MEMORANDUM

To: Piu Ghosh and Adam Petersen, City of Cupertino

From: Economic & Planning Systems, Inc.

Subject: Economic and Fiscal Analysis of the Oaks Development Application; EPS #151151

Date: January 21, 2016

The Economics of Land Use

The City of Cupertino retained Economic & Planning Systems, Inc. (EPS) to prepare this economic and fiscal impact analysis of an application for a General Plan Amendment (GPA). The applicant is proposing a mixed-use project to be developed on an 8.1-acre site located at 21267 Stevens Creek Boulevard. The proposed development envisions 280,000 square feet of office space, 47,660 square feet of retail, 270 residential units, and a 200-room hotel with conference space.

The EPS analysis assesses the effect of the proposed development on the City of Cupertino's General Fund. The objective of the analysis is to quantify whether the proposed GPA will generate adequate revenues to cover the costs of providing ongoing services to associated new residents and employees. The analysis does not consider the impact of the proposal on potential capital facilities cost requirements or other one-time costs. The analysis compares the impact of the proposed GPA at buildout to the baseline impact of existing uses in the project area.

This fiscal analysis is intended as a planning-level document to inform land use policy. EPS does not make tenant-specific assumptions as project tenants likely will change over time. The analysis is based on the City's 2015-16 Adopted General Fund budget and presents findings in constant 2015 dollars.

A summary of fiscal impact estimates attributable to the proposed GPA is provided below. Actual fiscal impacts will depend on a number of factors that cannot be predicted with certainty, including the market performance of the project, future changes in City or State budgeting practices, and the efficiency of various City departments in providing services. Key analytical inputs and assumptions used in this analysis are from the development application, City documents, information from City staff, and EPS industry knowledge.

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Summary of Findings

1. The proposed mixed-use project will result in an annual net fiscal benefit to the City of Cupertino General Fund.

This analysis estimates that the net annual fiscal impact of the GPA proposal on the City's General Fund is approximately $1.2 million, as shown in **Table 1**. The net increase in General Fund revenues from the project at buildout is estimated at roughly $1.7 million more annually than existing uses. The net increase in General Fund expenditures associated with the project is estimated at approximately $540,000 more per year than existing uses.

Table 1 Fiscal Impact Summary (2015$)

Revenue / Expense Category	Fiscal Impact at Project Buildout	Fiscal Impact Baseline	Net Fiscal Impact
General Fund Revenues	$1,904,000	$167,000	$1,737,000
General Fund Expenditures	$585,000	$45,000	$540,000
Net Impact on General Fund	**$1,319,000**	**$122,000**	**$1,196,000**

2. At project buildout, Transient Occupancy Tax will account for the largest revenue source to the City.

The City of Cupertino currently levies a 12 percent transient occupancy tax (TOT) on room revenue generated by hotels in the City. The proposed 200 hotel rooms included in The Oaks GPA are projected to generate over $9.5 million in annual room revenue, providing the City's General Fund with an estimated $1.1 million in annual TOT revenue. If the average room rate is higher than the anticipated $200 per night, TOT revenue will be higher. For example, an average room rate of $240 per night would generate an estimate $11.4 million in annual room revenue and $1.4 million in TOT revenue. Under this scenario, the project's annual net impact on the General fund would increase from $1.2 million to $1.4 million, as shown in **Table 2**.

Table 2 Hotel Sensitivity Analysis (2015$)

Revenue / Expense Category	Net Fiscal Impact ($200/room night)	Net Fiscal Impact ($240/room night)
General Fund Revenues	$1,737,000	$1,964,000
General Fund Expenditures	$540,000	$540,000
Net Impact on General Fund	**$1,196,000**	**$1,424,064**

3. ***The estimated fiscal benefit to the City would be less if either the hotel use or office use is excluded from the GPA.***

   If the hotel component is excluded from the GPA, the project is unlikely to provide a fiscal benefit to the City's General Fund. The exclusion of the office component would result in a modest reduction in fiscal benefits to the City of about 11 percent. If both the hotel and office components are excluded from the development program, the project likely will result in a negative fiscal effect on the City General Fund. **Table 3** presents the results of program testing for fiscal impact implications.

