FISCAL ANALYSIS
FOR THE
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MERGED AREA REDEVELOPMENT PROJECT
FY 2015-16

DECEMBER 17, 2015

Urban Analytics

INTRODUCTION

The Successor Agency to the Redevelopment Agency of the City of San Jose (the "Successor Agency") has retained Urban Analytics (the "Consultant") to prepare this fiscal analysis (the "Analysis") to evaluate tax revenue generated in the Agency's redevelopment project areas.

The Analysis provides a review of various matters affecting the Successor Agency's receipt of tax increment revenues in the Merged Area Redevelopment Project (the "Project Area"). The Project Area consists of multiple sub-areas comprising an 8,110-acre project area within the City of San Jose.

This Report is based in part on assessed valuation information provided by the County of Santa Clara (the County); on the County's assessment and apportionment practices; on base year assessed valuation for the Project Area as reported by the County; and on information regarding redevelopment plan terms provided by Agency staff. The analysis and projections included in this Report utilize the FY 2015-16 roll unless otherwise noted.

SUMMARY OF FINDINGS

1. The Project Area is expected to generate $224,839,501 in gross tax increment revenue in FY 2015-16 excluding revenue from debt service override levies as described further below, with $165,861,296 in tax increment revenue available for debt service on outstanding Agency bonds and other Agency obligations.

2. Pursuant to the adoption of AB X 126, in June 2011, as modified by AB1484, adopted in June 2012 and SB107, adopted in September 2015, (together referred to as the "Redevelopment Dissolution Law", as of February 1, 2012, the Redevelopment Agency of the City of San Jose (the "former Agency") was dissolved and the Successor Agency was formed and assumed the obligations of the former Agency.

3. The Successor Agency is subject to new statutory requirements and administrative procedures governing the allocation of tax increment revenue. The Agency's authority to incur non-refunding bonds was eliminated by the Redevelopment Dissolution Law. Tax increment revenues continue to be pledged to the Agency's outstanding bonds.

4. The Agency's ability to collect tax increment revenues throughout the term of the Agency's outstanding bonds is not expected to be affected by the Project Area's tax increment cap that limits the Agency's receipt of tax increment revenues to $15,000,000,000. In the event that the Agency were to collect sufficient tax increment revenue to reach that limit, recent legislation allows Agency debt to be paid without regard to any such plan limit.

THE ALLOCATION OF TAX INCREMENT REVENUES TO THE AGENCY

The Assessor establishes annually an assessed value for secured and unsecured land, improvements and personal property on the regular annual tax roll. Under Proposition 13, the assessed valuation of land and improvements is subject to an adjustment of, at most, two percent per year from a property's FY 1975-76 value, the value at the time of the most recent sale, or the value following new construction on the property. As discussed below under "*Proposition 13 Adjustment*", this adjustment was 1.998% for FY 2015-16, 0.454% for FY 2014-15 and 2.00% for FY 2012-13 and 2011-12; in most prior years it has been the maximum of two percent. Personal property is not subject to Proposition 13 limits. It is, however, subject to depreciation and is assessed on the basis of its current depreciated value.

The County also apportions to the Agency a share of state-assessed unitary revenue. This property tax revenue, generally from utility companies, is collected on a countywide basis and distributed to redevelopment agencies and taxing entities under an apportionment formula set out in AB454, the 1986 legislation that established the unitary tax mechanism. Unitary tax revenue, being tax increment revenue, is counted against the tax increment cap for the Project Area and is apportioned to the Agency. The County estimates that the Agency's unitary revenue will be $2.3 million for FY 2015-16.

Under legislation passed in 2007, beginning with the FY 2007-08 roll certain utility properties were removed from individual tax rate areas and placed in a countywide tax rate area, to be distributed as unitary revenue to all jurisdictions except redevelopment agencies. The legislation required that the corresponding valuation be removed from redevelopment base year valuations as well, resulting in no net change in the Agency's revenue.

The Agency receives property tax revenue from supplemental assessments on properties in the Project Area, assessments that are carried on the supplemental roll. These assessments occur upon the sale of, or new construction on, a property and represent the difference between the current assessed valuation of the property on the annual tax roll and the new value after the sale or new construction. The change in assessed valuation is generally incorporated into the annual tax roll in the year following the sale or new construction. Supplemental revenues are not included in the revenue calculations used in this report except that they are counted against the tax increment cap; the County estimates that the Agency will receive $3.6 million in supplemental revenue in FY 2015-16.

Tax revenue deriving from the base year assessed valuation is distributed to all other taxing jurisdictions within the tax rate areas comprising the Project Area. The distribution of the base year tax revenue is accomplished using the same AB8 apportionment factors used to allocate property tax revenue in non-redevelopment tax rate areas. The taxing entities in the Project Area are shown in Table 1 below, together with their apportionment factors. The factors shown are weighted averages across the entire Project Area; the actual factors are determined by the County on an individual tax rate area code basis. Local school districts receive approximately 36% of tax revenue from the base assessed valuation in the Project Area; community college districts and the office of education receive another 13%

Tax revenue derived from assessed valuation in the Project Area in excess of the base year assessed valuation is allocated to the Agency under a method of distribution known as the 'Teeter Plan'. The Santa Clara County Controller determines the amount of valuation in excess of the base year at the beginning of the fiscal year and distributes the resultant revenue in several installments during the year.

The Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code) allows the County to distribute secured property tax revenue to all jurisdictions, including the Agency, without regard to delinquencies. This mechanism allows the County to maintain a reserve fund to cover delinquencies and allocate revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Consequently, the Agency is not affected by delinquent tax payments. While there has been no indication that the County would do so, the County may discontinue the Teeter Plan prior to the commencement of any fiscal year. The overall delinquency rate for all secured properties in the Project Area in FY 2014-15 was 0.1% as of November 30, 2015.

Table 1
Taxing Entities In the Merged Area Redevelopment Project

Taxing Entity	Proportionate Share of Basic 1% Property Tax Rate, Pre-ERAF	Proportionate Share of Basic 1% Property Tax Rate, Post-ERAF
County General	0.2977520	0.1775260
County Library	0.0000044	0.0000027
San Jose City	0.1819498	0.1489330
Franklin McKinley Elementary	0.0085996	0.0085996
Oak Grove Elementary	0.0292347	0.0292347
Orchard Elementary	0.0239275	0.0239275
San Jose Unified	0.0808741	0.0808741
Santa Clara Unified	0.1403888	0.1403888
Eastside High	0.0811717	0.0811717
West Valley Community College	0.0449181	0.0449181
San Jose Community College	0.0460259	0.0460259
County School Service	0.0350537	0.0350537
Central Fire	0.0000153	0.0000154
SCV Water District Central	0.0104637	0.0097238
SCV Water District East 1	0.0067368	0.0062576
SCV Water District	0.0022192	0.0020450
Bay Area Air Quality Mgmt	0.0022996	0.0022996
Guadalupe-Coyote Resource Conservation District	0.0000589	0.0000535
SCV Water District St Water Project	0.0066039	0.0060932
SCV Water District Zone W-4	0.0017022	0.0015705
ERAF	0.0000000	0.1552857
Total	1.0000000	1.0000000

Note: Proportionate shares are averages for the Merged Area Redevelopment Project. Post-ERAF figures reflect the shift of a portion of revenue for certain taxing entities to the Educational Revenue Augmentation Fund. In addition to the one percent tax levy shown here, the Agency receives tax increment revenues from debt service override levies (see *"Tax Rates"*).
Source: County of Santa Clara; Urban Analytics

The State Board of Equalization–assessed non-unitary railroad properties in the Project Area total $309 million in assessed valuation in FY 2015-16.

The County Auditor-Controller's Office has deducted prior-year roll corrections and assessment appeal refunds that were in excess of prior-year supplemental revenue from tax increment revenues each year since FY 2011-12 and is expected to continue to do so. The prior-year roll corrections and refund amounts were $11.2 million in FY 2015-16, $7.4 million (estimated) in FY 2014-15, $4.5 million in FY 2013-14, $5.4 million in FY 2012-13 and $5.4 million in FY 2011-12. In prior years the County Auditor-Controller's Office had offset prior-year roll corrections and refunds against current-year supplemental revenue;

that office now deducts these prior-year roll corrections and refunds directly from current-year tax increment revenue and reports supplemental revenue on a separate line item.

THE IMPACT OF THE REDEVELOPMENT DISSOLUTION LAW

The state's redevelopment program was fundamentally changed as part of the 2011-12 budget package. Legislation dissolving redevelopment agencies and replacing them with successor agencies, AB1x26, took effect June 29, 2011, with the dissolution of all redevelopment agencies in the state effective as of February 1, 2012. Additional clarifying legislation, AB1482 and SB107, became effective on June 28, 2012 and September 22, 2015; AB1x26, AB1482 and SB107 are jointly referred to here as the Redevelopment Dissolution Law.

The Redevelopment Dissolution Law created successor agencies to pay off existing debt of the former redevelopment agencies and to wind down the former agency's operations. Successor agencies are governed by seven-member oversight boards representing the taxing entities that share in the property tax revenues of an agency (the city, county, schools, community college districts and special districts) as well as an employee representative of the former redevelopment agency (from July 1, 2018, there will be a single oversight board governing all agencies in the County). Successor agencies are subject to a number of proscriptions intended to limit the scope of their actions, including incurring new debt (as noted below, subsequent legislation added the ability to refund existing debt).

The dissolution legislation did not change the constitutional basis for the collection of property tax increment revenue in California contained in Article 16, Section 16. Property tax increment revenue continues to be calculated and allocated to a special fund of the successor agency (now termed the Redevelopment Property Tax Trust Fund, or RPTTF).

The dissolution bill did substantially change the mechanism used to distribute tax increment revenue to the successor agencies. Successor agencies are now required to create a schedule of payments (Recognized Obligation Payment Schedule, or ROPS) that serves as the basis for the distribution of property tax increment revenue to the successor agencies. The obligations appearing on the ROPS are limited to items deemed to be "enforceable" under the legislation. These include debt service and contractual obligations entered into prior to June 29, 2011; it explicitly excludes contracts and agreements between the former redevelopment agency and its sponsoring city or county except those that were entered into prior to January 1, 2011 for purposes of securing debt obligations and those established in the first two years of an agency's existence. The ROPS is prepared twice each year and covers obligations coming due in the January-June period and the July-December period. Commencing February 1, 2016, the ROPS will be prepared once per year covering obligations coming due during the full fiscal year. Also beginning July 1, 2016, agencies that have received a finding of completion may create a Last and Final ROPS listing all enforceable obligations, which, if accepted by DOF, will serve as the basis for all future distributions by the Controller

The distribution of funds from the RPTTF is limited to the obligations listed on the ROPS for each period. Distributions of RPTTF property tax increment revenue are made twice each year, on January 2 and June 1, with the January distribution applied to obligations due in the January-June period and the June distribution applied to obligations due in the July-

December period (commencing with the June 1, 2016 distribution the RPTTF distribution will be made once per year covering the July-June fiscal year).

