KEYSER MARSTON ASSOCIATES

# REPORT TO THE CITY COUNCIL
# for the
# THIRTEENTH AMENDMENT
# to the
# REDEVELOPMENT PLAN
# for the
# MILPITAS REDEVELOPMENT PROJECT AREA NO. 1
# and the
# SIXTH AMENDMENT
# to the
# REDEVELOPMENT PLAN
# for the
# GREAT MALL REDEVELOPMENT PROJECT

Prepared for:

**REDEVELOPMENT AGENCY
OF THE CITY OF MILPITAS**

**February 2010**

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Prepared for:

**REDEVELOPMENT AGENCY**
**OF THE CITY OF MILPITAS**

**February 2010**

Prepared by:

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## EXECUTIVE SUMMARY

### Proposed Amendments

The Redevelopment Agency of the City of Milpitas ("Agency") is proposing to amend (the "Thirteenth Amendment") the Redevelopment Plan ("Redevelopment Plan") for the Milpitas Redevelopment Project Area No. 1 ("Project Area No. 1") to: 1) extend by 10 years the effectiveness time limit and time period to repay debt/collect tax increment of the original Project Area ("Original Project Area") and Amendment Areas No. 1 and 2 (collectively, the Original Project Areas and Amendment Areas No. 1 and 2 are referred to as the "Amendment Areas"); 2) repeal the debt establishment limit for the Amendment Areas; 3) increase the tax increment limit and bonded indebtedness limit and exclude the Midtown Added Area from the tax increment limit; 4) add projects and facilities to the list of eligible projects and facilities the Agency may fund; 5) reinstate eminent domain over non-residential uses in the Amendment Areas; 6) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); and 7) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the California Community Redevelopment Law ("CRL"). Concurrently, the Agency is proposing to amend (the "Sixth Amendment") the Redevelopment Plan for the Great Mall Redevelopment Project ("Great Mall Project") to delete a non-contiguous area developed with a freeway sign ("Sixth Amendment Deleted Area"). The area identified for deletion is within the area proposed to be added to Project Area No. 1. Collectively, the Thirteenth Amendment and Sixth Amendment are referred to as the "Amendments."

### Reasons for Amendments

The proposed 10-year extensions of Plan effectiveness and time period for collection of tax increment/repayment of debt would provide the Agency with additional tax increment revenue from the Amendment Areas, which is needed to fund the completion of the Agency's redevelopment program for blight elimination and production of affordable housing. Given the severe downturn in the economy, the additional 10 years of Plan effectiveness is also needed to provide time to complete the Agency's projects and programs, which will largely be based upon private sector initiation of the rehabilitation and redevelopment of remaining blighted sites within the Amendment Areas. The additional 10 years will also provide needed time for the Agency to implement an extensive infrastructure improvement program.

The Agency is proposing to repeal the debt establishment limit currently set at January 1, 2014 for the Amendment Areas. By repealing this limit, the Agency will be able to establish debt during the length of the proposed effectiveness period, which includes issuing bonds and entering into agreements that would pledge tax increment revenues such as a development agreement.

It is currently projected that the Agency would reach the tax increment limit of $2.4 billion in 2030 or 19 years before the Agency would otherwise be authorized to collect tax increment. To allow the Agency sufficient revenue to fund its redevelopment program for the Amendment Areas, it is proposed that the tax increment limit be increased to $6.7 billion and that it be made applicable only to the Amendment Areas. Under the CRL, neither the Midtown Added Area nor the Thirteenth Amendment Added Area is required to have a tax increment limit. The proposed increase in the tax increment limit is necessary to allow the Agency to collect the additional tax increment that would be generated in the 10-year extension period for the Amendment Areas. The bonded indebtedness limit is also proposed to be increased from $498 million to $1.3 billion. The increase in this limit is necessary to provide bonding capacity in relationship to the proposed tax increment limit for the Amendment Areas. Furthermore, unlike the tax increment limit the bonded indebtedness limit applies to the Midtown Added Area and the proposed Thirteenth Amendment Added Area and needs to be large enough to provide adequate bonding capacity for these areas in addition to the Amendment Areas.

