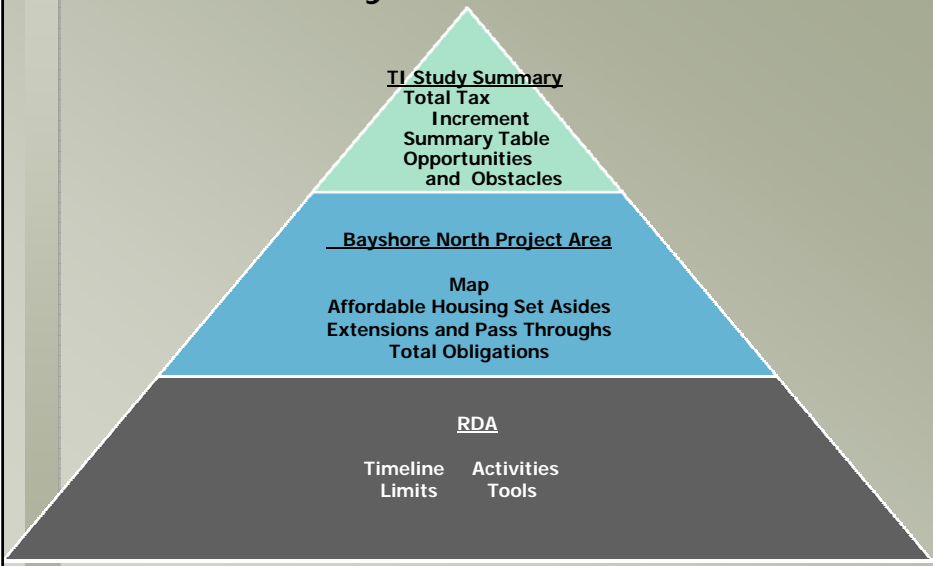


# City Of Santa Clara Redevelopment Agency

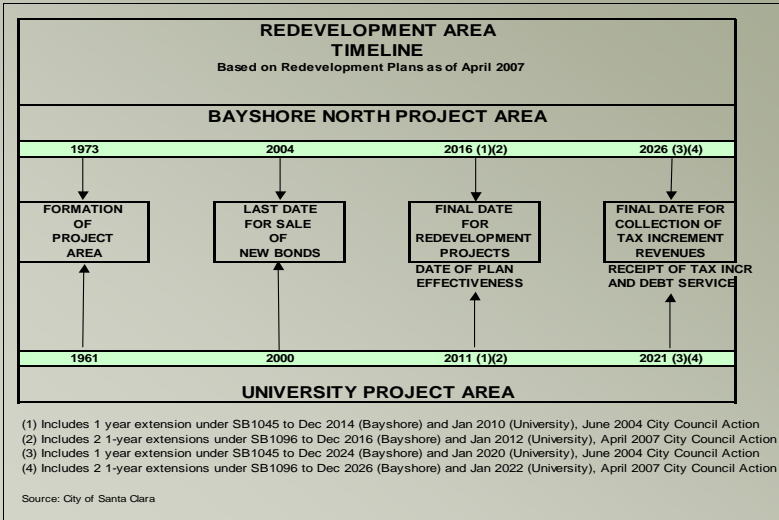
## Tax Increment Study: Update North of Bayshore RDA

November 2007

### RDA Summary



# Redevelopment Area Timeline



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# Tax Increment

- Property taxes generated by increases in assessed value of project area property above the base year value is paid to the agency as tax increment.
- The tax increment can be allocated and paid to the agency for a specified number of years. For North of Bayshore this is through December 2026.
- The tax increment is available to be used in the project area (or for projects that benefit the project area) and is not available for general government use (e.g., the General Fund).

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## Fiscal Limits RDA Funds

Allowed		Not Allowed	
1.	Tax Increment can be pledged as security for bonds.	1.	Cannot be spent outside redevelopment project area except for affordable housing and for public improvements that directly benefit the project area.
2.	Tax increment bonds can be issued without vote of public (since it is not taxes, but increment).	2.	Cannot be used to pay for private improvements, except affordable housing.
3.	Can be used to pay for relocation of existing businesses.	3.	Is not to be used for the construction or rehabilitation of city hall.
4.	Provide loans for rehabilitation.	4.	Cannot be used for on-going operations and maintenance costs.
5.	Pay for land for, and construction of, public improvements.		
6.	Pay for land, site clearance and site preparation for private development.		
7.	Must allocate 20% minimum to affordable housing initiatives. Current policy is for 30% and is reviewed on an annual basis.		