Passthrough payments are now calculated and paid by the county auditor-controller rather than by the Agency. The dissolution bill established a hierarchy of payments to be made from the RPTTF in each six-month period, a mechanism informally referred to as "the waterfall".

The first payment from the RPTTF is made to the county controller to recover the cost of administering the Redevelopment Dissolution Law; this payment is not subordinated to the Agency's outstanding bonds. The second tier of payments is passthrough payments to taxing entities. The third payment tier is to the successor agency for the obligations on the ROPS for the payment period. A hierarchy of payments within the ROPS obligations is specified in the law, with debt service on tax allocation bonds first, revenue bonds second, and all other obligations third. The fourth payment is an administrative cost allowance for the successor agency, specified in the legislation as the greater of $250,000 or three percent of the property tax revenue allocated to the successor agency. The fifth and final payment is a distribution of all remaining property tax increment revenue in the RPTTF to the local taxing entities. No funds are retained in the RPTTF. The Agency notes that this mechanism differs from the allocation procedures required under a pre-existing agreement between the Agency and the County.

In the event that there are insufficient funds available in the RPTTF to meet the successor agency's obligations for a given period, the legislation requires the controller to, first, reduce or eliminate the residual payments to taxing entities; second, reduce or eliminate the administrative cost allowance to the successor agency; and third, deduct from any subordinated passthrough payments the debt service obligations to which they were made subordinate. If there is still an insufficiency, the legislation permits, but does not require, a loan to be made from the county treasury to the successor agency.

There is a complex system of oversight and approvals in the legislation. The oversight boards are charged with approving ROPS of the successor agency, which are then submitted to the county auditor-controller and state Department of Finance for review. The Department of Finance can reject some or all of the obligations on the ROPS, which then returns to the successor agency and the oversight board for revision. Since the county controller cannot make a payment to the successor agency without an approved ROPS, this approval process is a critical element in the process. Additional oversight is provided by the state Controller, charged with overseeing the actions of the county auditor-controllers.

On September 22, 2015, as part of the Proposed Budget for FY 2015-16, the Governor signed legislation that establishes an annual (rather than biannual) ROPS process (beginning in FY 2016-17), as well as establishes (beginning in FY 2018-19) a single county oversight board for all successor agencies in a county (counties with more than 40 successor agencies will have five oversight boards). The legislation also amends Section 34189 of the Health and Safety Code to include language stating that the payment of enforceable obligations is not subject to the temporal limits and tax increment caps in redevelopment plans. Additionally, the legislation establishes a "Last and Final" ROPS process that would, for qualifying agencies, establish a schedule of enforceable obligations covering the duration of those obligations and turn the final ROPS over to the county auditor-controller to serve as the basis of all subsequent RPTTF distributions.

Prior to the passage of the Redevelopment Dissolution Law, a minimum of twenty percent of the tax increment revenue received by the Agency was required to be set aside and utilized to increase, improve and preserve the community's supply of very low-, low- and moderate-income housing (the "Low and Moderate Income Housing Fund" or "Housing Fund"). Although the Redevelopment Dissolution Law eliminated this requirement, twenty percent of tax increment revenue is pledged to outstanding housing bonds and continues to be deposited to the Housing Fund. To the extent the debt service on housing bonds in a given ROPS payment period is less than twenty percent of the tax increment revenue for that period, the unused portion could be applied to non-housing obligations on the ROPS. Once sufficient funds have been deposited in the RPTTF to meet the annual debt service requirement on all housing bonds, excess twenty percent funds may be used to pay other enforceable obligations of the Agency.

Roll corrections include adjustments made to the roll after the equalized roll is released in July and before tax bills are generated in October. These corrections include Proposition 8 adjustments to the current-year roll made by the Assessor as well as corrections to assessments including application of exemptions. Assessment appeal refunds are refunds paid to property owners for prior-year assessments who have had those assessed valuations reduced in the appeals process and are entitled to a refund of the property taxes paid on the amount reduced. As the appeals process can take two years to complete, the tax refunds paid in a given year may include taxes paid several years prior.

Prior to the Redevelopment Dissolution Law, the allocation of tax increment revenue to redevelopment agencies was dependent on each agency demonstrating that it requires the tax increment revenue to repay its indebtedness through an annual Statement of Indebtedness filed by all agencies with their County Controller. As described above, redevelopment agencies are now required to list all obligations payable from tax increment revenue on a Recognized Obligation Payment Schedule and may only receive the amount of tax increment revenue required to meet those listed obligations. The Agency had regularly filed the previously-required Statement of Indebtedness showing sufficient debt to claim its full amount of tax increment revenue. Since passage of the Redevelopment Dissolution Law it has filed the required ROPS showing its obligations, including debt service on the Bonds, and expects to continue to do so in a timely manner.

The County charges an administration fee to recover property tax administration costs from the Agency and other jurisdictions under the Revenue and Taxation Code, Section 95.3. The fee is based on County costs that vary from year to year so that the amount charged to each jurisdiction annually is variable. This fee is in addition to the administration fee authorized under the Redevelopment Dissolution Law. The combined property tax and AB1x26 administration fees are estimated to amount to $2.9 million in FY 2015-16, or approximately 1.30% of the tax increment revenue from the Project Area. The property tax administration fee is subordinated to the Agency's tax allocation bonds under the terms of the Agency's Settlement Agreement with the County. However, the County is deducting the administration fee prior to allocating funds to the RPTTF, per the allocation procedures contained in the Redevelopment Dissolution Law.

Tax increment revenue calculations made in this Report use revenue from the secured, unsecured, utility and unitary rolls. As noted, supplemental roll revenues are considered when calculating cumulative tax increment caps.

HOUSING SET-ASIDE FUND

As noted above under "*The Impact of the Redevelopment Dissolution Law*", California redevelopment law prior to passage of the Redevelopment Dissolution Law required agencies to maintain a Low-Moderate Income Housing Fund and deposit into the fund a minimum of twenty percent of gross tax increment revenues annually. Although the twenty percent set-aside requirement was abolished by the Redevelopment Dissolution Law, , there is an ongoing pledge of the housing set-aside revenue to pay debt service on outstanding housing bonds. The total amount of outstanding housing bonds is $446.5 million as of July 1, 2015. The maximum annual debt service on these outstanding bonds is $19.8 million.

To meet this pledge, twenty percent of tax increment revenue is applied to housing bond debt service listed on the ROPS for a given six-month period. Tax increment revenue in excess of the required housing debt service becomes available for other non-housing obligations of the Agency listed on the ROPS for the same period, including debt service on the Agency's outstanding bonds, upon the consent of the holders of the housing bonds. In the event that housing debt service obligations exceed twenty percent of tax increment revenue in a given period, 80% redevelopment funds that are not otherwise required to meet current debt service obligations would be applied to the housing obligations.

THE REDEVELOPMENT PLANS

The Project Area is comprised of seventeen tax increment revenue-producing sub-areas, shown in Table 2 below. Park Center Plaza, the first sub-area, was established in July 1961 and will cease generating tax increment revenue in January 2022. Almaden Gateway was originally established as a non-tax increment revenue generating sub-area; the plan was amended in 1996 to collect tax increment revenue from the area.

The Agency has several other sub-areas that do not generate tax increment revenues but have been established to allow for the expenditure of tax increment revenue funds in those areas. The Strong Neighborhoods Initiative Project Area, which has been a non-tax increment revenue generating part of the Project Area, was amended in 2009 to allow for the collection of tax increment revenue from the Diridon sub-area. The Diridon sub-area currently generates no tax increment revenue for the Project Area as its current-year valuation is below its base year valuation. As tax increment revenue is generated from the Diridon sub-area it will be available to the Agency. No assumptions are made in this Report regarding potential future tax increment revenue receipts from the Diridon sub-area.

Plan Limits

The Agency cannot receive tax increment revenues or repay indebtedness beyond certain dates, set forth in the redevelopment plans and their amendments and shown in Table 2 below. However, as noted above under *"The Impact of the Redevelopment Dissolution Law"*, recent legislation allows redevelopment plan limits to be disregarded in order to pay existing Agency obligations.

Under AB1290, redevelopment plans were required to include a final date for both the establishment of debt and for the repayment of debt. These were tied either to the dates on which the plans were originally adopted or when the sub-area was merged into the Project Area by amendment. Through an ordinance adopted by the City Council on November 5, 2002, utilizing legislation passed in 2001 (SB211), the Agency deleted the time limit on incurring indebtedness for sub-areas whose redevelopment plans were adopted prior to January 1, 1994. Redevelopment plans adopted after that date have a statutory limit on incurring indebtedness of twenty years from the plan adoption date, unless amended. Under redevelopment law, the elimination of the debt incurrence limit required that the Agency commence making statutory passthrough payments from the Redevelopment Fund on revenue above that received in the year the debt incurrence limits were originally to expire, or FY 2001-02. The passthrough payments are made to all taxing entities that did not already have a contractual agreement to receive passthrough payments from the Agency; the County is the only taxing entity with such a fiscal agreement and it will continue to receive passthrough payments under that agreement. The Agency began making the statutory passthrough payments, referred to as AB1290 payments, to the non-County taxing entities from FY 2002-03 onwards. Such payments are now made by the County Auditor-Controller exclusively from the Redevelopment Fund.

Legislation passed in 2004 (SB1096) permitted redevelopment agencies to extend their ability to collect tax increment revenues by one year for each ERAF payment made in FY 2004-05 and FY 2005-06. The extensions applied only to plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the fiscal year in which the ERAF payment is made. All Agency plans with the exception of Almaden Gateway and Monterey Corridor qualified for the extension related to the FY 2004-05 ERAF payment, while all Agency plans except for Almaden Gateway qualified for the extension related to the FY 2005-06 ERAF payment. The City Council adopted on March 29, 2005 and August 15, 2006, respectively, the ordinances necessary to extend the qualifying plans by one year for the FY 2004-05 and FY 2005-06 ERAF payments.

Under previous legislation (SB1045), the Agency extended by one year the plan limits on all redevelopment plans in connection with the ERAF payment made in May, 2004 for the 2003-04 fiscal year. The combined plan limit extensions from SB1096 and SB1045 result in an increase of the time limit on the effectiveness of the plans and on the collection of tax increment revenue of three years in all project areas except for Monterey Corridor, where the extension is two years, and Almaden Gateway where the extension is one year. These extensions are incorporated into the dates shown in Table 2. The legislation (AB26x4) requiring Supplemental ERAF (SERAF) payments in FY 2009-10 and FY 2010-11 provided for a one-year extension for the payment in FY 2009-10; this extension has been incorporated into the plan limits shown in this Analysis.

With the ERAF-related extensions, the plan expiration dates for the Project Area range from January 1, 2013 (Park Center Plaza and San Antonio Plaza) to April 7, 2030 (Almaden Gateway). The Agency can repay indebtedness with tax increment revenue in each of the sub-areas for ten years after the plan termination dates, with the exceptions of Monterey Corridor and Diridon. Adopted after January 1, 1994, Monterey Corridor and Diridon are subject to a statutory limit of 45 years from the plan adoption date for the repayment of indebtedness; the Monterey Corridor sub-area also receives an additional three years under the ERAF-related extensions while the Diridon sub-area receives a one-year extension for the FY 2009-10 SERAF payment. The Diridon sub-area is not eligible for extensions related to ERAF payments made prior to FY 2009-10 as did not exist at the time those payments were made. As noted above under *"The Impact of the Redevelopment Dissolution Law"*, these dates may be disregarded in order to repay existing obligations.