The Redevelopment Plan includes a description of public improvements and facilities that the Agency may install or construct or cause to be installed or constructed. The description of public improvements is also being updated and expanded as necessary to reflect the Agency's anticipated public improvement projects and facilities over the remaining effectiveness period of the Redevelopment Plan.

The Agency proposes to reinstate eminent domain authority within the Amendment Areas and to establish eminent domain in the Added Area in each case with the limitation that eminent domain authority would not be authorized to acquire real property that is occupied as a residence. Eminent domain will be established for a 12-year period from the date of adoption of the Thirteenth Amendment. Eminent domain may be needed to assemble small and irregularly shaped industrial and commercial sites to accommodate contemporary businesses that will contribute to the elimination of obsolete facilities, high vacancy rates and low lease rates.

The Thirteenth Amendment Added Area includes two primarily multiple-family residential areas referred to as the Adams and Selwyn/Shirley areas. These areas are being considered for inclusion in a redevelopment project to continue the City's efforts to alleviate blighting conditions in these areas. The City, exclusive of the Agency, has been working with property owners and managers over several years to alleviate code violations and deter crime, particularly gang activity. Although these efforts produced short-term improvements, these largely residential areas continue to be impacted by blighting conditions. Redevelopment is proposed as another tool to improve these areas. As a result of a high industrial vacancy rate and aging and obsolete buildings, the Agency is also proposing to include a portion of the Town Center in a redevelopment project. The Agency is proposing to assist in rehabilitating and redeveloping property to meet contemporary user needs thereby reducing vacancies and increasing property values.

The Agency is proposing to make certain technical corrections to the Redevelopment Plan to update and clarify the provisions of the Redevelopment Plan. The proposed Thirteenth Amendment will be incorporated in a new Amended and Restated Redevelopment Plan that will apply to the Existing Project Area and Added Area. The Sixth Amendment will amend the legal description of the Great Mall Project to reference the deletion of the freeway sign. No other amendment is proposed for the Great Mall Project.

The proposed Sixth Amendment is a technical amendment necessary to avoid splitting a parcel within the proposed Added Area. The area proposed for deletion from the Great Mall Project includes only a freeway sign. The sign is not on a separate parcel but part of a parcel proposed to be included in the Added Area. Rather than try to exclude the sign from the parcel in the Added Area it is proposed to be included as part of the Added Area and deleted from the Great Mall Project.

**Purpose of the Report to the City Council**

The purpose of the Report to the City Council is to provide the facts and evidence required for the Agency and Town Council to make necessary findings in connection with the adoption of the proposed Amendments.

The Report to the City Council includes the blight and financial feasibility analyses contained in the Preliminary Report and is revised and supplemented as necessary to include additional information or clarification on the information contained in the Preliminary Report between transmittal and incorporation in the Agency's Report to the City Council. A notable change in the information presented in the Preliminary Report is an increase in the amount of revenues that are anticipated to be received by the Agency. Subsequent to the completion of the Preliminary Report, the County provided the Agency with a required report, which indicates the base year assessed value for the proposed Added Area. The base year value was higher than what was estimated in the Preliminary Report and as a result, the anticipated projected revenues available for projects and programs have increased by approximately 1% over the estimates included in the Preliminary Report.

**Contents of the Report to the City Council**

The Report to the City Council has 13 sections. The first seven sections are substantially the same as presented in the Preliminary Report approved by the Agency on December 1, 2009. The following is an outline of the contents of the Report to the City Council: (1) the reasons for considering the Amendments (outlined above); (2) urbanization analysis of the Added Area; (3) documentation of significant remaining blight within the Amendment Areas blighting conditions within the Added Area; (4) a description of the proposed activities (projects and programs) within the Project Area (Existing Project Area as amended to include the Added Area); (5) the proposed method of financing the Agency's redevelopment program; (6) an amendment to the Agency's Implementation Plan; 7) a summary of potential impacts resulting from the Amendments and how the impacts will be addressed ("Neighborhood Impact Report"); (8)