Table 3 Net Fiscal Impact Land Use Sensitivity Analysis (2015$)

Sensitivity Scenario	Fiscal Impact at Project Buildout	Fiscal Impact Baseline	Net Fiscal Impact
Base Analysis	$1,319,000	$122,000	$1,196,000
No Hotel Scenario	$115,000	$122,000	-$7,000
No Office Scenario	$1,190,000	$122,000	$1,068,000
No Hotel / No Office Scenario	$37,000	$122,000	-$85,000

4. ***The proposed mixed-use project will directly support over 1,500 jobs within the City of Cupertino.***

   As currently programmed, The Oaks development likely will support over 1,500 jobs in office, retail, and hotel uses. More than 1,200 of these jobs are likely to be high-value office-using positions. Accounting for the existing retail and office use of this site, the GPA proposal likely will directly support a net increase of over 1,300 jobs in the City.[1]

Fiscal Impact on the General Fund

This section describes the methodology and key assumptions used to estimate the fiscal impacts of the proposed GPA. The analysis is based on information from three key sources:

(1) the GPA application material submitted
(2) interviews with City planning and finance staff
(3) existing EPS industry knowledge

EPS has developed a fiscal impact framework based on its in-house methodology and Cupertino-specific factors obtained from the sources above. EPS has not conducted an independent audit of the City's budget, performed in-depth interviews with service-providing City departments, or conducted detailed market analysis. EPS fiscal estimates differ from those provided by the

[1] Note that EPS projects higher employment than the applicant's consultant due to program differences (e.g., ADE studied a 198,000 square foot office program) and more efficient space usage.

applicant's consultant due to the differences in methodology and the development program considered. A notable difference between the studies is that the applicant's projection of cost includes a number of factors (e.g., public affairs and non-departmental cost) which have been excluded from the EPS analysis, based on City guidance that these costs are unlikely to be affected by the project. In addition, it is important to note that the applicant's consultant analyzed a program with fewer dwelling units (208 units), fewer hotel rooms (190 rooms), less retail (40,000 square feet) and less office space (198,000 square feet) than the applicant's proposal, which is analyzed here.

Proposed General Plan Amendment

The applicant is proposing a mixed-use project to be developed on an 8.1-acre site located at 21267 Stevens Creek Boulevard. The proposed development envisions 280,000 square feet of office space, 47,660 square feet of retail, 270 residential units, and a 200-room hotel with conference space.[2] **Table 4** presents the proposed GPA program identified by the applicant. The table also presents EPS assumptions concerning the population and employment that would be supported by the project at buildout. A variety of revenues and costs included in this fiscal analysis are based on the anticipated "service population" shown in **Table 4**, which weights a local employee's service burden at 50 percent of a resident's burden.

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[2] City staff notes that the residential unit count could be lower than proposed by the applicant due to restrictions on allowable density at the project site.

Table 4 Development Program and Service Population

Item	Development Program		Resident or Worker Density Assumptions (1)		Population	Employment	Service Population (2)
Commercial Uses							
General Office	280,000	Square Feet	225	SF / Employee		1,244	622
Retail	47,660	Square Feet	400	SF / Employee		119	60
Subtotal	327,660					1,364	682
Hotel	200	Rooms	1.0	Room(s) / Employee		200	100
Residential Rentals							
Market-Rate Apartments	200	Dwelling Units	2.00	Residents / HH	400		400
Senior Apartments							
Market-Rate	40	Dwelling Units	1.50	Residents / HH	60		60
Below-Market-Rate (Low-Income)	8	Dwelling Units	1.50	Residents / HH	12		12
Below-Market-Rate (Very Low-Income)	22	Dwelling Units	1.50	Residents / HH	33		33
Subtotal	270				505		505
Total					**505**	**1,564**	**1,287**

(1) Household and employment densities vary based on specific tenant and space sizes. EPS assumptions reflect typical conditions.
(2) Per-person employee burden on City service is weighted at 50 percent of resident burden.

General Fund Revenues

New General Fund tax proceeds attributable to the proposed GPA will include sales tax, property tax, property tax in lieu of vehicle license fee (VLF), property transfer tax, TOT, utility user tax, franchise fees, and business licenses. **Table 5** provides a summary of the Cupertino 2015-16 Adopted General Fund revenue budget and a description of the forecasting method relied upon for each relevant revenue source.

