reserves	\$84,300	\$53,100	\$10,600	\$62,700	\$12,500	\$22,900
Total Expenditures	\$592,600	\$373,300	\$74,600	\$440,800	\$87,700	\$161,000
<b>NET (COST)/REVENUE</b>	\$182,500	\$156,300	\$9,100	\$86,100	\$14,500	\$33,900
<b>UNIT ANALYSIS</b>						
Net Per DU/1,000 sq.ft.	\$553	\$770	\$212	\$344	\$290	\$373
Net Per Person/Employee	\$234	\$326	\$90	\$146	\$123	\$158
Revenue Per Person/Employee	\$995	\$1,105	\$825	\$893	\$866	\$908
Costs Per Person/Employee	\$761	\$779	\$735	\$747	\$743	\$750

Source: ADE, Inc.

**TABLE A-1**  
**SALES TAX DISTRIBUTION BY BUSINESS TYPE**

Economic Category	Segment Code	Business Code	Business Title	Q2-2013/Q2-2014	
				Benchmark Year Sales*	Businesses
GENERAL RETAIL	Apparel Stores	1	Women's Apparel	\$1,362,246	285
		2	Men's Apparel	\$218,105	54
		3	Family Apparel	\$4,641,027	820
		4	Shoe Stores	\$856,338	115
	Department Stores	5	Variety Stores	\$330,814	101
		7	Department Stores	\$8,465,887	68
		9	General Stores	\$3,806,390	10
	Furniture/Appliance	30	Home Furnishings	\$1,083,965	304
		31	Appliance Stores	\$3,147,980	269
		32	Second Hand Stores	\$132,842	413
	Drug Stores	27	Drug Stores	\$1,854,917	146
	Recreation Products	12	Sporting Goods	\$1,157,473	181
		14	Camera Stores	\$7,421	16
		15	Music Stores	\$208,738	104
	Florist/Nursery	13	Florists	\$83,707	134
		41	Nursery	\$622,833	78
	Miscellaneous Retail	10	News Stands	\$72,806	28
		11	Art, Gift, Novelties	\$460,763	588
		16	Stationery/Books	\$496,868	199
		17	Jewelry Stores	\$1,057,497	314
		19	Specialty Stores	\$5,935,854	2,377
		26	Cigar Stores	\$143,928	68
		58	Vending Companies	\$63,484	12
		73	Portrait Studio	\$51,076	100
		77	Shoe Repair Stores	\$2,826	10
		79	Personal Services	\$682,688	1,038
Total General Retail				\$36,948,471	7,832
FOOD PRODUCTS	Restaurants	24	Fast Food Restaurant	\$7,283,980	1,346
		35	Restaurants W/Beer	\$2,841,749	284
		36	Restaurants W/Onsale	\$5,480,810	619
		70	Hotel Food Sales	\$2,132	13
		75	Hotel Food/Bar Sales	\$655,006	23
		76	Club Food/Bar Sales	\$325,633	50
	Food Markets	20	Grocery W/O Onsale	\$159,565	86
		21	Specialty Food Store	\$732,737	347
		25	Confectionery Stores	\$1,248	24
		33	Grocery W/Beer/Wine	\$1,202,385	129
		34	Supermarkets	\$3,099,655	169
	Liquor Stores	22	Liquor Stores	\$877,410	164
	Food Processing Eqp	90	Food Processing/Eqp	\$348,093	120
Total Food Products				\$23,010,404	3,374

**TABLE A-1**  
**SALES TAX DISTRIBUTION BY BUSINESS TYPE**

Economic Category	Segment Code	Business Code	Business Title	Q2-2013/Q2-2014	
				Benchmark Year Sales	Busines sses
TRANSPORTA TION	Auto Parts/Repair	61	Auto Supply Stores	\$1,531,905	386
		71	Vehicle Repair	\$1,511,472	637
		94	Vehicle Parts Mfg	\$173,190	59
	Auto Sales - New	60	New Car Dealers	\$13,652,826	56
	Auto Sales - Used	64	Used Car Sales	\$1,400,374	93
	Service Stations	62	Service Stations	\$13,480,932	214
	Misc. Vehicle Sales	63	Trailer & Supply	\$122,396	21
		66	Boat/Motorcycle	\$404,505	32
		67	Aircraft & Supply	\$317,447	12
		95	Transportation Eqp	\$18,487	3
Total Transportation				\$32,613,535	\$1,513
Construction	Bldg.Matls-Retail	50	Building Matls Store	\$4,614,418	94
		51	Hardware Stores	\$852,138	63
		53	Paint/Glass/Wallpapr	\$403,651	33
	Bldg.Matls-Whsle	40	Constr./Farm Equipmt	\$38,531	5
		52	Plumbing & Electric	\$3,727,222	130
		82	Bldg Matls-Whsle	\$6,164,210	294
Total Construction				\$15,800,170	\$619
Business to Business	Office Equipment	18	Office Eqpmt Store	\$2,508,880	281
		83	Office Machines	\$10,225,643	263
		93	Photo Process'g/Eqp	\$3,111	7
	Electronic Equipment	86	Electronic Equipment	\$5,439,234	415
	Business Services	89	Business Services	\$2,120,959	1,059
	Energy Sales	46	Fuel Oil/Ice Sales	\$47,951	12
		96	Oil & Gas Products	\$1,586,095	28
	Chemical Products	92	Chemical Products	\$926,970	75
	Heavy Industry	91	Mfg.Matl./Textiles	\$380,022	181
		98	Heavy Industry	\$1,935,574	345
	Light Industry	72	Rental/Other Repair	\$686,675	307
		99	Light Industry	\$3,532,374	653
Leasing	85	Leasing	\$3,986,548	293	
Total Business to Business				\$33,380,036	3,919
Miscellaneous	Health & Government	84	Health Services	\$354,280	256
		87	Govt/Non-Profit Orgs	\$254,108	234
	Miscellaneous Other	28	Non-Store Retailers	\$188,726	558
		29	Part-Time Business	\$37,550	352
		78	Mortuary Sales	\$82,021	16
		88	Auctioneer Sales	\$1,595	1
	Closed Acct-Adjustmt	44	Closed Acct-Adjustmt	\$427	31
Total Miscellaneous				\$918,706	1,448
Grand Total				\$142,671,321	18,705

\*Note: Does not include County pool funds received by the City due to internet sales, which are ascribed to the commercial land use in the fiscal analysis. Source: ADE, Inc., based on data provided by the City of San Jose.