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## Redevelopment Activities

- Construct public infrastructure
- Prepare site for development
- Buy and sell property
- Improve dilapidated facilities
- Mitigate environmental impacts
- Build affordable housing
- Eliminate "blight"
- Use of Tax Increment financing for all of the above

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## Redevelopment Tools

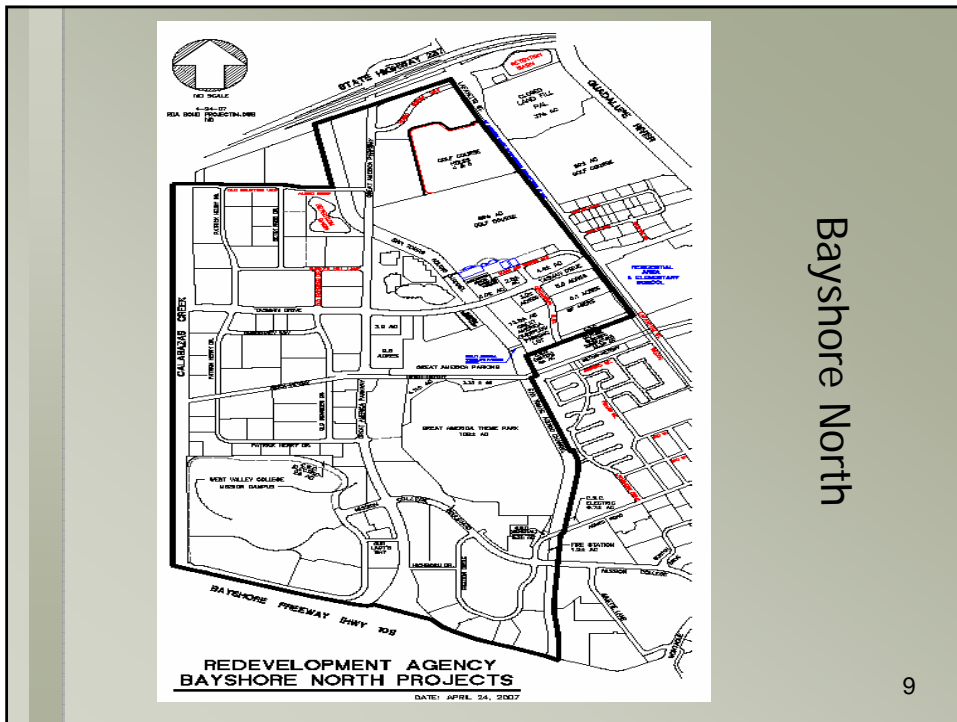
- Four powerful tools
  - Redistribute property tax revenues (tax increment)
  - Sell/lease property for private development
  - Eminent domain
    - Expired in 1998 in both project areas, North of Bayshore and University
    - Ordinance #1559, November 18, 1986
  - Issue Tax Increment Bonds

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## Bayshore North Project Area

- Map
- Tax Increment Projection Scenarios
- Affordable Housing Set-Asides
- Extensions
- Pass Throughs (including Basic Aid districts)
- Tax Increment Cap: Tax Increment Received to Date and Tax Increment to Be Received
- RDA Total Obligations

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Bayshore North

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## Tax Increment Projection Scenarios

- Base Case Scenario
  - No New Development
  - Growth in Real Property Assessed Values
    - Bayshore North 3.5%
- Planning Scenario
  - Incorporates potential future development
    - Bayshore North (office/commercial projects; excludes Stadium - impact not known)
  - Existing Real Property Assessed Value Growth
    - Bayshore North: 5%

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## Affordable Housing Set-Asides