Table 5 FY2015 - 16 Revenue Budget Summary and Fiscal Impact Estimating Factors

Item	FY2015-16 Total	Estimating Factors	
Sales Tax			
Business to Business Sales Tax (1)	$13,905,880	$0.20	per square foot of office
Other Sales Tax	$6,454,120	1.0%	of estimated taxable sales
Property Tax			
Property Tax in Lieu of VLF (2)	$5,782,541	2.1%	of Citywide Assessed Value
Other Property Tax	$10,272,459	5.8%	of base property tax rate (1%)
Transient Occupancy Tax	$5,072,000	12%	of total TOT revenue
Utility Tax	$3,100,000	3.4%	of utility bills
Franchise Fees	$2,800,000	$37.98	per service population
Other Taxes (3)			
Construction Tax	$2,147	-	not estimated
Business License	$512,649	$18.34	per employee
Property Transfer Tax	$553,860	$0.55	per $1,000 in value
Other Taxes	$331,344	-	not estimated
Licenses & Permits	$6,171,000	-	not estimated
Fines & Forfeitures	$550,000	-	not estimated
Use of Money & Property	$742,530	-	not estimated
Intergovernmental	$600,000	-	not estimated
Charges for Services	$10,590,878	-	not estimated
Miscellaneous	$720,895	-	not estimated
Total Revenues	**$68,162,303**		

(1) FY2015-16 total reflects 68% allocation of the sales tax total. Budget detail provided by the City. Estimating factor reflects typical business-to-business sales tax generation in Silicon Valley offices.
(2) FY2015-16 total reflects 36% allocation of the property tax total. Budget detail provided by the City.
(3) FY2015-16 total reflects allocation of other taxes based on detail provided by the City.

Retail Sales Tax Revenue

The proposed GPA is expected to generate retail sales tax revenue accruing to the City of Cupertino from three sources. Project residents' household spending on retail in the City, project employee spending on retail in the City, and on-site retail sales will generate revenue for the General Fund.[3]

Household Spending

This fiscal analysis relies on data from the U.S. Bureau of Labor Statistic Consumer Expenditure Survey to establish the retail spending pattern of households. The spending patterns reflect household consumer behavior observed nationally for households with specified levels of annual income. This analysis uses anticipated residential rents to estimate household income. Then, to identify taxable retail expenditures made by project households, the analysis identifies and isolates taxable retail spending from total household spending. The analysis estimates that for market-rate units, households spend approximately 26 percent of gross household income on taxable retail purchases. For the below-market-rate units, this analysis estimates that nearly 37 percent of gross household income is spent on taxable retail purchases. The analysis assumes that about 25 percent of this taxable spending of new residents will be captured within the City.[4] Local taxable spending in Cupertino is multiplied by project households to determine average annual taxable sales.

Worker Spending

This analysis estimates worker spending based on spending patterns reported in the *Office-Worker Retail Spending in a Digital Age*, a research publication from the International Council of Shopping Centers (ICSC).[5] Similar to household spending data, these survey data were reviewed to identify taxable spending. The analysis estimates that each worker spends about $6,000 annually on taxable sales in the vicinity of their workplace. Because this spending is known to be near work, this analysis assumes that 50 percent of the taxable spending by project workers occurs within the city boundary. The taxable spending captured in Cupertino is multiplied by the number of workers supported by the proposed project.

On-Site Retail Sales

On-site retail sales are based on a taxable sales factor of $350 per square foot of retail space. EPS adjusts retail sales to reflect net new sales within the City and to exclude the estimated resident and employee retail spending on-site. On-site retail sales are expected to generate the largest share of retail sales tax revenue attributable to the project. **Table 6** outlines sales tax revenue projections at buildout.

[3] Business-to-business (B2B) sales tax revenue is estimated in **Table 13**.

[4] Capture rate assumption reflects EPS consultation with City of Cupertino's Economic Development Department concerning retail supply in the City.