Table 2
Project Area Acreage, Key Dates and Revenue by Sub-Area

Sub-Area	Acreage	Plan Adoption Date	Last Date to Repay Debt, With Extensions *	Base Year Valuation	2015-16 Assessed Valuation	2015-16 AV Growth	2015-16 Redevelopment Fund Tax Increment Revenues**	Distribution of Redevelopment Fund Tax Increment Revenues By Sub-Area
Park Center Plaza	61	7/24/1961	1/1/2023	5,725,120	645,593,043	-0.51%	3,993,810	2.4%
San Antonio Plaza	50	1/3/1968	1/1/2023	12,514,908	695,188,503	7.24%	5,229,521	3.2%
Rincon Original	1,872	7/16/1974	7/16/2028	109,115,148	3,591,020,050	2.39%	25,256,814	15.2%
Pueblo Uno	12	7/8/1975	7/8/2029	12,758,532	224,852,089	-0.60%	1,619,017	1.0%
Edenvale	1,050	7/15/1976	7/15/2030	275,286,204	2,029,175,163	10.96%	9,911,191	6.0%
Julian Stockton	330	7/15/1976	7/15/2030	74,204,098	736,819,158	4.19%	4,672,958	2.8%
Olinder	158	7/15/1976	7/15/2030	14,477,208	293,152,224	8.13%	2,201,081	1.3%
Rincon Expansion	1,224	7/3/1979	7/3/2033	36,472,538	6,578,261,808	16.82%	46,915,040	28.3%
Edenvale East	995	9/1/1981	9/1/2035	11,118,117	858,852,163	7.75%	6,538,436	3.9%
Rincon North	1,699	6/8/1982	6/8/2036	20,098,096	4,834,088,515	5.66%	34,666,980	20.9%
Rincon South	-	6/8/1982	6/8/2036	147,429,045	1,878,647,211	10.58%	12,227,135	7.4%
Guadalupe Auzerais	73	5/19/1983	5/19/2037	16,650,517	597,974,384	40.82%	4,973,266	3.0%
Century Center	18	11/8/1983	11/8/2037	21,292,173	239,860,130	9.49%	1,524,804	0.9%
Market Gateway	32	11/8/1983	11/8/2037	15,200,771	221,249,471	3.02%	1,434,827	0.9%
Almaden Gateway	21	4/7/1988	4/7/2040	93,132,038	523,516,700	37.11%	2,704,053	1.6%
Monterey Corridor	515	12/13/1994	12/13/2042	230,502,971	525,234,777	9.77%	1,992,362	1.2%
Diridon	59	5/19/2009	7/26/2049	80,838,277	60,230,000	7.04%	0	0.0%
	8,169			1,176,815,761	24,533,715,389	9.94%	165,861,296	100.0%

The Strong Neighborhoods Initiative Project Area was amended to allow for the collection of tax increment revenue in the Diridon sub-area; the remainder of the Strong Neighborhoods Initiative Project Area does not generate tax increment revenue and is not shown. As the FY 2015-16 assessed valuation in the Diridon sub-area is less than the sub-area's base year valuation, the sub-area does not currently produce tax increment revenue. Acreage combined for Rincon South/Rincon North.

* Under SB107, existing obligations may now be repaid beyond these dates.

** Tax increment revenues to the Redevelopment Property Tax Trust Fund, including revenue from the one percent property tax levy, unitary revenue (estimated) and passthrough offsets, net of 20% of revenue for debt service on housing bonds, prior-year roll corrections and assessment appeal refunds, property tax administration fee and senior passthroughs.

Source: The Agency

Land use in the Project Area is shown in Table 3, with secured valuations shown by land use and sub-area in Table 4. Thirty-four percent of the Project Area secured assessed valuation is in industrial land uses, largely in the Rincon Original, Rincon Expansion and Rincon North sub-areas. Commercial uses account for thirty-one percent of Project Area secured assessed valuation with office and retail properties in the Rincon South sub-area accounting for nineteen percent of the Project Area's commercial properties. Residential land uses account for thirty percent of the Project Area's secured assessed valuation, with nearly half (48%) of the Project Area's residential secured assessed valuation deriving from multi-family developments in the Rincon Expansion sub-area.

Tax Increment Cap

Under California redevelopment law, redevelopment plans adopted prior to January 1, 1994 were required to contain a limitation on the total amount of tax increment revenue the Agency could collect over the life of the redevelopment plan. Although AB1290 eliminated this requirement for plans adopted after that date in favor of time limits on the collection of tax increment revenue, the redevelopment plans for all tax increment revenue-producing sub-areas remain subject to the tax increment cap requirement. An exception is allowed for agencies with unmet housing obligations, which can continue to collect tax increment revenue until those specific obligations are met; the Agency does not foresee having any unmet housing obligations. Additionally, recently-enacted SB107 permits tax increment caps to be disregarded in order for the Agency to pay existing obligations (see *"The Impact of the Redevelopment Dissolution Law"* above).

At the time the Agency first merged its project areas in 1981 it also established a cap on tax increment revenue to be received from the Merged Project Area. The cap was amended to $15.0 billion by the City Council on April 7, 2009 by Ordinance 28525. The current cap represents the cumulative limit on tax increment revenue that may be received by the Agency in the Project Area even if the Plan's time limits have not been reached. The total amount of tax increment revenue collected through FY 2014-15 is estimated to be $3.8 billion based on information supplied by the County Auditor-Controller and the Successor Agency. This cap is incorporated into all projections used in this analysis.

In order to test the likelihood of the tax increment cap being reached prior to the termination dates of the redevelopment plans, tax increment revenue was projected over the duration of the Project Area at varying growth rates. At annual assessed valuation growth rates below 9% the tax increment revenue cap is not expected to be reached prior to the last sub-area tax increment revenue collection date in FY 2041-42. At annual growth rates of 9% and above, the tax increment cap may be reached before that year. Based on historical and expected growth in the Project Area, the tax increment cap is not expected to be reached prior to the expiration of the Project Area's sub-areas.

Table 3
Land Use in the Project Area, FY 2015-16

Land Use	Secured Assessed Valuation	Percentage of Total Assessed Valuation	Number of Parcels	Percentage of Total Parcels
Industrial	$6,833,036,837	33.71%	1,043	13.17%
Commercial	6,271,257,672	30.94%	983	12.41%
Residential:				
Single-Family	277,954,031	1.37%	573	7.23%
Condo/Townhouse	1,338,734,953	6.60%	3,077	38.85%
Multi-Family, Other	4,467,309,318	22.04%	1,200	15.15%
Vacant	754,262,627	3.72%	413	5.21%
Other	324,764,728	1.60%	610	7.70%
Agricultural	3,831,984	0.02%	21	0.27%
Total	$20,271,152,150	100.00%	7,920	100.00%

Note: Valuations include homeowner's exemptions. Excluding homeowner's exemptions, the secured assessed valuation is $20,285,254,350. Non-tax increment revenue generating sub-areas are not included.

Source: County of Santa Clara; Urban Analytics

Table 4
Secured Valuation By Land Use And Sub-Areas, FY 2015-16

	Industrial	Commercial	Single-Family	Condominium	Multi-Family	Vacant	Other	Total
Park Center Plaza	-	585,492,218	-	-	-	-	26,403,377	611,895,595
San Antonio Plaza	-	330,669,460	870,688	256,592,244	31,437,106	8,592,253	3,105,691	631,267,442
Rincon Original	1,868,264,286	727,222,335	0	0	0	133,729,143	40,839,001	2,770,054,765
Pueblo Uno	-	190,578,701	-	-	-	635,931	1,761,639	192,976,271
Edenvale	639,177,604	258,280,080	172,327,525	115,647,278	183,643,895	256,392,430	21,368,764	1,646,837,576
Julian Stockton	28,476,324	307,327,081	10,559,383	109,764,117	100,122,979	60,374,419	40,261,210	656,885,513
Olinder	84,471,147	172,234,263	536,806	0	786,762	784,220	10,102,391	268,915,589
Rincon Expansion	1,645,019,129	710,012,864	2,237,853	422,160,620	2,924,397,463	105,871,596	6,452,495	5,816,152,020
Edenvale East	494,866,446	51,017,231	3,852,358	0	59,860,820	55,297,517	29,734,846	694,629,218
Rincon North	1,708,236,630	802,863,112	79,223,887	110,391,343	681,094,994	49,801,938	3,788,595	3,435,400,499
Rincon South	61,291,905	1,177,232,144	0	109,551,233	117,626,354	35,231,903	102,378,372	1,603,311,911
Guadalupe Auzerais	912,113	500,329,851	3,182,660	-	313,355	16,223,623	25,888,875	546,850,477
Century Center	-	100,424,299	-	32,029,724	90,804,819	358,612	3,887,532	227,504,986
Market Gateway	-	70,387,889	-	-	136,218,456	1,846,308	1,410,023	209,862,676
Almaden Gateway	2,604,277	193,522,939	0	182,598,394	108,266,091	2,826,256	5,314,375	495,132,332
Monterey Corridor	299,716,976	93,663,205	5,162,871	0	32,736,224	26,296,478	5,899,526	463,475,280
Totals	6,833,036,837	6,271,257,672	277,954,031	1,338,734,953	4,467,309,318	754,262,627	328,596,712	20,271,152,150

Note: Valuations include homeowner's exemptions. Excluding homeowner's exemptions, the secured assessed valuation is $20,285,254,350. Non-tax increment revenue generating sub-areas are not included.

Source: County of Santa Clara; Urban Analytics

TAX-SHARING OBLIGATIONS

Overview

Under redevelopment law at the time of the adoption of most sub-areas within the Project Area, taxing jurisdictions that would experience a fiscal burden caused by the existence of the redevelopment plan could enter into fiscal agreements with redevelopment agencies to alleviate that burden. Such agreements, known as fiscal agreements or passthrough agreements and authorized under former Section 33401 of the Health and Safety Code, generally provide that redevelopment agencies pay to a taxing entity some or all of that entity's share of the tax increment revenues received by the agency. The agreements were the product of negotiations between the taxing entities and a redevelopment agency. Taxing entities could separately receive their share of the growth in valuation due to inflation, known as Section 33676 payments or the 2% payments.

Under the 1994 amendments to redevelopment law known as AB1290, these fiscal agreements were eliminated for all new plans in favor of a statutory payment schedule. The new schedule also applies to any extension of certain fiscal limits in those existing plans without fiscal agreements. As noted above, all of the sub-areas are subject to the statutory passthrough payments.

County Fiscal Agreement

The Agency entered into a passthrough agreement under Section 33401 with the County of Santa Clara in 1983, at the time of the establishment of the Rincon North and South sub-areas. Under that agreement, the Agency pays to the County a portion of the tax increment revenue from the Merged Area exclusive of the Rincon South and Almaden Gateway sub-areas under a formula contained in the agreement and, under a second formula, a portion of the revenue from the Rincon South and Almaden Gateway sub-areas. The amount of this payment in FY 2015-16 is estimated to be $29.9 million.