method or plan for how the Agency will provide the required relocation benefits in instances where the Agency's action or assistance resulted in displacement; (9) an analysis of the Preliminary Plan that found that the boundaries and land uses of the Amended and Restated Redevelopment Plan to be the same as those described in the Preliminary Plan with the exception of the addition of a freeway sign currently included within the Great Mall Redevelopment Project; (10) the report of the Planning Commission finding that the Amendments conform to the City's General Plan and a recommendation of the Planning Commission to Agency and Council to approve and adopt the Amendments; (11) summary of consultations with the community including the planned community information meeting; (12) environmental compliance which is satisfied by the EIR prepared for the Amendments as incorporated by reference; and (13) the report of the county fiscal officer which is a report of the property values and identification of taxing agencies within the Added Area including a summary of consultations with the affected taxing agencies.

## Necessary Findings

In order to proceed with the Thirteenth Amendment, the following are necessary: a finding of significant remaining blight using the current definition of blight must be made for the Amendment Areas. Also, the City Council must find that this blight cannot be eliminated without an increase in the tax increment limit and the additional tax increment from the 10-year extension. Also, that the 10-year extension on repayment of debt/receipt of tax increment is needed to fully eliminate the blighting conditions in the Amendment Areas. Furthermore, the City Council must find that eminent domain authority is necessary for the elimination of blight. Project Area No. 1 has experienced significant redevelopment success. However, there are still areas where there are obsolete industrial buildings, areas with high vacancy rates and abnormally low lease rates, hazardous materials contamination sites and areas subject to flooding. The industrial sector has a high vacancy rate. Hotels in the Amendment Areas, which contribute significantly to the City's revenue, have declined sharply in revenues resulting from increased vacancies and the need to lower room rates. Contributing to blighting conditions are several sites with severe to moderate hazardous waste contamination. Also, a significant portion of the Amendment Areas is subject to flooding. Although no specific indicator is prevalent, the sum of these blighting conditions is significant and of the magnitude to warrant continued Agency assistance. The increase in the tax increment limit combined with the additional 10 years of the Plan effectiveness and receipt of tax increment and the addition of territory will provide the Agency with an estimated $1.1 billion in additional non-housing funds to assist the private sector in eliminating blighting conditions, marketing the Amendment Areas and making additional public improvements to reduce the possibility of flooding and provide infrastructure improvements to further entice private sector investment. Of the total increase in non-housing funds projected from the proposed Amendment, $559 million is generated within the Amendment Areas as a result of the 10-year extension combined with the increase in the tax increment limit. Without this additional funding, there would be a shortfall to implement non-housing programs designed to eliminate significant remaining blight in the Amendment Areas. The Amendments will also provide the Agency with $1.5 billion in additional affordable housing set-aside funds. (The remaining $1.7 billion of the $4.3 billion proposed addition to the tax increment limit is needed for non-discretionary expenses including pass-through payments to affected taxing entities, bond debt service, and contingencies.) Eminent domain may be needed to assemble small and irregular commercial and industrial parcels to provide for contemporary businesses that would help to reduce conditions of obsolescence and the vacancy rate.

For the Added Area, the Agency must prove that there is prevalent and substantial blight and that the private sector acting alone cannot alleviate the blight. Physical blighting conditions impacting the Added Area include serious code violations and crime in the Adams and Selwyn/Shirley area and obsolescence in the Town Center area and flooding. Abnormally low lease rates and stagnant and depreciated property values indicated by low property sales underscore that the physical blighting conditions are affecting the viability of the properties in these areas. In the past, the various City departments have worked together to correct code violations and curb crime in the Adams and Selwyn/Shirley areas. Although the City working with property owners and tenants made improvements in these areas, the problems associated with code violations and crime continue to persist. The City is considering adding these areas in a redevelopment project area as an additional tool to alleviate the blighting conditions. The Town Center area has also been experiencing a high vacancy rate. The City has been concerned that the private sector is unable to reverse the declining trend in the area as evidenced by the obsolete structures and persistently high vacancy rate. Redevelopment is being considered to help fund improvements to reduce conditions of obsolescence and market the area to reduce vacancies, improve drainage to prevent future flooding, and as necessary assist in the coordination, monitoring and clean up of the hazardous waste contamination sites.