[5] Michael P. Niemira and John Connolly, International Council of Shopping Centers. "Office-Worker Retail Spending in a Digital Age," 2012. Accessed online at: https://www.downtowndevelopment.com/pdf/icsc-report_office-worker-spending.pdf

Table 6 Retail Sales Tax Revenue

Item	Assumptions		Annual Total at Buildout
Project Households Retail Purchases in Cupertino			
Estimated Annual Household Income			
Market Rate	30%	of income is rent	$108,000
Below Market Rate	30%	of income is rent	$45,518
Household Taxable Retail Spending (1)			
Market Rate	26.3%	percent of income	$28,444
Below Market Rate	36.9%	percent of income	$16,798
Weighted Average Household Spending			$27,150
Household Retail Spending in Cupertino (2)	25%	of retail expenditures	$6,787
Project Households			270
Net New Retail Sales Captured in Cupertino			**$1,832,593**
Project Employee Retail Purchases in Cupertino			
Daily Office Worker Taxable Spending (3)	$25.00	per work day	
Annual Office Worker Taxable Spending	240	workdays / year	$6,000
Cupertino Spending Capture	50%		$3,000
Office Workers			1,244
Net New Office Worker Taxable Spending in Cupertino			**$3,733,333**
On-Site Retail Sales			
New Retail Space			47,660
Gross Taxable Retail Sales (3)	$350	per square foot	$16,681,000
Retail Sales Net of Redistributed Sales in City (4)	80%	of total taxable sales	$13,344,800
Net New On-Site Taxable Sales (5)	87%	of net taxable sales	**$11,675,022**
Net New Taxable Retail Sales			**$17,240,948**
Total Retail Sales Tax Revenue	1.0%	of taxable sales	**$172,409**

(1) Based on Bureau of Labor Statistics Consumer Expenditure Survey 2014 for respective income groups.

(2) Assumes 40 percent of taxable retail spending by Cupertino residents is captured by the retailers within the City based on the retail supply share within a 3-mile radius.

(3) ICSC Research in 2012; inflated to current dollars.

(4) Assumes some sales shift from existing retailers in the city.

(5) Reflects net sales after 30% capture of new resident and office worker sales accounted for above.

Property Tax Revenue

Property tax revenue is based on the estimated assessed value of the proposed project. Relying on the applicant's proposed development program, EPS estimates the project's assessed value at about $407 million at buildout, as shown in **Table 7**. Commercial value assumptions reflect a review of recent sales in the market area. Residential value assumptions are based on capitalized rents, as shown in **Table 8** and **Table 9**. The City's General Fund captures 5.8 percent of the base 1.0 percent property tax rate. This tax rate factor is specific to the tax rate area that covers the project location.

Table 7 Property Tax Revenue

Item	Assumption / Factor		Total at Buildout
Property Tax			
Assessed Value Estimate			
Office	$600	Per Square Foot	$168,000,000
Retail	$600	Per Square Foot	$28,596,000
Market-Rate Rental	$454,000	Per Unit	$108,960,000
Below-Market-Rate Rental	$163,866	Per Unit	$1,310,928
Hotel	$500,000	Per Room	$100,000,000
Total Assessed Value			$406,866,928
Property Tax	1.0%	Base Property Tax Rate	$4,068,669
Cupertino General Fund Revenue (1)	5.8%	Allocation to Cupertino General Fund	**$235,408**
Property Tax In Lieu of VLF			
Existing Citywide Property Tax in Lieu of VLF			$5,782,541
Citywide Assessed Value (2)			$19,200,000,000
Project Net Assessed Value Increase (3)			2.12%
Property Tax In Lieu of VLF Revenue (4)			**$122,538**

(1) Per Santa Clara County Tax Collector AB8 factor (post ERAF).
(2) FY2014-2015 value based on the Santa Clara County Assessor Annual Assessor's Report.
(3) Calculated by dividing the new assessed value by citywide assessed value.
(4) Calculated by multiplying existing property tax in lieu of VLF by project net assessed value increase.

