

Meeting Date: 06/02/09

Santa Clara



AGENDA REPORT

City of Santa Clara, California

Agenda Item # 3A/2A
Agency



Date: June 2, 2009

To: City Manager/Executive Director for Redevelopment Agency/City Council Information

From: Assistant City Manager/Assistant Executive Director for Redevelopment Agency

Subject: Net Property Tax Benefit to the Santa Clara Unified School District as a Result of the Proposed 49ers Stadium

Subsequent to the release of the Council/Agency Agenda Report titled "Joint Council and Redevelopment Agency 'Committee of the Whole' Special Meeting to Consider a Proposed Term Sheet Between the City of Santa Clara/Redevelopment Agency and the San Francisco 49ers for the Construction and Operation of an NFL Stadium" on Friday, May 29, 2009, a question arose as to the amount of net property tax benefit accruing to the Santa Clara Unified School District (SCUSD) through the implementation of SB 211 property tax payments to taxing agencies arising from the Agency's need to incur new debt as a portion of the proposed stadium construction financing.

City staff and its fiscal/economic consultant, Keyser Marston Associates (KMA), and SCUSD staff and their property tax consultant have recently met and exchanged information in order to determine the net property tax benefit to the District if the proposed stadium project were to move forward. The staff Agenda Report estimated the District would receive \$20 million in additional property tax revenue due to SB 211 through the remaining life of the Redevelopment Plan in 2026 (see Agenda Report, bottom of page 6). Due to an editing omission, the \$20 million reference was not parenthetically notated as being stated in terms of "net present value."

On completion of this mutual review of Bayshore North Redevelopment Area property tax increment projections, the net benefit of additional property tax accruing to the School District as a result of the stadium project is \$21.7 million (net present value) and \$26.2 million (in nominal dollars). A summary of the analysis of this issue is contained in the attached report from Keyser Marston Associates.

A handwritten signature in cursive script, reading "Ronald E. Garratt".

Ronald E. Garratt
Assistant City Manager / Assistant Executive
Director for Redevelopment Agency

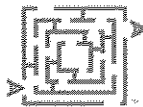
APPROVED:

A handwritten signature in cursive script, reading "Jennifer Sparacino".

Jennifer Sparacino
City Manager / Executive Director for
Redevelopment Agency

Documents Related to this Report:

- 1) *Keyser Marston Associates Report – Dollar Implications to Taxing Agencies-SB 211 Amendment*



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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GERALD M. TRIMBLE
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To: Ron Garratt, Assistant City Manager
City of Santa Clara

From: Keyser Marston Associates, Inc.

Date: June 2, 2009

Subject: Dollar Implications to Taxing Agencies – SB 211 Amendment

The following memo provides information regarding the projected dollar implications of adopting an SB 211 amendment of the Agency's Bayshore North Project Area ("Project Area") to districts that receive property taxes within the Project Area. In addition, an explanation is provided regarding the difference between the estimated impact to the Santa Clara Unified School District (SCUSD) identified in the Agenda Report for the June 2, 2009 Committee of the Whole meeting and the independent estimate provided by SCUSD in a May 29, 2009 letter to the Mayor and City Council.

Background

An SB 211 amendment would effectively extend the Agency's ability to incur new debt through December 2016 and is a requirement to proceed with a stadium transaction or another project that would obligate the Agency's tax increment or require issuance of debt. The amendment would trigger a requirement for the Agency to make payments to districts that receive property taxes within the Project Area including SCUSD, the County, and the City General Fund.

Without adopting an SB 211 amendment, the Agency would stop collecting tax increment once existing debt is repaid. The majority of the Agency's existing debt is projected to be repaid by 2019-20 (unless an SB 211 amendment is adopted). Once the debt is repaid, property tax revenues will be distributed to SCUSD, the County, City of Santa Clara, and other districts in the Project Area rather than the Agency.

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Revenue Impact to Santa Clara Unified School District

The Agenda Report for the June 2, 2009 Committee of the Whole meeting includes an estimate of revenue impact to the SCUSD of approximately \$20 million. This figure approximates the \$21.7 million in the attached projection and previously referenced in the Agenda Report for the January 15, 2008 Committee of the Whole meeting. The estimate contrasts with a \$141 million estimate provided in the letter from SCUSD.

Subsequent to the May 29th Letter, the City, SCUSD and their respective consultants KMA and Public Economics Inc. discussed the estimates in more depth and exchanged and discussed key assumptions. The parties now concur on an estimate of revenue impact to SCUSD as follows:

Revenue to SCUSD

	With SB 211 and with Stadium	No SB 211 and No Stadium or other New Agency Project*	Net Increase in Revenue with SB 211 and with Stadium
Net Present Value	\$66.9 Million	\$45.3 Million	\$21.7 Million
Nominal Dollars	\$133.3 Million	\$107.1 Million	\$26.2 Million

*that would require an incurrence of debt by the Agency

As shown, the estimated net increase in revenue to SCUSD in present value terms is \$21.7 million. In nominal dollar terms the estimate is \$26.2 million.