- Requirement: RDA must use at least 20% of tax increment revenue "for the purpose of increasing, improving, and preserving the community's supply of low and moderate-income housing available at affordable housing cost." Code 33334.2
- Funds used for housing projects throughout the City
- Council policy for 10% discretionary set aside was adopted in 2002-03
  - This determination is made on an annual basis
  - Bayshore North additional 10% for housing, total 30% (total for 2007-08 is \$7.5 million)
  - For 2007-08, 20% is approximately \$5.0 million
  - For 2007-08, additional 10% equals \$2.5 million
  - University 20% - for 2006-07 \$100 thousand
- Since inception total affordable housing set aside has been \$109 million and has benefited 2,895 moderate- and low-income households

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## Affordable Housing Set-Asides

- Without the stadium project, the total housing set asides amount to \$202 million. This includes the 20% statutory through 2025-06 and 10% discretionary through 2015-16.
- With the stadium project, the total housing set asides amount to \$197 million. This includes the 20% statutory set asides through 2026 and 6% discretionary through 2015-16.
- The difference between the two scenarios is \$5 million.

As Corrected

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## RDA Extensions (completed)

ERAF extensions (total 3 years)

- Approved by RDA Board
- June 2004 and April 2007 extend by three years
- Extended plan effectiveness date to December 28, 2016 (North of Bayshore)
- No new projects after 2016; can collect increment and pay existing obligations
- Project plan terminates December 28, 2026

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## RDA Extension (option) and Pass Throughs

Minor SB211: State law January 1, 2002

- Extends the time limit for incurring debt to December 28, 2016
- Adoption by ordinance only; requires no other action
- Required for investment in stadium
- Triggers Statutory "Pass Through" payments: Other taxing entities receive 25% of net tax increment after housing set aside generated from assessed value growth.
- Triggers pass through payments to school districts which are "basic aid" (next chart)

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## Basic Aid School Districts

- School districts whose share of local property taxes exceeds the statewide guaranteed amount (“revenue limit”) are allowed to keep the extra revenue
- These districts are called “basic aid” districts because they only receive this minimal allocation of state funds
- In the relatively rare situation where a redevelopment project area overlaps a basic aid district, these districts get special treatment
- When the time limit for debt is extended under SB211, it triggers a pass through of most of their share of the property taxes to keep school districts relatively whole
- This reduces the amount of property tax deemed increment and available to the redevelopment agency

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## Taxing Entities Who Would Receive Pass Throughs

- City of Santa Clara
- Santa Clara County
- Santa Clara Unified School District (basic aid)
- West Valley Mission Community College District
- Santa Clara County Office of Education (basic aid)
- Santa Clara Valley Water District (5 districts)
- Bay Area Air Quality Management
- Santa Clara Bridge District
- El Camino Hospital (North of Bayshore)

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## Total Pass Through Payments - SB 211 Net Present Value of Cumulative Payments North of Bayshore

Payments Required With SB 211 (\$Millions)	Statutory	Basic Aid	Total
County	\$16.0	-	\$16.0
City of Santa Clara	\$4.5	-	\$4.5
Santa Clara Unified Schools	\$19.3	\$49.2	\$68.6
West Valley Mission Community College	\$5.6	-	\$5.6
County Office of Education	\$2.0	\$5.6	\$7.6
SCV Water Districts	\$1.2	-	\$1.2
Other Agencies	\$0.1	-	\$0.1
<b>Total (\$Millions) – Net Present Value</b>	<b>\$48.8</b>	<b>\$54.8</b>	<b>\$103.6</b>
<b>Total (\$Millions) – Nominal Value</b>	<b>\$98.5</b>	<b>\$107.5</b>	<b>\$206.0</b>

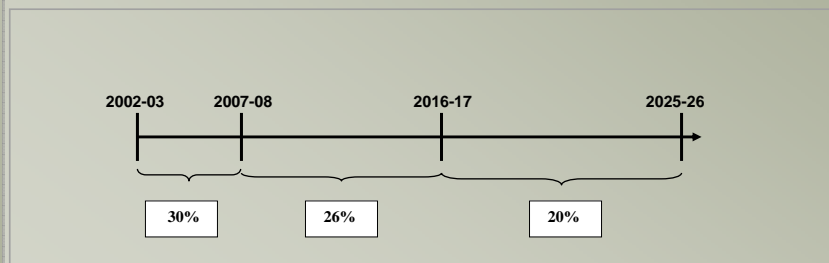
Note: amounts are the net present value of projected payments through the tax increment receipt limit of the project area using a discount rate of 6% per year. Payments are projected to start in 2008-09 and continue through the 2026 tax increment receipt limit. Totals do not add due to rounding.