Table 8 Market-Rate Housing Value Estimate

Average Monthly Rent Per Square Foot (1)	$3.60
Average Unit Size (rounded) (2)	750
Monthly Gross Revenue Per Unit	$2,700
Annual Gross Revenue Per Unit	$32,400
Expense Ratio	30%
Net Operating Income	$22,680
Capitalization Rate	5.0%
Unit Value (rounded)	**$454,000**

(1) Based on review of apartment project rents in Cupertino.
(2) Average unit size based on City review of unit mix.

Table 9 Below Market-Rate Housing Value Estimate

Unit Distribution	
Very Low Income	73%
Low Income	27%
Average Income (1)	
Very Low Income	$38,925
Low Income	$63,650
Annual Maximum Rent (2)	
Very Low Income	$11,678
Low Income	$19,095
Net Operating Income (net of 40% expense ratio)	
Very Low Income	$7,007
Low Income	$11,457
Weighted Average	$8,193
Capitalized Value of Net Operating Income (5% Capitalization Rate)	**$163,866**

(1) Average annual income is based on State of California Department of Housing and Community Development income limits for Santa Clara County; the project is assumed to consist 50 percent 1-person and 50 percent of 2-person households at both low and very low income levels.
(2) Assumes annual rent maximum at 30% of gross income.

Property Tax In Lieu of VLF

In 2004, the State of California adjusted the method for sharing VLF with local jurisdictions. Recent State budget changes replaced the VLF with property tax, which grows proportionately with increases in assessed value of the City. The proposed project will add about 2.1 percent to the current assessed value in Cupertino (assuming no other assessed value growth for simplification purposes) and will generate the same increased percentage in in-lieu VLF revenues (see **Table 7**).

Property Transfer Tax

The project will generate real estate transfer tax revenue associated with future turnover in ownership. This analysis assumes that ownership of all land use types will turnover every 25 years, an annual turnover rate of 4 percent.[6] The property transfer tax rate accruing to the City General Fund is $0.55 per $1,000 of the property value, as shown in **Table 10**.

Table 10 Property Transfer Tax Revenue

Item	Assumption / Factor		Annual Total at Buildout
Property Value			
Office	$600	Per Square Foot	$168,000,000
Retail	$600	Per Square Foot	$28,596,000
Market-Rate Rental	$454,000	Per Unit	$108,960,000
Below Market Rate Rental	$163,866	Per Unit	$4,915,980
Hotel	$500,000	Per Room	$100,000,000
Total			$410,471,980
Average Annual Turnover			
General Office	4.0%		$6,720,000
Retail	4.0%		$1,143,840
Market-Rate Rental (1)	4.0%		$4,358,400
Below-Market-Rate Rental	4.0%		$196,639
Hotel	4.0%		$4,000,000
Subtotal			$16,418,879
Property Transfer Tax Revenue	$0.55	per $1,000 in value	**$9,030**

[6] For institutional investors of commercial real estate a typical holding period is five to seven years (Ciochetti and Fisher, 2002). This analysis assumes a significantly longer holding period due to the property tax benefits of long-term ownership in California.

Transient Occupancy Tax

The hotel component of the project is expected to help satisfy the strong lodging demand in the local market. Consistent with the GPA application, this analysis assumes the 200 hotel rooms planned for the project achieve an average daily room rate of $200 and that the hotel stabilizes at 65 percent occupancy. The estimate of TOT is calculated by applying the current rate of 12 percent to the total room revenue generated by new hotel, as shown in **Table 11**.

Table 11 Transient Occupancy Tax Revenue

Item	Assumptions	Annual Total at Buildout
Hotel Rooms		200
Average Daily Room Charge	$200	
Average Occupancy	65%	
Average Annual Revenue		$9,490,000
Total TOT Revenue	12.0%	**$1,138,800**
% of Total Citywide FY2015-16 TOT Revenue (illustrative)		*22.5%*

Utility Tax

The City of Cupertino collects tax revenue on utility charges for services provided in the City. New residents and employees will expand the use of utilities in the City. This analysis estimates an average monthly utility expense of $75 per resident and $120 per employee. The City of Cupertino collects 3.4 percent of utility charges. **Table 12** presents utility user tax revenue attributable to the proposed project at buildout.