The 1983 agreement was continued under the terms of a Settlement Agreement dated December 16, 1993, and again under the terms of an Amended and Restated Agreement entered into on May 22, 2001. Due to actual revenues being lower than previously budgeted, the Agency had suspended its payments to the County under the agreement since FY 2008-09. The County filed a lawsuit which was resolved through a 2011 Settlement Agreement under which the Agency agreed to repay the $58.27 million in unpaid payments through proceeds of a bond issue, payment of unrestricted funds, transfer of title of certain properties to the County, and installment payments in fiscal years 2013-14 through 2017-18.

Under the terms of the fiscal agreement with the County, all payments under the agreement are subordinate to the payment of debt service on the Agency's bonds.

Under the Redevelopment Dissolution Law, the County Auditor-Controller is now responsible for calculating and distributing all passthrough payments, including that to the County. For each RPTTF payment from June 1, 2012 to date, the County Auditor-Controller determined that the Agency would not have sufficient revenue available in its Redevelopment Fund to meet its debt service obligations, and consequently reduced the amount of the County passthrough payment for each period, as a subordinate obligation to debt service, leaving sufficient revenue for the Agency to meet its debt service obligations in the respective RPTTF-funded periods.

Statutory Passthrough Payments

In 1994, all new redevelopment plans - and all existing plans amending certain fiscal terms or adding territory – became subject to a statutorily defined set of pass-through requirements and plan limitations generally known as AB1290 requirements. This legislation replaced a system of negotiated pass-through agreements with a specific pass-through formula applied to all taxing jurisdictions.

As noted above, the Agency in 2001 elected to eliminate the time limit on the establishment of indebtedness contained in the redevelopment plans. This triggered a statutory requirement that passthrough payments be made to all taxing entities that did not already have a fiscal agreement with the Agency, which included all taxing entities with the exception of the County. Payments commenced in FY 2002-03, the year following the expiration of the original limit on the establishment of indebtedness.

Under the AB1290 mechanism, pass-through payments are made to all jurisdictions receiving a portion of the basic one percent levy, except jurisdictions having pre-existing pass-through agreements. The pass-through payments are made in three periods, or tiers, each beginning in a different year – years one, eleven, and thirty-one – and extending through the plan's remaining duration. The payments received by each jurisdiction are based on a specified percentage of the growth in assessed valuation over a base (the assessed valuation in the year prior to the beginning of a period), multiplied by the AB8 apportionment factor for the jurisdiction. While the City is entitled to passthrough payments from the first tier only, it has chosen to not receive those payments. Pass-through payments were calculated and paid by the Agency prior to the Redevelopment Dissolution Law; the County Auditor-Controller now makes these payments to taxing entities.

The AB1290 payments derive only from increases in assessed valuation over the initial year of 2001-02. For payments under tiers two and three, payments derive from future base levels of assessed valuation. The payments are limited to fixed percentages of those increases (25% of tier one increases, 21% of tier two increases and 14% of tier three increases). The Agency continues to receive its full share (excluding the 20% housing set-aside) of tax revenue from assessed valuation above the original project area base year assessed valuations and below the AB1290 base levels. It also receives its share of the remaining 75% of tier one increases, 79% of tier two increases and 86% of tier three increases.

Under Section 33607.5 of the Health and Safety Code, the County Auditor-Controller is required to reduce its payments to affected taxing entities by any amounts paid to those entities for public facilities. With respect to school districts, community college districts and county offices of education, these reductions can only apply to the portion of the pass-through payment considered under the statute to be for educational facilities; these portions are, respectively, 56.7%, 52.5% and 81%. The Agency's payments to the City for public facilities would be deducted from its passthrough payments were the City no longer to waive its right to collect passthrough payments.

The San Jose Unified School District has received facilities payment in prior years. The pass-through payments to this district are reduced, in accordance with the statute, to reimburse the Agency for the facilities payment. As of FY 2014-15 the amount of unreimbursed facilities payments to the San Jose Unified School District is estimated to be approximately $9.2 million. The amount applied by the Agency for reimbursement of facilities payments during FY 2014-15 against statutory passthrough payments to the San Jose Unified School District is estimated to be approximately $1.2 million. This facilities reimbursement had been calculated and applied by the Former Agency prior to FY 2011-12; the County Auditor-Controller is now responsible for it.

The Agency has also provided facilities funding for the Santa Clara Valley Water District in prior years. As of FY 2014-15, the unreimbursed portion of that funding is estimated to be approximately $8.6 million. As the full amount of passthrough payments to the Santa Clara Valley Water District is subject to offsetting reimbursement, the Agency expects that 100%, or approximately $695,000, of its statutory passthrough obligation to the District will be applied to the reimbursement. As with the school district facilities reimbursement, the County Auditor-Controller is now responsible for calculating and implementing the payment offset.

The statutory passthrough payments are estimated to be $11.1 million during FY 2015-16, after reimbursement of the facilities payments. These payments are not subordinated to the payment of debt service on the Agency's senior tax allocation bonds. The City agreed on September 13, 2006 to subordinate its passthrough payment, were it to elect to receive that payment, to debt service on its senior bonds. As noted above, the City has not elected to receive its passthrough payment and is not expected to do so. Should it elect to do so for unforeseen reasons, prior payments by the Agency to the City for public facilities would be applied to those passthrough payments as required by AB1290, eliminating any subordinated passthrough payments to the City in the foreseeable future. The County's statutory passthrough payments are subordinate to the bonds under the terms of the County's fiscal agreement.

A 2010 court decision in Los Angeles County could potentially increase the statutory passthrough payments the Agency is required to make to the school districts. The decision held that the school districts' share, for passthrough payment calculation purposes, should take into account the amount they receive from the ERAF fund. The County of Santa Clara has reported that, as it is not within the legal jurisdiction of the Second Appellate District, the County does not intend to follow the direction of the court in this matter. A review of the appellate court decision was denied by the California Supreme Court.

If the County determines that passthrough payments should be allocated in the manner determined by the LAUSD case, there are a number of implementation mechanisms that could be applied by the County. Under one mechanism used by at least one other county that has chosen to implement the LAUSD decision, the ERAF shares of the passthrough payments made to non-school entities are deducted from the passthrough payments to those entities and distributed proportionally to the school entities. If the County were to apply this approach, there would be no effect on the Agency, as it would simply redistribute a portion of existing passthrough revenue toward the schools. Under another possible mechanism, the County could distribute the ERAF factors of all non-school entities to the school entities regardless of whether the non-school entities received passthrough payments or not, resulting in higher allocation factors to the school entities. If the County were implement such an approach, the Agency could be required to pay a higher amount to the school districts in statutory passthrough payments with a relatively minor corresponding decrease in passthrough payments to other taxing entities. While neither the County's future interpretation of the LAUSD decision nor its implementation mechanism, if any, can be known, the potential impact to the Agency of such higher passthrough payments can be estimated by applying the average ERAF allocation across all project areas of approximately 7% to the potential total amount of AB1290 passthrough payments (including the amounts that would be paid to the City if it were not offset by prior facilities payments and to the County if it were not paid under the fiscal agreement), resulting in approximately $554,000 in additional passthrough payments to the school districts for FY 2015-16.

The Agency previously had an agreement with the Santa Clara Unified School District under which the Agency was to make payments to the District under Section 33676. That agreement is no longer in effect, as the District agreed instead to receive a statutory passthrough payment under AB1290.

LEGISLATION

The principal recent legislative change affecting the Agency was the Redevelopment Dissolution Law, discussed above under "*The Impact of the Redevelopment Dissolution Law*"

Legislation adopted during the 2008-09 State budget process (AB26x4) and follow-up legislation (SB68) included a requirement that agencies make payments by May 10, 2010 and May 10, 2011 to a Supplemental ERAF account (SERAF). The Agency's payments were $62.2 million for 2009-10 and $12.8 million for 2010-11. The Agency met its 2009-10 and 2010-11 SERAF obligations through a combination of funds borrowed from available funds in the Housing Fund and other funds borrowed from the City of San Jose.

Agencies were permitted to borrow from their housing fund and apply those funds to the SERAF payment provided that they repay those funds by June 30, 2015 (June 30, 2016 for the payment due May 10, 2011); agencies that do not repay housing funds by that date are required to increase their contribution to the former housing fund by 5% for each non-repayment. The Agency intends to repay funds borrowed from the former housing fund by June 30, 2015 for the 2009-10 SERAF payment and June 30, 2016 for the 2010-11 SERAF payment. It is not known what effect, if any, the provisions of the Redevelopment Dissolution Law would have on the penalties imposed for non-repayment, as there is no longer any obligation to pay 20% of tax increment revenue to the former housing fund. While the Agency believes that any potential increased contribution to the former housing fund, were it to occur, would be subordinate to outstanding parity bonds, the SERAF legislation does not contain language explicitly providing for the subordination of such increased contributions to an Agency's indebtedness.

Previous legislation related to the state budget has required redevelopment agencies to make payments to ERAF in the 1993-94, 2002-03, 2003-04, 2004-05 and 2005-06 fiscal years (as noted, a payment initially required for FY 2008-09 was invalidated by the courts).

Among other legislation relating to redevelopment, SB211 (effective January 1, 2002) permitted redevelopment agencies to extend the time limit on their receipt of tax increment revenue by ten years. This applies to project areas formed before 1994, and requires agencies extending time limits to meet certain requirements. The bill also permitted agencies, after January 1, 2002, to eliminate the time limit on the establishment of indebtedness. The Agency adopted ordinance 26765 on November 5, 2002, eliminating the time limit on the establishment of indebtedness in the Project Area but has not adopted a time extension under this statute.

TAX RATES

The tax rate applicable to redevelopment incremental assessed valuation includes the basic one percent levy. In addition, redevelopment agencies receive tax revenue from debt service override levies imposed to repay indebtedness approved by voters prior to January 1, 1989.

The County of Santa Clara imposes one pre-1989 levy, for a retirement fund, in all tax rate areas comprising the Project Area. That levy accrues to the Agency and is applied to the full tax roll. The Santa Clara Valley Water District levied a pre-1989 rate, against land and improvements only, that also accrues to the Agency in all tax rate areas comprising the Project Area. These tax levies are shown in Table 5 below.

The County Auditor-Controller has notified the Agency that it is withholding tax increment revenue derived from both of these tax levies from the tax increment revenues paid to the RPTTF, while acknowledging that it is the opinion of the state's Controller that the County should pay this revenue to the RPTTF. The County Auditor-Controller has placed this revenue into an impound account pending a final determination. The Agency believes that, as the levies are for pension-related obligations and rather than for debt issued to acquire or improve real property, the levies are not subject to the Redevelopment Dissolution Law language that would allocate such debt service to the issuing jurisdiction. The Agency has filed suit against the County challenging the County's interpretation of the disposition of the tax override levies. On April 5, 2013, the court issued a tentative ruling in favor of the Agency. As a final determination in this case has not been made, tax increment revenue calculations in this analysis assume that these levies continue to be withheld from the Agency, except where noted.