The initial difference between the two estimates (Agenda report \$20 million and SCUSD \$141 million) is explained by two main factors:

1. The Agenda Report figure was in terms of net present value (discounted to 2008-09). The SCUSD number was in nominal future dollars.
2. The Agenda Report figure represents the net increase in projected revenue to SCUSD with an SB 211 amendment versus without an SB 211 amendment.
 - a. With SB 211, SCUSD receives pass throughs.
 - b. If no SB 211 amendment is adopted, as noted previously (page 1), SCUSD is projected to begin receiving its regular share of property taxes in 2019-20.

The estimate contained in the SCUSD letter represented the gross payments to SCUSD triggered by an SB 211 amendment. The estimate did not reflect a

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deduction for payments that would be received without an SB 211 amendment, i.e., the SCUSD estimate assumed that, without SB 211, the Agency would still have the ability to collect all the tax increment through the 2026 limit.

Dollar Implications to Other Agencies

Table 1, attached, includes a summary of the dollar implications to each of the taxing agencies in the Project Area from proceeding with an SB 211 amendment and construction of the proposed stadium.

Table 1

Projected Revenue Impact to Taxing Agencies: Adopt SB 211 Amendment and Proceed with Stadium
 Bayshore North Redevelopment Project
 Santa Clara Redevelopment Agency

Working Draft June 2, 2009

Based on updated Planning Scenario Projection and Inclusive of Stadium (in column A)	A.	B.	C.
	With SB 211 and With Stadium	No SB 211 No New Projects ³	Net Increase/(Decrease) With SB 211 & Stadium
	\$Millions	\$Millions	\$Millions
	<i>Statutory Pass Thru + Basic Aid payments</i>	<i>Property taxes that revert to taxing agencies once existing RDA debt is re-paid</i>	
Net Present Value in FY 2008-09			
Schools			
Santa Clara Unified School District	\$66.9	\$45.3	\$21.7
County Office of Education	\$7.5	\$4.7	\$2.8
West Valley-Mission Com. College ¹	<u>\$3.2</u>	<u>\$0.0</u>	<u>\$3.2</u>
Subtotal	\$77.6	\$50.0	\$27.7
Other Local Agencies			
City of Santa Clara	\$4.3	\$11.8	(\$7.6)
Santa Clara County	\$17.6	\$21.3	(\$3.6)
Voter Approved Levies	\$0.0	\$4.6	(\$4.6)
Santa Clara Valley Water District	\$1.3	\$2.6	(\$1.3)
Bay Area Air Quality Mgmt District	\$0.1	\$0.3	(\$0.2)
Santa Clara Bridge District	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Subtotal	\$23.4	\$40.6	(\$17.3)
ERAF & Offsets to State Funding for Schools ²	\$2.9	\$31.8	(\$28.9)
Total	\$103.9	\$122.4	(\$18.5)
Nominal Future Dollars			
Schools			
Santa Clara Unified School District	\$133.3	\$107.1	\$26.2
County Office of Education	\$14.9	\$11.1	\$3.8
West Valley Mission Com. College ¹	<u>\$6.5</u>	<u>\$0.0</u>	<u>\$6.5</u>
Subtotal	\$154.7	\$118.2	\$36.5
Other Local Agencies			
City of Santa Clara	\$8.5	\$28.0	(\$19.5)
Santa Clara County	\$35.6	\$50.3	(\$14.7)
Voter Approved Levies	\$0.0	\$10.8	(\$10.8)
Santa Clara Valley Water District	\$2.7	\$6.2	(\$3.6)
Bay Area Air Quality Mgmt District	\$0.3	\$0.7	(\$0.4)
Santa Clara Bridge District	<u>\$0.0</u>	<u>\$0.1</u>	<u>(\$0.0)</u>
Subtotal	\$47.0	\$96.1	(\$49.1)
ERAF & Offsets to State Funding for Schools ²	\$5.9	\$75.3	(\$69.4)
Total	\$207.6	\$289.6	(\$82.0)

Notes

¹ Reflects net amount retained by Community College District per State formula.

² Includes property taxes shifted to the Educational Revenue Augmentation Fund (used to meet State funding obligations to schools).

³ No new projects requiring the RDA to adopt an SB 211 amendment. Based on a projection of Cooperation Agreement debt repayment consistent with current Agency practice.

Sources: City of Santa Clara, KMA.