Table 12 Utility User Tax Revenue

	Assumption		Annual Total at Buildout
Residential			
Total Residential Population	505	Residents	
Monthly Utility Cost	$75	per resident per month	
Annual Total			$454,500
Commercial			
Total Employees	1,564	employees	
Monthly Utility Cost	$120	per employee per month	
Annual Total			$2,251,576
Total Annual Utility Expenses			$2,706,076
Utility User Tax to the City	3.4%	of utility bill	**$92,007**

Revenues from Other Taxes and Fees

In addition to the key revenues described above, other taxes and fees are estimated to be generated by the project. Specifically, EPS forecasts additional business-to-business sales for office uses, new franchise fees, and new business license revenues generated by commercial activity associated with the project. This analysis assumes that office uses generate an average of roughly $20 per square foot in business-to-business sales, which translates to $0.20 per square foot in sales tax revenue.[7] This assumption is reflective of a typical office tenant in the Silicon Valley. Franchise fee revenue and business license revenue reflect averages derived from City budget documents (see **Table 5**). **Table 13** presents forecasting assumptions and revenue estimates.

Table 13 Revenue from Other Taxes and Fees

Item	Allocation Factor		Project Characteristic		Annual Total at Buildout
Business-to-Business Sales Tax	$0.20	per square foot of office	280,000	square feet	$56,000
Franchise Fees (1)	$37.98	per service population	1,287	service pop.	$48,867
Business License (1)	$18.34	per employee	1,564	employees	$28,679
Subtotal					**$77,546**

(1) Franchise Fee and Business License allocation factors are both based on existing general fund revenue per capita.

General Fund Expenditures

This fiscal analysis estimates the costs attributable to population and employment growth by characterizing how expenses will change for each City department. For some departments, population and employment growth in the City will not dramatically alter operations. For example, administrative functions in the City are not likely to scale up significantly to accommodate new projects. Alternatively, departments that provide services directly to residents and businesses likely will increase their operations and costs to accommodate new population.

[7] Business-to-business sales and tax revenue estimates reflect the findings of prior EPS analyses conducted in Menlo Park and Palo Alto.

It is important to note that a range of external factors may influence responses to growth and cost effects in the future. Examples of factors that are beyond the control of the City and its departments that may act to magnify or reduce department costs over time include the following:

- regional growth
- technology
- state and federal policies
- environmental factors

This study does not speculate regarding the potential effects of such exogenous influences on the general fund expense budget. It focuses only on those factors attributable directly to the population growth, employment growth, and land use changes generated by the proposed GPA.

The fiscal analysis model relies on categorization of the likely budgetary response to population and employment growth for each department. The anticipated response to growth is expressed for fiscal modeling purposes in terms of “fixed expenses” and “variable expenses” within the department budget.

The fixed expenses are the portion of a City department’s budget which is not affected by population and employment growth. Even a department which is anticipated to grow largely in step with the City’s service population likely would have some fixed cost. For example, in most cases each department has only one director position, which is a fixed expense for the department. While the department may increase staffing to accommodate growth, the department will not add another director.

The variable expenses of a department are those that do increase with growth. As the City grows, increased demand for services requires some departments to scale up operations to meet new demand. The portion of a department’s budget that scales up is identified as the variable share of the budget.

EPS uses a per-capita average cost approach to estimate department costs attributable to new residents and workers. The variable portion of each department budget is used to determine the per-capita cost, as shown in **Table 14**. Then, to determine the new General Fund expenditures generated by the proposed project, the per-capita factors are multiplied by the projected increase in service population or population, as appropriate. Public Affairs and Non-Departmental expenditures are not estimated because the project is not expected to generate new ongoing costs to these service providers.

Table 14 FY2015-16 Expenditure Budget Summary and Fiscal Impact Estimating Factors

Item	City General Fund Expenses (FY2015-16)	Percent Variable (1)	Annual Variable Expenses	Estimating Factors		Per Capita General Fund Expense	Project Population/ Service Population	Annual Total at Buildout
General Government (2)	$8,551,349	10%	$855,135	73,731	Service Pop.	$11.60	1,287	$14,924
Police (3)	$10,994,684	90%	$9,895,216	73,731	Service Pop.	$134.21	1,287	$172,697
Public Affairs (4)	$462,298	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation & Community Services	$6,157,107	75%	$4,617,830	59,756	Population	$77.28	505	$39,025
Planning & Community Development	$7,235,383	50%	$3,617,691.50	73,731	Service Pop.	$49.07	1,287	$63,138
Public Works (5)	$22,563,247	75%	$16,922,435	73,731	Service Pop.	$229.52	1,287	$295,340
Non-Departmental	$11,610,985	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Expenditures	**$67,575,053**							**$585,125**