Table 5
Representative Tax Levies in the Project Area

Basic Levy	County Retirement Levy	Total Levy, All Rolls	SCVWD Levy, Land and Improvements Only
1.00000%	0.03880%	1.03880%	0.0065%

Source: Santa Clara County Controller

The County Auditor-Controller's staff expects these levies to remain in effect throughout the life of the Project Area. The tax increment revenue calculations prepared for this Report assume that the full roll levies and the Water District levies remain constant throughout the projection period, but are not remitted to the Agency.

The current-year levies are applied to the secured and utility rolls. Tax revenue derived from the unsecured roll is calculated, under Revenue and Taxation Code Section 2905, using the tax rate applied to the prior year's secured roll.

The Agency has no power to levy a property tax itself, has no control over the override levy, and will not receive tax revenue from any future levy for voter-approved indebtedness.

LARGEST ASSESSEES

The twenty largest assessees in the Merged Area Project are shown in Table 6 for FY 2015-16. These twenty owners comprise 35.6% of the total valuation in the Project Area. Approximately fourteen percent of the assessed valuation for the largest assessees is on the unsecured roll. The assessed valuations for these twenty owners increased by 7.0% over their FY 2014-15 valuations, as shown in Table 7. Over a twelve-year period, the ten largest owners have increased as a percentage of total Project Area valuation from 28.5% in FY 2003-04 to a high of 36.2% in FY 2007-08; the ten largest owners currently account for 28.6% of total Project Area valuation (Table 8). Descriptions of the ten largest owners follow.

Cisco Systems is the largest property owner in the Project Area with a total property valuation of $2.4 billion. The assessor maintains valuations for the company on both the secured and unsecured rolls, with land and improvements assigned to the secured roll and personal property to the unsecured. The company's property on the secured roll totals $1.1 billion and is located on 29 parcels in the Rincon North and Rincon Expansion sub-areas. $758 million of the company's $1.2 billion in unsecured valuation is located at a Cisco-owned parcel at 190 Tasman Drive in the Rincon North sub-area. The company accounts for 31% of the Project Area's $3.9 billion in unsecured valuation. The company's total assessed valuation on properties in the Project Area decreased slightly by $10.7 million or 0.5% for FY 2015-16, as shown in Table 9. Over a five-year span, Cisco Systems total assessed valuation has decreased from $2.7 billion to $2.4 billion (Table 9).

The Irvine Company, accounting for 8.5% of the Project Area's assessed valuation, is a housing developer with thirty-two parcels in the Rincon Expansion sub-area, the Rincon North sub-area and the Rincon Original sub-area. The company's Project Area assessed valuation experienced an increase of $517.2 million (33.6%) in FY 2015-16 due primarily to development of several multi-family properties.

Blackhawk Parent LLC, a New York-based real estate investment trust, owns ten parcels in the Rincon South sub-area accounting for 8.5% of the Project Area's total valuation. The company's Project Area valuation decreased by $38.7 million in FY 2015-16 due to the sale of a parcel.

Hitachi, with $370.6.7 million (1.5% of the Project Area's assessed valuation), includes two properties in the Edenvale sub-area. The company's Global Storage Technologies division, a manufacturer of computer hard drives, is the principal corporate division in the Project Area. The company's assessed valuation on properties in the Project Area decreased in FY 2015-16 by $129.1 million (25.8%) over FY 2014-15, largely due to a reduction in the improvement valuation on its main property. This property also received a roll correction during FY 2014-15, reducing the parcel's valuation by an estimated $47 million; this reduction contributed to the total of $11.2 million in FY 2015-16 adjustments to Project Area tax increment associated with prior-year roll corrections.

Adobe Systems, a software company headquartered in three office buildings in the Park Center Plaza sub-area, accounts for $314.0 million of Project Area assessed valuation

(1.3%) in FY 2015-16. The company's assessed valuation decreased by 5.8% from FY 2014-15, due primarily to a reduction in the assessed valuation of the company's fixed equipment.

Brocade Communications Systems, with $302.0 million (1.2%) of the Project Area's FY 2015-16 assessed valuation, owns three research and development office properties in the Rincon North sub-area. The valuation for the owner's Project Area properties decreased by $6.2 million (2.0%) in FY 2015-16 due to a decrease in personal property valuation at one of its properties.

Los Esteros Critical Energy Facility accounts for $289.7 million (1.2%) of the Project Area's assessed valuation. The energy facility is owned by Calpine and is located in the Rincon Expansion sub-area. The facility has undergone an upgrade in recent years resulting in increased generating capacity. The construction was completed in 2013. Valuation decreased by $2.3 million (0.8%) in FY 2015-16 following an increase of 20.8% in FY 2014-15.

eBay Inc has $261.7 million in valuation in FY 2015-16, 1.1% of the Project Area's assessed valuation. Most of the company's assessed valuation for properties within in the Project Area is located on North First Street. The properties increased by 4.4% in FY 2015-16 through an increase in personal property valuation.

Fairview Tasman LLC, with $216.0 million in assessed valuation in FY 2015-16 (0.9% of the Project Area's valuation), is a multi-family development on a single parcel in the Rincon Expansion sub-area; the property's valuation increased by $87.6 million (68.2%) from FY 2014-15 due to added valuation for improvements on the site.

KBSII Corporate Technology Centre LLC owns eight parcels in the Rincon North sub-area formerly owned by CarrAmerica valued at $212.1 million, or 0.9% of Project Area valuation. The assessed valuation of these eight properties increased by $8.0 million (3.9%) in FY 2015-16.

Table 6
Twenty Largest Assessees in the Merged Area Project, FY 2015-16

Property Owner	Secured and Utility	Unsecured	Total	Percentage of Area Total	Land Use	Sub-Area
Cisco Systems	$1,139,942,909	$1,214,842,556	$2,354,785,465	9.62%	R&D/Office	Rincon North
The Irvine Company	2,067,839,350	-	2,067,839,350	8.45%	Multi-Family	Rincon Expansion
Blackhawk Parent LLC	615,472,664	-	615,472,664	2.51%	R&D/Office	Rincon South
Hitachi	370,581,462	-	370,581,462	1.51%	R&D/Office	Edenvale
Adobe Systems	310,814,278	3,210,701	314,024,979	1.28%	R&D/Office	Park Center Plaza
Brocade Communications Systems	301,964,792	-	301,964,792	1.23%	R&D/Office	Rincon North
Los Esteros Critical Energy Facility, LLC	289,670,408	-	289,670,408	1.18%	Power Plant	Rincon Expansion
Ebay Inc.	250,810,089	10,918,541	261,728,630	1.07%	R&D/Office	Rincon Original
Fairview Tasman LLC	216,035,436	-	216,035,436	0.88%	Multi-Family	Rincon Expansion
KBSII Corporate Technology Centre	212,130,265	-	212,130,265	0.87%	R&D/Office	Rincon North
Boston Properties	199,722,407	-	199,722,407	0.82%	R&D/Office	Rincon Expansion
Vista Montana Park Apartment LLC	190,582,213	-	190,582,213	0.78%	Multi-Family	Rincon North
Altera Corporation	182,100,847	-	182,100,847	0.74%	R&D/Office	Rincon Expansion
Essex Cadence Owner LP	181,803,175	-	181,803,175	0.74%	Multi-Family	Rincon Expansion
Maxim Integrated Products Inc.	174,972,133	-	174,972,133	0.71%	R&D/Office	Rincon Expansion
Cadence Design Systems	172,863,867	-	172,863,867	0.71%	R&D/Office	Rincon Expansion
Park Center Plaza Investors LP	166,061,406	-	166,061,406	0.68%	R&D/Office	Park Center Plaza
Samsung Semiconductor Inc.	156,873,761	59,017	156,932,778	0.64%	R&D/Office	Rincon North
Oracle Corporation	149,561,130	-	149,561,130	0.61%	R&D/Office	Gaudalupe Auzerais
BMEF Enclave LP	143,661,560	-	143,661,560	0.59%	Multi-Family	Rincon North
Total, Top Twenty:	7,493,464,152	1,229,030,815	8,722,494,967	35.64%		
Totals for the Area:	20,594,042,463	3,879,442,926	24,473,485,389	100.00%		

Source: County of Santa Clara; Urban Analytics

Table 7
Assessed Valuation Changes for Twenty Largest Owners Over Prior Year,
Merged Project Area

Owner	FY 2015-16	FY 2014-15	Change	Pct Change
Cisco Systems	2,354,785,465	2,365,515,690	-10,730,225	-0.45%
The Irvine Company	2,067,839,350	1,550,593,491	517,245,859	33.36%
Blackhawk Parent LLC	615,472,664	654,198,871	-38,726,207	-5.92%
Hitachi	370,581,462	499,675,077	-129,093,615	-25.84%
Adobe Systems	314,024,979	333,309,433	-19,284,454	-5.79%
Brocade Communications Systems	301,964,792	308,209,369	-6,244,577	-2.03%
Los Esteros Critical Energy Facility LLC	289,670,408	291,970,408	-2,300,000	-0.79%
Ebay Inc.	261,728,630	250,753,887	10,974,743	4.38%
Fairview Tasman LLC	216,035,436	128,462,683	87,572,753	68.17%
KBSII Corporate Technology Centre	212,130,265	204,085,095	8,045,170	3.94%
Boston Properties	199,722,407	195,810,126	3,912,281	2.00%
Vista Montana Park Apartment LLC	190,582,213	176,842,221	13,739,992	7.77%
Altera Corporation	182,100,847	176,492,971	5,607,876	3.18%
Essex Cadence Owner LP	181,803,175	177,295,631	4,507,544	2.54%
Maxim Integrated Products Inc.	174,972,133	168,958,466	6,013,667	3.56%
Cadence Design Systems	172,863,867	150,830,902	22,032,965	14.61%
Park Center Plaza Investors LP	166,061,406	162,808,498	3,252,908	2.00%
Samsung Semiconductor Inc.	156,932,778	106,644,854	50,287,924	47.15%
Oracle Corporation	149,561,130	108,615,583	40,945,547	37.70%
BMEF Enclave LP	143,661,560	139,720,332	3,941,228	2.82%
Total, Top Twenty:	8,722,494,967	8,150,793,588	571,701,379	7.01%

Source: County of Santa Clara; Urban Analytics

Table 8
Assessed Valuation of Ten Largest Property Owners
As a Percentage of Total Assessed Valuation,
FY 2003-04 Through FY 2015-16
Merged Project Area

Fiscal Year	Valuation, Ten Largest Owners	Total For The Area	Pct. of Total
2015-16	7,004,233,451	24,473,485,389	28.6%
2014-15	6,659,101,782	22,258,394,154	29.9%
2013-14	6,491,129,656	20,767,090,250	31.3%
2012-13	5,869,799,986	18,540,165,323	31.7%
2011-12	6,114,025,332	18,153,376,584	33.7%
2010-11	6,363,861,412	18,494,533,529	34.4%
2009-10	6,813,000,235	20,003,431,183	34.1%
2008-09	6,806,517,276	19,510,188,933	34.9%
2007-08	6,532,771,734	18,053,653,752	36.2%
2006-07	5,431,100,720	16,091,802,071	33.8%
2005-06	4,791,759,451	15,015,575,998	31.9%
2004-05	4,514,891,926	15,040,831,200	30.0%
2003-04	4,827,904,701	16,962,641,838	28.5%