The amendment to delete territory from the Great Mall Project requires that the Agency follow the process for amending a redevelopment plan and provide information in the Report to the City Council and make findings to the extent warranted by the amendment. The Great Mall Project is a non-tax increment generating project. Therefore, there are no financial impacts resulting from the deletion of the sign. The financial implications of adding the sign property to Project Area No. 1 (if any) are incorporated in the base year value for the parcel in which the sign is located, which is within the proposed Added Area. The purpose of adding the sign to the Great Mall Project in 2001 was to allow monument and digital message boards to be located along Interstate 680 for purposes of advertising public events and private businesses at the Great Mall. The transfer of the sign to Project Area No. 1 will not affect the use of the sign but will simplify the adoption process for the Thirteenth Amendment and administration of the Project Area No. 1 by having the sign site coterminous with the surrounding area which is proposed to be added to Project Area No. 1.

## Proposed Projects and Programs

The proposed redevelopment program applies to all of the existing Project Area and proposed Added Area and includes four primary programs: 1) Transportation and Public Infrastructure Improvements; 2) Community Infrastructure; 3) Economic Stimulation; and 4) Affordable Housing. With the exception of Affordable Housing for which there is a percentage expenditure defined by CRL (20% for the Midtown Added Area and the proposed Added Area and 30% for the Amendment Areas), the Agency will allocate the necessary funds for each program as needed over the remaining life of the redevelopment areas. The programs are intended to be general in description so that the Agency can respond to specific projects as they arise.

**Proposed Method of Financing**

A determination of economic feasibility requires an identification of the future resources to finance costs associated with redevelopment of the Amendment Areas and Added Area and the elimination of blighting conditions. It is projected that with the proposed amendments, the Project Area will generate $3.1 billion in net non-housing tax increment after required payments to taxing agencies, and $1.9 billion in required housing set-aside deposits. The increment projected to be available is based on assessed value added from anticipated new development in these areas and projected growth in existing property values at rates experienced in the Project Area over the past 10 years. Including bond proceeds, interest earnings, and other revenues leveraged from tax increment, a total of $3.9 billion in non-housing resources and $1.9 billion in housing fund resources are projected to be available to the Agency to finance project costs.

The following table summarizes the costs to meet non-discretionary obligations (debt service, contractual obligations, ERAF payments, operating expenses), and one scenario of how discretionary revenues would be allocated among the potential programs. The allocation of discretionary revenues is based on both known costs (proposed infrastructure improvements) and estimated allocation of revenues by Agency staff based on historic and projected expenditures within the program categories. The program is based on tax increment funding and does not exceed the increment projections and is therefore a financially feasible program of activities.

*Total Project Costs ($Millions)*

| | |
|---|---|
| **I. Non-Discretionary Expenses** | |
| Bond Debt Service | $1,941 |
| Existing Obligations - Land Purchases | $173 |
| SERAF Requirement | $2 |
| Operating Expenses | $364 |
| Subtotal Non-Discretionary | $2,480 |
| | |
| **II. Housing Programs (required set-aside)** | $1,863 |
| | |
| **III. Non-Housing Projects and Programs** | |
| A. Transportation and Public Infrastructure | |
| Approved CIP (2009-2014) | $16 |
| Storm Drainage & Flood Control | $162 |
| Water System Improvements | $255 |
| Sewer Improvements | $122 |
| Street Reconstruction & Rehabilitation | $485 |
| Recycled Water | $30 |
| Subtotal | $1,070 |
| | |
| B. Community Infrastructure Improvements | $107 |
| C. Economic Stimulation | $235 |
| Subtotal Non-Housing Programs | $1,412 |
| | |
| **IV. Total Project Costs** | **$5,755** |

## Implementation Plan Amendment

The Agency has one Implementation Plan for the Merged Project Area (Milpitas Redevelopment Project Area No. 1 and the Great Mall Redevelopment Project). The current Implementation Plan for the Project Areas is for the five-year period between fiscal year 2005-2006 through 2009-2010 (July 1, 2005 through June 30, 2010). The Redevelopment Plan effectiveness limit and limit to receive tax increment and repay debt for the Original Project Area, which will be the first area to reach its limits, will not be reached until September 2019 and September 2029, respectively. Therefore, the 10-year extension of these limits will not affect programs or financing during the current Implementation Plan period. No specific expenditures have been approved at this time. Before any expenditures are considered, these projects will be brought to the Agency for approval.