(1) Percentage of costs that are population-dependent, as opposed to fixed costs or costs recovered through fees or charges.
(2) Includes Council and Commission, Administration, and Administrative Services.
(3) Reflects the contract portion of the police department's budget. To the extent the cumulative effect of new growth triggers the contract terms exceeding the cap agreed upon in 2014, the cost impact may be above that estimated based on the average cost approach.
(4) Includes public affairs, IT, government channel, and City website.
(5) Includes administration, environmental programs, development services,service center, grounds, streets, trees and right of way, facilities and fleet, transportation, and other programs.

Fiscal Impact of Proposed Project

Table 15 summarizes the fiscal impact of The Oaks development proposal on the City of Cupertino's General Fund, with forecasted revenues and expenditure estimates based on the methodology described above. The annual fiscal impact of the proposed GPA is estimated at about $1.3 million.

Table 15 Summary of Fiscal Impact Analysis – The Oaks at Buildout (2015$)

Item	Annual Fiscal Impact
General Fund Revenues	
Sales Tax (excl. business-to-business sales)	$172,000
Business to Business Sales	$56,000
Property Tax	$235,000
Property Tax in Lieu of VLF	$123,000
Property Transfer Tax	$9,000
Transient Occupancy Tax	$1,139,000
Utility Tax	$92,000
Franchise Fees	$49,000
Business Licenses	$29,000
Total Revenues	**$1,904,000**
General Fund Expenditures	
General Government	$15,000
Police	$173,000
Recreation & Community Services	$39,000
Planning & Community Development	$63,000
Public Works	$295,000
Total Expenditures	**$585,000**
Net Impact on General Fund	**$1,319,000**

Fiscal Impact of Existing Uses

In order to quantify the fiscal impact of the existing shopping center located at 21267 Stevens Creek Boulevard, the same fiscal methodology is applied to existing land use program as the proposed GPA. The site currently is occupied by commercial uses, including roughly 50,000 square feet of retail and 20,000 square feet of office. The existing shopping center provides a positive fiscal impact to the City's General Fund of about $120,000 a year, as shown in **Table 16**.

Table 16 Summary of Fiscal Impact Analysis – The Oaks Existing Uses (2015$)

Item	Annual Fiscal Impact
General Fund Revenues	
Sales Tax (excl. business-to-business sales)	$122,000
Business to Business Sales	$4,000
Property Tax	$14,000
Property Tax in Lieu of VLF	$7,000
Property Transfer Tax	$1,000
Transient Occupancy Tax	$0
Utility Tax	$10,000
Franchise Fees	$4,000
Business Licenses	$4,000
Total Revenues	**$166,000**
General Fund Expenditures	
General Government	$1,000
Police	$14,000
Recreation & Community Services	$0
Planning & Community Development	$5,000
Public Works	$24,000
Total Expenditures	**$44,000**
Net Impact on General Fund	**$122,000**

Net Fiscal Impact

The Oaks, a proposed mixed-use project, will result in an annual net fiscal benefit to the City of Cupertino General Fund. This analysis estimates that the net annual fiscal impact of the GPA proposal on the City's General Fund is approximately $1.2 million, as shown in **Table 17**. The net increase in General Fund revenues from the project at buildout is estimated at roughly $1.7 million more annually than existing uses. The net increase in General Fund expenditures associated with the Project is estimated at approximately $540,000 per year more than existing uses.

Table 17 Net Fiscal Impact Summary (2015$)

Revenue / Expense Category	Fiscal Impact at Project Buildout	Fiscal Impact Baseline	Net Fiscal Impact
General Fund Revenues	$1,904,000	$167,000	$1,737,000
General Fund Expenditures	$585,000	$45,000	$540,000
Net Impact on General Fund	**$1,319,000**	**$122,000**	**$1,196,000**