Source: County of Santa Clara, Urban Analytics

Table 9
Historical Assessed Valuations For Cisco Systems, Inc.
in the Merged Project Area

Roll	2011-12	2012-13	2013-14	2014-15	2015-16
Secured					
- Land	205,277,123	224,485,968	238,020,732	200,254,689	202,865,889
- Improvements	699,846,697	809,935,820	893,357,649	840,358,521	933,678,606
- Personal Property	1,987,917	1,874,579	1,713,294	1,605,248	3,398,414
- Exemptions	0	0	0	0	0
Secured Total	907,111,737	1,036,296,367	1,133,091,675	1,042,218,458	1,139,942,909
Unsecured					
- Land	2,137,131	2,179,873	2,223,470	0	0
- Improvements	234,302,836	209,296,476	178,909,328	204,096,750	238,271,459
- Personal Property	1,598,081,270	837,844,391	1,156,335,459	1,119,200,482	976,571,097
- Exemptions	0	0	0	0	0
Unsecured Total	1,834,521,237	1,049,320,740	1,337,468,257	1,323,297,232	1,214,842,556
Totals:	2,741,632,974	2,085,617,107	2,470,559,932	2,365,515,690	2,354,785,465

Source: County of Santa Clara; Urban Analytics

HISTORICAL AND CURRENT ASSESSED VALUATION

The County Controller annually reports roll valuations and tax increment revenues in the Project Area, shown in

Table 10 and Table 11. Total assessed valuation in the Project Area grew from $7.0 billion in 1995-96 to $24.5 billion in FY 2015-16, an overall increase of 249% and an average annual growth of 6.9%.

Following decreases in FY 2010-11 and 2011-12, assessed valuation in the Project Area increased by 2.2% in FY 2012-13, 11.9% in FY 2013-14, 7.2% in FY 2014-15 and 10.0% in FY 2015-16, bringing total Project Area valuation to an historical high of $24.5 billion. The recent gains in valuation include those noted previously under "*Largest Assessees*": increased personal property and fixture valuations as well as new construction and sales. The secured roll gained $2.3 billion in valuation while the unsecured roll decreased by $55.7 million in valuation and the utility roll decreased by $3.4 million.

Table 10
Historical Assessed Valuations in the Merged Project Area (X 1,000)

Roll	2011-12	2012-13	2013-14	2014-15	2015-16
Secured					
- Land	5,284,997	5,511,130	6,094,816	6,393,046	6,830,195
- Improvements	8,206,265	8,826,088	10,104,241	11,157,050	13,047,680
- Personal Property	775,959	845,213	724,885	1,104,163	1,077,419
- Exemptions *	431,178	437,275	444,093	643,257	670,040
Secured Total	13,836,044	14,745,157	16,479,849	18,011,002	20,285,254
Unsecured					
- Land	46,633	44,788	11,938	0	0
- Improvements	961,340	987,589	948,095	1,005,865	1,070,373
- Personal Property	3,367,851	2,799,660	3,135,625	2,997,769	2,868,822
- Exemptions *	158,901	160,461	68,114	68,441	59,752
Unsecured Total	4,216,923	3,671,576	4,027,543	3,935,192	3,879,443
Utility					
- Land	39,506	38,994	38,994	42,624	41,512
- Improvements	60,904	98,904	220,704	269,576	267,276
- Personal Property	0	0	0	0	0
- Exemptions *	0	0	0	0	0
Utility Total	100,410	137,898	259,698	312,200	308,788
Totals:	18,153,377	18,554,630	20,767,090	22,258,394	24,473,485
Percent Change	*-1.8%*	*2.2%*	*11.9%*	*7.2%*	*10.0%*

* Exemptions excluding the homeowner's property tax relief exemption, which is reimbursed by the state and disregarded in the County's calculation of tax increment revenues.

Source: County of Santa Clara

The Project Area had experienced declines in assessed valuation over an earlier three-year period (FY 2002-03 through FY 2005-06) also due to the effects of a weakened local economy (Table 11). The Project Area also experienced double-digit increases in assessed valuation from FY 1997-98 through FY 2001-02, a period of substantial new development in the Rincon area.

Table 11
Assessed Valuations and Tax Increment Revenues,
Fiscal Years 1995-96 through 2015-16
Merged Area Redevelopment Project (x 1,000)

Fiscal Year	Assessed Value (1)	Percentage Change	Tax Increment (2)	Supplemental Assessments (3)	Gross Tax Revenues	Percentage Change
1995-96	$ 7,016,990	-	$ 67,878	$ 355	$ 68,233	-
1996-97 (4)	7,680,818	6.7%	74,372	1,650	76,022	11.4%
1997-98	9,292,365	21.0%	91,113	5,100	96,213	26.6%
1998-99	11,228,356	20.8%	106,298	5,918	112,217	16.6%
1999-00	12,382,598	10.3%	119,982	9,734	129,717	15.6%
2000-01	13,776,343	11.3%	136,088	6,063	142,151	9.6%
2001-02	17,879,595	29.8%	175,926	12,533	188,459	32.6%
2002-03	18,732,944	4.8%	187,686	10,340	198,026	5.1%
2003-04	16,962,642	-9.5%	168,502	1,706	170,208	-14.0%
2004-05	15,040,831	-11.3%	148,767	840	149,607	-12.1%
2005-06	15,015,576	-0.2%	148,328	1,491	149,819	0.1%
2006-07	16,091,802	7.2%	160,598	1,221	161,819	8.0%
2007-08	18,053,654	12.2%	179,763	5,179	184,942	14.3%
2008-09	19,510,189	8.1%	194,929	7,416	202,346	9.4%
2009-10	20,003,431	2.5%	197,559	4,850	202,409	0.0%
2010-11	18,494,534	-7.5%	181,774	1,871	183,645	-9.3%
2011-12	18,153,377	-1.8%	170,554	-676	169,898	-7.5%
2012-13	18,540,165	2.1%	173,243	0	173,243	2.0%
2013-14	20,767,090	12.0%	193,140	0	193,140	11.5%
2014-15	22,258,394	7.2%	211,935	0	211,935	9.7%
2015-16	24,473,485	10.0%	224,840	3,600	228,440	7.8%

(1) Total assessed value for the Merged Area. Tax increment revenue calculated on incremental assessed value, after subtracting base year assessed value from total assessed value. The Merged Area's current base year value is $1,095,977,484, excluding the non-tax increment generating Diridon sub-area.
(2) Includes unitary roll revenue. For 2012-13 and later, tax increment revenue excludes debt service levy and includes roll corrections. Tax increment revenue is estimated for 2015-16.
(3) Not reported for FY 2012-13, 2013-14 and 2014-15.
(4) Includes Park Center, which was merged in 1996.
Source: Redevelopment Agency, Urban Analytics.

The secured roll accounted for 83% of the total valuation in the Project Area in FY 2015-16. Commercial and industrial properties account for approximately 65% of the total secured valuation in the Project Area (see above), while residential properties account for 61% of the number of parcels in the Project Area and 30% of the assessed valuation. The unsecured roll comprised 16% of the Project Area's total valuation in FY 2015-16, with 31% of the unsecured valuation from properties owned by Cisco Systems. The non-unitary utility roll accounts for 1% of Project Area valuation.

Growth in the Project Area for the 2015-16 roll year was spread across all sub-areas except Park Center Plaza and Pueblo Uno, as shown previously in Table 2.

The two sub-areas with the largest valuation gains were Rincon Expansion, with a $947 million increase in valuation, and Rincon North, with a $259 million increase. The increases in both sub-areas were primarily due to sales and development of several multi-family properties, particularly those owned by the Irvine Company.

The historical tax increment revenues, shown in Table 11, includes the one percent levy as well as, for years prior to FY 2012-13, the additional debt service levies applied to the incremental assessed valuation. Gross tax increment revenues increased over the FY 1995-96 to FY 2015-16 period from $68.2 million to an estimated $228.4 million, a gain of 235%.

As noted previously, supplemental assessments are assessments of properties for which new construction or sales occurred during a tax year. The assessments are for the pro-rated portion of the remaining tax year and, if the construction or sale occurs after the January 1 lien date, for full value of the property during the subsequent tax year. The revenues from supplemental assessments, where available, are shown in Table 11.

In addition to tax revenue from the incremental secured, unsecured and utility roll values the Agency receives revenue from the unitary roll (AB454 revenue). This amount, not shown separately in Table 11, is estimated to be $2.3 million in 2015-16.

Homeowners are entitled to receive an exemption of $7,000 on the assessed valuation of their residence. a program referred to as the Homeowner's Property Tax Relief (HOPTR). As the State reimburses counties for this exemption, most counties, including Santa Clara County, do not deduct the homeowner's exemption when calculating the tax increment revenue due to redevelopment agencies. The assessed valuations used in this report exclude the homeowner's exemption, except where noted.

FACTORS AFFECTING FUTURE ROLL VALUATIONS

A number of factors will affect Project Area assessed valuation in future years, including Proposition 13 adjustments, Proposition 8 assessment reductions, assessment appeals and new construction and property sales. These factors are discussed below. Future tax increment revenue, presented in Table 15, demonstrates the expiration of sub-areas and debt service coverage and does not include any assumptions regarding these or other factors.

Proposition 13 Adjustment and 2014-15 Roll Valuations

Under Section 51 of the Revenue and Taxation Code the annual increase in assessed valuation for real property is limited to the lesser of two percent or the October-to-October change in the California Consumer Price Index (CCPI) preceding the January 1 lien date. The figure is reported annually by the State Board of Equalization in late December. Since 1976-77 the CCPI has been above two percent in all but seven years, with the lowest CCPI being a negative 0.237 percent for FY 2010-11. A positive 0.753 percent was applied to FY 2011-12. The factor applied to the FY 2012-13 and FY 2013-14 rolls was 2.00%. The factor for the FY 2014-15 rolls was 0.454% while the factor for FY 2015-16 was 1.998%. This factor, referred to at times in this Analysis as the Proposition 13 inflation factor, is applied to land and improvements where the property has not been sold or, in the case of improvements, newly constructed. Properties whose valuations have been reduced under Proposition 8 continue to receive an inflationary adjustment under Proposition 13 on the reduced valuation.

Proposition 8 Assessment Reductions

For the 2015-16 roll year, the assessor applied Proposition 8 reductions to 723 parcels in the Project Area and 14,138 parcels in the City in response to economic conditions. These temporary reductions are reviewed annually, and as market conditions improve, may be partially or fully restored to their factored base year value (properties that are sold are reassessed at the sales price and are no longer assessed under Proposition 8). The number of reductions is lower than the 975 parcels reported for the Project Area in FY 2014-15 and the 23,339 parcels reported citywide.