Annual payments to the 13 entities would average \$5.8 million per year (net present value) or \$11.4 million per year (nominal value).

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## Affordable Housing Set Asides and Stadium

- With stadium project, affordable housing set asides are reduced in order to support bonds and cash needed for the stadium project
- Average until 2025-26 is 22%
- Nominal value of existing and additional set asides is \$20 million



As Corrected

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## RDA Total Obligations

- RDA will receive tax increment to retire existing obligations
- Total Obligations through 2025-26
  - Outstanding Bonds \$ 202
  - Outstanding Loans 13
  - Cooperation Agreement 360
  - Administrative Reimbursement 58
  - Total Obligations \$ 633

Excludes Statutory and Discretionary Housing Set Asides, County Administration Fees  
Source: City of Santa Clara RDA Statement of Indebtedness filed with Santa Clara County Controller's Office for 2007-08

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## RDA Tax Increment Cap

- Resolution #1560 of Nov 25, 1986 declaring \$1.2 billion as total tax increment to be received in North of Bayshore Project Area (cap)
- To date (FY 2006-07) \$347 million
- Additional tax increment to be received (Planning Scenario) is \$872 million, includes 20% statutory housing set aside (\$625 million after set asides and administrative fees)
- With Stadium, cap is reached in January 2026; projection is for RDA to forego 1 year of tax increment through December 2026.

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## Tax Increment Study Assumptions

- Maximize the amount of money (bonds) to borrow
- Bond payments made only from tax increment
- No City obligations (General Fund, Utility, other)
- Affordable housing set-asides averages 26% (from 2007-08 through 2015-16)
- Affordable housing set-asides will be statutory 20% for 2016-17 through 2025-26

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## Tax Increment Study Assumptions

- Includes Minor amendment to extend debt incurrence limits (SB 211)
  - Adoption of ordinance only
  - Debt repayment to 2026 for Bayshore North
  - Triggers statutory pass-throughs (taxing entities), including basic aid payments to Santa Clara Unified School District and Santa Clara County Office of Education
- In order for the RDA to issue additional bonds, the Agency must adopt a Minor plan amendment under SB211

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# Tax Increment Study Summary

Description	Bayshore North
Annual Tax Increment (2009 Projection)	\$25.7 million
Tax Increment Cap (Cumulative)	\$1.2 billion
	Average 22% Housing
TI Available for Bonds	\$17.5 million
New Money Bonds*	\$65 million*
Term	2026
Max Annual Debt Service	\$17.5 million
Coverage	1.25x

\* Net of additional funding requirements. Two bond issues: 2009 and 2012. Original issue was \$45.3 million (May 2007 Tax Increment Study)  
 Source: Keyser Marston Associates (KMA), September 2007

## Tax Increment Study Opportunities and Obstacles

### Bayshore North Project Area

- Strong Near Term Growth Potential
  - Assessed Valuation Tied to Real Estate Market
  - Market Gaining Strength: Declining Vacancy, Rising Rents and Sales Prices
  - \$65 million in bonding in two pieces: 2009 and 2012 (assumes average 22% affordable housing set aside)
- Affordable Housing Set-Aside (2007-08 Projection)
  - Use for affordable housing anywhere in City (not exclusive to Bayshore North and University Project Areas)
  - Can be used to bond for affordable housing projects without adopting SB211 minor plan amendment

## RDA Summary

- Recommendation: do not proceed with ordinance for Minor Plan Amendment under SB211 unless and until required for future projects
- North of Bayshore new money bonding \$65 million, assuming average 22% affordable housing set aside
- Affordable housing set aside can be bonded without adopting SB211 minor plan amendment; relevant for Downtown Revitalization Project