The 10-year extension of the Redevelopment Plan effectiveness and receipt of tax increment/ repayment of debt will trigger an increase in the affordable housing set-aside to 30% of the gross tax increment (rather than 20%) beginning in Fiscal Year 2010-11 or July 1, 2010 (first fiscal year that commences after the date of adoption of the Thirteenth Amendment which is currently anticipated for May 2010 or fiscal year 2009-10). Therefore, during the current Implementation Plan period, the affordable housing set-aside will not change but the next cycle of the Implementation Plan 2010-2011 through 2015-2016 will be affected by the increased housing set-aside.

**Neighborhood Impact Report**

The Amendment will facilitate development consistent with the General Plan. Future development projects will be reviewed at the time of submittal to the City for potential environmental impacts including traffic, environmental quality, community facilities and services and schools.

The Draft Environmental Impact Report ("Draft EIR") prepared for the Amendments included an analysis of the potential impacts that could result from the implementation of the time and financial amendments, eminent domain for non-residential uses, and the addition of territory. It was the conclusion of the Draft EIR that the Amendments would encourage development that could result in potential environmental impacts that may be significant and unavoidable even with mitigation measures. These impacts may include greenhouse gas emissions that exceed air district thresholds and contribute to global climate change, further reductions in traffic levels of service within the Amendment Areas and proposed Added Area at currently impacted intersections and street segments, and further reductions in levels of service on currently impacted freeway segments.

For both the Amendment Areas and proposed Added Area property assessments and taxes will not change as a result of the adoption of the Amendments. New development within the Amendment Areas and Added Area will be assessed at market value, as determined by the Assessor. Regardless of whether property is within the Amendment Areas, Added Area or outside of a redevelopment project area, the Assessor may increase property valuations for existing properties at the maximum rate of 2% per year allowed under Proposition 13. Any non-voluntary or voluntary displacement which occurs as a result of Agency redevelopment activities will be mitigated by providing relocation assistance including financial payments, advisory assistance, and replacement housing pursuant to State law relating to Agency-assisted developments.

**Method or Plan for Relocation**

The CRL requires the Agency prepare a feasible method or plan to provide relocation benefits to any persons or families proposed to be relocated from the Project Area (Existing Project Area and proposed Added Area) as a result of any Agency action. The Agency's plan or method of relocation reiterates the requirements of the law. No person or families of low and moderate income can be displaced unless and until there is a suitable housing at rents comparable to those at the time of their displacement.

## Analysis of the Preliminary Plan

The Preliminary Plan is a document that identifies the boundaries of the Added Area and identifies general development requirements as defined by the General Plan. On September 9, 2009, the Planning Commission selected the boundary of the Added Area, approved the Preliminary Plan and the Agency accepted the Preliminary Plan on October 6, 2009. With the exception of the addition of freeway sign that is currently included in the Great Mall Redevelopment Project the Added Area boundaries remain the same and include the same principal streets, the same land uses, building intensities and building standards described in the Preliminary Plan.

## Report and Recommendation of the Planning Commission

The CRL provides that the Planning Commission review the Amendments and make a conformance finding with the City's General Plan. The Planning Commission may also recommend to the Agency and Council on whether or not to approve and adopt the Amendments. On December 9, 2009, the Planning Commission found the Amendments in conformance with the General Plan and recommended in favor of adopting the Amendments.

## Summary of Community Consultations

On December 1, 2009, the City Council adopted a resolution acknowledging that the Agency will not have eminent domain authority over residential uses (property that is occupied as a residence). The Agency was directed to make available the Amendments for review and to consult with persons and organizations concerning policy matters affecting the residents of the Project Area. The Agency will be sending notices to all owners and occupants within the Project Area No. 1, the proposed Added Area and the Great Mall Project Area of the joint public hearing on the proposed adoption of the Amendments. The notice will also include an invitation to attend a community information meeting prior to the hearing to provide informal forum for community input and to answer questions regarding the Amendments. Copies of the Amendments will be made available at the meeting.