The 723 Proposition 8 parcels in the Project Area received decreases totaling $533 million in assessed valuation in FY 2015-16, relative to what their assessed valuation would have been in the absence of a Proposition 8 reduction; the Project Area reductions for FY 2014-15 totaled $855 million. As noted previously, the Assessor does not indicate which properties are subject to Proposition 8 reductions on the tax roll itself.

Assessment Appeals

Appeals of assessments by property owners in the Project Area can result in future reductions in assessed valuations that affect the Agency. As noted above under "*The Allocation of Tax Increment Revenues to the Agency*", it has been the practice of the County of Santa Clara to apply roll corrections and assessment appeal refunds against supplemental revenue payments. With the adoption of a uniform method of reporting RPTTF revenue, the County now deducts roll corrections and assessment appeal refunds against the secured and unsecured tax increment while reporting supplemental and unitary revenue on a separate line. Roll corrections and assessment appeal refunds amounting to $11.2 million are expected to be deducted from FY 2015-16 tax increment revenue; supplemental revenue is estimated to be $3.6 million for the year and unitary revenue is expected to be 2.3 million. While unitary revenue is included in the tax increment calculations used in this report, supplemental revenue is not.

An analysis of the FY 2015-16 adjustment due to prior-year roll corrections and refunds by sub-area shows a $4.6 million decrease in Edenvale, a $3.1 million decrease in Rincon North, a $2.1 million decrease in Rincon Original and a $1.1 million decrease in Park Center Plaza. The County Auditor-Controller's Office does not provide detail on the parcels contributing to these decreases; however, as noted previously, a Hitachi property in Edenvale received an FY 2014-15 roll correction that may have contributed to the FY 2015-16 decrease. The FY 2015-16 reduction is incorporated into the tax increment calculations used in this report, while estimates of further reductions of $5.6 million for FY 2016-17 and $2.8 million for FY 2017-18 are incorporated into the projection shown in Table 15-A and B.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year's secured assessment based on the current economic value of the property. The assessor may also unilaterally adjust valuations based on Proposition 8 criteria, as discussed above. Assessment reductions under Proposition 8 are generally temporary in nature and property values may be restored to their previous levels, as adjusted for inflation, as economic conditions improve. Properties that are sold while under Proposition 8 are reassessed at the sales price and the Proposition 8 adjustment is removed.

Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled valuation of a property and consequently affect the Agency's annual revenue. The annual filing period for all appeals extends from July 2 to September 15.

Table 12 presents the totals for resolved and pending assessment appeals between FY 2008-09 and FY 2015-16 in the Project Area. The assessment appeals information presented in Table 12 is based on information made available to the Agency by the County Assessor's Office on July 17, 2015.

Table 12
Assessment Appeal Results in the Merged Project Area,
FY 2008-09 through 2014-15

Fiscal Year	Appeal Status	County Roll Value	Applicant Opinion of Value	Final Roll Value	Pct of Roll Value Retained (1)
2014-15	80 Resolved	927,182,283	613,424,971	926,888,362	100.0%
2014-15	369 Pending	7,181,787,625	3,995,225,873	TBD	TBD
2013-14	438 Resolved	5,816,298,635	3,103,034,630	5,679,791,944	97.7%
2013-14	83 Pending	3,056,096,986	1,599,167,799	TBD	TBD
2012-13	517 Resolved	7,053,063,075	4,043,180,060	6,949,793,603	98.5%
2012-13	55 Pending	2,380,385,768	1,325,086,236	TBD	TBD
2011-12	734 Resolved	8,554,518,328	5,258,893,895	8,198,202,960	95.8%
2011-12	17 Pending	777,474,896	335,658,758	TBD	TBD
2010-11	972 Resolved	8,155,812,491	4,488,627,926	7,219,706,601	88.5%
2010-11	18 Pending	1,217,681,206	475,237,696	TBD	TBD
2009-10	569 Resolved	10,847,287,430	5,248,861,073	9,774,064,656	90.1%
2009-10	15 Pending	1,148,338,911	336,952,007	TBD	TBD
2008-09	479 Resolved	8,375,637,086	4,880,648,373	8,161,570,587	97.4%
2008-09	11 Pending	715,474,135	266,554,060	TBD	TBD
	3,789 Resolved	49,729,799,328	27,636,670,928	46,910,018,713	94.3%
	568 Pending	16,477,239,527	8,333,882,429	TBD	TBD

(1) Percent of Roll Value Retained is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the Final Roll Value' into the 'County Roll Value'. For withdrawn and denied appeals, the 'Final Roll Value' is the original County valuation.

Data provided by the County Assessor's office on July 17, 2015 .
Source: County of Santa Clara, Urban Analytics

A measure of the impact of pending appeals can be found by applying the percentage of original enrolled valuation retained following the resolution of appeals (the retention rate) to the amount of original enrolled valuation for pending appeals. Overall, there are 568 appeals pending in the Project Area during the period shown in Table 12 with an enrolled valuation of $16.5 billion. The overall retention rate for appeals resolved during the fiscal years 2008-09 to 2015-16 is 94.3%, with $46.9 billion in valuation retained out of $49.7 billion in roll valuation. Applying this rate to the enrolled valuation for pending appeals results in an estimated $0.9 billion in reduced prior-year valuation, or approximately $9.3 million in gross tax revenue and $7.5 million in Redevelopment Fund revenue, including parcels that were appealed in multiple years. The maximum impact from pending appeals, which would occur if the full amount of disputed valuation was granted, is approximately $81.4 million in gross tax revenue or $65.1 million in revenue to the Redevelopment Fund, again including parcels that were appealed in multiple years.

The $2.8 billion in prior-year valuation reduced through the appeals process during this period is approximately $28 million in property tax increment revenue (the assessor, when applying the assessment appeal refunds to the Agency's revenue, does so using only the 1% tax rate).

The last column in Table 12 shows the percentage of the original roll valuation retained after resolution of the appeal. The retention percentage in the Project Area has ranged from 88% to 99% during the period shown. Appeals filed by the Project Area's largest property owners is presented in Table 13 over the past four years.

Table 13
Assessment Appeals By Large Owners, Past Four Years

Roll Year	Owner Name	Resolved/ Pending	County Roll Value	Applicant Opinion of Value	Valuation Change After Appeal
2014-15	BLACKHAWK PARENT LLC	10 Pending	566,857,740	138,320,000	TBD
2014-15	BROCADE COMMUNICATIONS SYS	1 Pending	186,482,642	75,316,924	TBD
2014-15	CISCO TECHNOLOGY INC	11 Pending	576,276,298	459,718,193	TBD
2014-15	EBAY INC	1 Pending	204,168,588	24,250,000	TBD
2014-15	HITACHI GLOBAL STORAGE TECH	1 Pending	450,388,568	242,000,000	TBD
2014-15	MAXIM INTEGRATED PRODUCTS	2 Pending	147,579,292	54,300,000	TBD
2014-15	MIRADA CRESCENT VILLAGE LLC	1 Pending	156,550,667	118,000,000	TBD
2014-15	PARK CENTER PLAZA INVESTORS LP	1 Pending	70,000,000	45,000,000	TBD
2014-15	PARK CENTER PLAZA INVESTORS LP	4 Resolved	95,899,904	50,000,000	-
2014-15	VISTA MONTANA PARK APTS	1 Resolved	176,842,221	121,803,971	-

Table 13 (Continued)
Assessment Appeals By Large Owners, Past Four Years

2013-14	ADOBE SYSTEMS INC	2 Resolved	227,765,923	205,321,450	-
2013-14	BLACKHAWK PARENT LLC	10 Resolved	553,043,308	308,000,000	-2,220,000
2013-14	BROCADE COMMUNICATIONS SYS	1 Pending	197,483,666	113,103,331	TBD
2013-14	CISCO TECHNOLOGY INC	7 Resolved	354,010,416	275,300,000	-10,292,897
2013-14	EBAY INC	3 Resolved	437,905,669	163,200,000	-
2013-14	HITACHI GLOBAL STORAGE TECH	1 Pending	396,666,354	24,000,001	TBD
2013-14	HITACHI GLOBAL STORAGE TECH	2 Resolved	398,812,292	20,296,988	-
2013-14	MAXIM INTEGRATED PRODUCTS	2 Pending	163,535,134	58,584,000	TBD
2013-14	PARK CENTER PLAZA INVESTORS	5 Resolved	158,066,490	76,500,000	-
2012-13	ADOBE SYSTEMS INC	2 Resolved	220,275,486	170,692,793	-
2012-13	BLACKHAWK PARENT LLC	9 Resolved	535,113,270	469,090,000	-
2012-13	BROCADE COMMUNICATIONS SYS	1 Pending	213,454,276	98,000,000	TBD
2012-13	CISCO TECHNOLOGY INC	1 Pending	36,223,066	8,000,000	TBD
2012-13	EBAY INC	3 Resolved	375,016,958	149,200,000	-
2012-13	HITACHI GLOBAL STORAGE TECH	1 Pending	404,735,027	125,000,001	TBD
2012-13	HITACHI GLOBAL STORAGE TECH	2 Resolved	406,838,889	20,296,988	-
2012-13	KBSII CORP. TECHNOLOGY CENTRE	8 Resolved	155,833,213	108,300,000	-1,669,943
2012-13	MAXIM INTEGRATED PRODUCTS	1 Resolved	71,541,221	37,300,000	-
2012-13	THE IRVINE COMPANY LLC	9 Resolved	579,651,931	396,225,251	-
2012-13	VISTA MONTANA PARK APTS	1 Resolved	24,154,404	16,900,000	-
2011-12	ADOBE SYSTEMS INC	3 Resolved	333,438,342	262,767,543	-38,841,605
2011-12	ALTERA CORPORATION	4 Resolved	102,096,593	93,145,126	-
2011-12	BLACKHAWK PARENT LLC	9 Resolved	524,620,862	445,700,000	-
2011-12	BROCADE COMMUNICATIONS SYSTS INC	3 Resolved	120,688,945	93,503,978	-
2011-12	CISCO TECHNOLOGY INC	2 Resolved	68,536,276	23,000,000	-
2011-12	EBAY INC	1 Resolved	132,935,616	13,700,000	-
2011-12	HITACHI GLOBAL STORAGE TECHS INC	1 Pending	413,325,198	205,500,000	TBD
2011-12	HITACHI GLOBAL STORAGE TECHS INC	1 Resolved	2,062,611	1,000,000	-
2011-12	KBSII CORPORATE TECHNOLOGY CENTRE LLC	9 Resolved	128,952,254	89,500,000	-13,257,246
2011-12	MAXIM INTEGRATED PRODUCTS INC	1 Pending	79,005,393	35,070,000	TBD
2011-12	PARK CENTER PLAZA INVESTORS LP	5 Resolved	173,779,018	91,950,000	-42,879,018
2011-12	VISTA MONTANA PARK APARTMENTS HOLDINGS LLC	1 Resolved	23,680,789	10,600,000	-

Data provided by the County Assessor's office on July 17, 2015.
Source: County of Santa Clara, Urban Analytics

TAX INCREMENT REVENUE ESTIMATE

The tax increment revenue estimate for FY 2015-16 is presented in Table 14. The Gross Tax Increment Revenue from the Project Area, shown below and including secured, unsecured and utility valuations, is $246,430,377. Included in this total is unitary revenue, estimated to be $2,300,000.

Table 14
Merged Area Redevelopment Project
Tax Increment Calculation, FY 2015-16

	Tax Increment Exclusive of Debt Service Tax Levies	Tax Increment Inclusive of Debt Service Tax Levies
Secured AV	$20,285,254,350	$20,285,254,350
Unsecured AV	3,879,442,926	3,879,442,926
SBE-Assessed Utilities	308,788,113	308,788,113
Total AV	24,473,485,389	24,473,485,389
Less: Base Year AV	-1,095,977,484	-1,095,977,484
Incremental AV	23,377,507,905	23,377,507,905
Tax Increment	244,130,377	244,130,377
Plus: Unitary Roll Revenue (est.)	2,300,000	2,300,000
Gross Tax Increment Revenue	246,430,377	246,430,377
Less: Appeal Refunds, Roll Corrections	-11,235,578	-11,235,578
Less: Tax Levies Withheld By County:	-10,355,297	0
Gross Tax Increment Revenue Net of Withheld Levies	224,839,501	235,194,798
Less: 20% Housing Fund	-44,967,900	-47,038,960
Less: Prop. Tax Admin. Fee (Incl. AB1x26)	-2,929,063	-3,063,965
Less: Senior Passthroughs	-13,411,189	-13,411,189
Plus: Passthrough Offsets:	2,329,947	2,329,947
Net Tax Increment Revenue	165,861,296	174,010,632

As noted in "*The Allocation of Tax Increment Revenue to the Agency*", the County Auditor-Controller is expected to deduct prior-year roll corrections and assessment appeal refunds that exceeded prior-year supplemental revenue from the Agency's FY 2015-16 tax increment revenue. This deduction is reported by the County Auditor-Controller to be $11,235,578. In addition, the County Auditor-Controller has withheld tax increment revenue derived from two levies, discussed in "*Tax Rates*", and is deducting both the property tax and the AB1x26 administration fees from tax increment revenue prior to distribution to the RPTTF. Table 14 presents tax increment calculations showing the withheld tax levies and showing tax increment were the County to pay these tax levies to the Agency.

Net tax increment revenue, after deduction of the housing fund set-aside (as revenue pledged to housing bonds), the withheld tax levies, prior-year roll corrections and refunds, passthrough payments that are senior to tax increment pledged to tax allocation bonds and offsets to these passthrough payments for reimbursements of prior facilities payments to taxing entities, is estimated to be $165,861,296 for FY 2015-16. Net tax increment after deduction of all items except the withheld tax levies is estimated to be $174,010,632 for FY 2015-16.

TAX INCREMENT REVENUES THROUGH PLAN TERMINATIONS

Project Area tax increment revenues are shown over the life of the constituent redevelopment plans in Table 15-A and Table 15-B assuming a two percent rate of growth in assessed valuation. The tables are provided to illustrate the manner in which the assessed valuation decreases as component sub-areas terminate. Table 15-A presents net tax increment excluding the PERS and Water District override tax levies retained by the County; Table 15-B presents net tax increment with these levies included. Gross tax increment revenue is the total amount of tax increment revenue generated in the Project Area. It is shown in both tables as net of an estimated $11.2 million in appeal-related refunds and roll corrections for FY 2015-16, $5.6 million in FY 2016-17 and $2.8 million in FY 2017-18. The Housing Set-Aside is shown as 20% of gross tax increment revenue. As noted previously ("*Housing Set-Aside*"), a portion of this set-aside may be available for non-housing obligations once annual debt service on housing bonds is funded and upon the consent of the housing bondholders. Statutory passthrough payment obligations that are senior to the Agency's non-subordinated bonds are shown after deduction of the statutorily-required offsets for facilities payments. The County payment and County administrative costs are subordinate to the Agency's subordinated and non-subordinated bonds per the Agency's agreement with the County. As noted above ("*The Impact of the Redevelopment Dissolution Law*"), the County has deducted the County administrative costs prior to the payment of tax increment revenue to the RPTTF per the allocation procedures contained in the Redevelopment Dissolution Law, a procedure that is at variance with the Agency's agreement with the County.

The tax increment revenue shown does not include any other increases or decreases in assessed valuation from new development, property sales, changes in pre-1989 debt service levies, annual inflationary adjustments under Proposition 13, Proposition 8 assessment adjustments or other causes. As discussed in previous sections of this Analysis, any of these factors may affect future tax increment revenue receipts.

LIMITATIONS OF REPORT

The calculation of assessed valuations and tax increment revenues shown in this Report are based on information believed to be complete, current and reliable at the time of this Report. Projections of tax increment revenues are based on reasonable assumptions and may not reflect actual future revenue received by the Agency. Information regarding the practices and methods used by the County in assessing and allocating property tax revenue has been obtained from County staff and analysis of County records, while information concerning the Project Area, redevelopment plans, amendments and passthrough agreements has been obtained through discussions with Agency staff and through review of the plan documents made available to the Consultant.

While the Consultant has made a reasonable effort to verify the accuracy of the figures and information presented in this Report and presumes that the information relied upon is correct, the Consultant makes no warranty as to its accuracy.

Table 15-A
Tax Increment Revenues With Sub-Area Plan Terminations,
Two Percent Annual Growth in Assessed Valuation,
Excluding Debt Service Override Levies (X1,000)
Merged Area Redevelopment Project

Fiscal Year Ending June	Gross Tax Increment	Housing Set-Aside	Senior Statutory Passthroughs	County Administrative Fee	Net Tax Increment
2016	224,840	(44,968)	(11,081)	(2,929)	165,861
2017	235,352	(47,070)	(11,537)	(3,066)	173,678
2018	243,153	(48,631)	(12,312)	(3,168)	179,044
2019	251,055	(50,211)	(13,139)	(3,271)	184,434
2020	256,249	(51,250)	(14,303)	(3,338)	187,359
2021	261,547	(52,309)	(16,898)	(3,407)	188,933
2022	266,951	(53,390)	(17,878)	(3,478)	192,205
2023	272,464	(54,493)	(18,878)	(3,549)	195,543
2024	262,429	(52,486)	(18,805)	(3,419)	187,719
2025	267,850	(53,570)	(19,780)	(3,489)	191,010
2026	273,379	(54,676)	(20,906)	(3,561)	194,236
2027	279,019	(55,804)	(23,032)	(3,635)	196,548
2028	284,771	(56,954)	(24,143)	(3,710)	199,964
2029	244,934	(48,987)	(22,550)	(3,191)	170,206
2030	247,129	(49,426)	(23,414)	(3,219)	171,070
2031	214,429	(42,886)	(21,372)	(2,793)	147,378
2032	218,805	(43,761)	(22,232)	(2,850)	149,962
2033	223,269	(44,654)	(23,353)	(2,909)	152,354
2034	133,589	(26,718)	(13,418)	(1,740)	91,713
2035	136,354	(27,271)	(14,114)	(1,776)	93,194
2036	126,440	(25,288)	(13,867)	(1,647)	85,638
2037	28,350	(5,670)	(5,200)	(369)	17,111
2038	13,048	(2,610)	(2,769)	(170)	7,499
2039	13,373	(2,675)	(2,860)	(174)	7,664
2040	13,704	(2,741)	(2,952)	(179)	7,832
2041	6,341	(1,268)	(1,347)	(83)	3,644
2042	6,513	(1,303)	(1,394)	(85)	3,732
2045	-	-	-	-	-
Total	5,005,339	(1,001,068)	(393,534)	(65,206)	3,545,531

Table 15-B
Tax Increment Revenues With Sub-Area Plan Terminations,
Two Percent Annual Growth in Assessed Valuation,
Including Debt Service Override Levies (X1,000)
Merged Area Redevelopment Project

Fiscal Year Ending June	Gross Tax Increment	Housing Set-Aside	Senior Statutory Passthroughs	County Administrative Fee	Net Tax Increment
2016	235,195	(47,039)	(11,081)	(3,064)	174,011
2017	245,924	(49,185)	(11,537)	(3,204)	181,998
2018	253,946	(50,789)	(12,312)	(3,308)	187,537
2019	262,073	(52,415)	(13,139)	(3,414)	193,105
2020	267,497	(53,499)	(14,303)	(3,485)	196,210
2021	273,030	(54,606)	(16,898)	(3,557)	197,969
2022	278,673	(55,735)	(17,878)	(3,630)	201,430
2023	284,429	(56,886)	(18,878)	(3,705)	204,960
2024	273,949	(54,790)	(18,805)	(3,569)	196,785
2025	279,609	(55,922)	(19,780)	(3,643)	200,265
2026	285,383	(57,077)	(20,906)	(3,718)	203,683
2027	291,272	(58,254)	(23,032)	(3,795)	206,192
2028	297,279	(59,456)	(24,143)	(3,873)	209,808
2029	255,699	(51,140)	(22,550)	(3,331)	178,678
2030	257,992	(51,598)	(23,414)	(3,361)	179,618
2031	223,867	(44,773)	(21,372)	(2,916)	154,805
2032	228,437	(45,687)	(22,232)	(2,976)	157,541
2033	233,099	(46,620)	(23,353)	(3,037)	160,089
2034	139,430	(27,886)	(13,418)	(1,816)	96,310
2035	142,316	(28,463)	(14,114)	(1,854)	97,886
2036	131,969	(26,394)	(13,867)	(1,719)	89,989
2037	29,617	(5,923)	(5,200)	(386)	18,108
2038	13,633	(2,727)	(2,769)	(178)	7,960
2039	13,972	(2,794)	(2,860)	(182)	8,136
2040	14,318	(2,864)	(2,952)	(187)	8,315
2041	6,625	(1,325)	(1,347)	(86)	3,867
2042	6,805	(1,361)	(1,394)	(89)	3,961
2043	-	-	-	-	-
Total	5,226,038	(1,045,208)	(393,534)	(68,081)	3,719,215

Note: Gross tax increment for FY 2015-16 includes a reduction of $11,235,578 for prior-year roll corrections and appeal-related refunds; the figures for FY 2016-17 and 2017-18 include estimated reductions of $5,617,789 and $2,808,895, respectively. Gross Tax Increment Revenue in all years is shown net of the tax levies withheld by the County in Table 15-A and inclusive of these tax levies in Table 15-B. Senior statutory passthrough payments are shown after deductions for facilities payment reimbursements (see "*Tax-Sharing Obligations - Statutory Passthrough Payments*"). The tables provide an indication of the effect on tax increment revenues of the plan termination dates for the various sub-areas; however, recent legislation allows Agency obligations to be paid regardless of plan termination dates (see *""The Impact of the Redevelopment Dissolution Law"*). Tax increment revenue is shown with no increase or decrease in assessed valuation from new development, property sales, changes in debt service levies, annual inflationary adjustments under Proposition 13, Proposition 8 assessment adjustments or causes other than those noted. The annual growth rate is applied to assessed valuation; the resulting annual rate of growth in tax increment is slightly higher as it is based on only a portion of assessed valuation (the amount over the base year valuation).