## Environmental Compliance

In accordance with the Community Redevelopment Law and the California Environmental Quality Act ("CEQA"), a Program Environmental Impact Report has been prepared for the adoption and implementation of the proposed Amendments. The Draft EIR is incorporated within the Report to the City Council by reference. It was the conclusion of the Draft EIR that the Amendments would encourage development that could result in potential environmental impacts that may be significant and unavoidable even with mitigation measures. These impacts may include greenhouse gas emissions that exceed air district thresholds and contribute to global climate change, further reductions in traffic levels of service within the Amendment Areas and proposed Added Area at currently impacted intersections and street segments,

## Report of the County Fiscal Officer's Report and the Agency's Analysis Thereof, Including a Summary of Consultations with Affected Taxing Entities

### Analysis of the County Fiscal Officer's Report

The County of Santa Clara transmitted the base year report to the Agency in a letter dated October 21, 2009. The base year report is a document that identifies the property value in the Added Area and the tax agencies' share of the property tax revenue. Based on the information provided in the base year report, the City of Milpitas derives the largest portion of its taxes from the Added Area at 14%. Milpitas Unified School District ("MUSD") receives 10.4%. All other entities receive less than 2% of their property tax revenue from the Added Area. The base year report did not provide an estimate of the first year of tax increment to be received from the Added Area. According to Keyser Marston Associates, Inc. ("KMA's") estimate, the Agency will receive $676,000 in tax increment from the Added Area in 2011-12 (the first year tax increment would be received). This estimate is based on a 5% annual growth rate over the base year assessed value. It is anticipated that of the $676,000 projected first year tax increment from the Added Area in 2011-12, $151,000 will be allocated to payments for statutory pass throughs to the taxing agencies, $7,000 will be charged by the County to administer the allocation of tax increment and $135,000 will be deposited into the Agency's affordable housing fund. The remaining $382,000 will be the Agency's net tax increment revenue available for redevelopment activities.

### Consultations with Affected Taxing Agencies

**On September 2, 2009**, the Agency transmitted a letter to each school district, the county office of education and the community college district notifying the entities of the Agency's intent to add territory and asked for any projected change in facilities needs in the Added Area;

**On September 11, 2009**, the Agency sent a notice of intent to amend the redevelopment plan to among other things add territory to each of the affected taxing agencies as well as to the State Board of Equalization ("SBE"), County Finance Director and County Tax Assessor;

**On September 16, 2009**, the Santa Clara Water District sent a letter to the Agency acknowledging receipt of the notice of intent to amend the Redevelopment Plan;

**On September 16, 2009**, the Milpitas Unified School District ("MUSD") sent a letter to the Agency requesting clarification on two points: (1) why the Agency's density projection for the Transit Area Specific Plan ("TASP") was less than the mid-point of the allowable density which was used to calculate unit build out; and (2) why the Agency was not applying the 20% affordable housing multiplier to the projected new housing units;

**On October 7, 2009**, the County Department of Planning and Development sent a letter to the Agency acknowledging receipt of the notice to amend the Redevelopment Plan;

**On October 19, 2009**, the Agency sent a letter responding to the MUSD clarifying the areas anticipated for residential rehabilitation and those planned for new development including projected unit affordability;

**On October 30, 2009** letters were sent to the SBE, County Finance Director and County Tax Assessor and affected taxing agencies notifying the entities that the Agency is proposing to make a minor modification to the boundary of the Added Area to include a freeway sign that is currently with the Great Mall Redevelopment Project; and

**On December 4, 2009**, the Agency sent the Preliminary Report and Amendments to the taxing agencies and offered to meet with the taxing agencies to discuss the Amendments.

**Next Steps**

The preparation of the Report to Council initiates the final steps in the Amendments adoption process. The remaining milestones in the process include:

- Agency will adopt and the City Council will receive the final Report (Report to the City Council) on the Amendments.

- Agency and City Council will consent to a joint public hearing to consider the adoption of the Amendments.

- Notice of the joint public hearing will be mailed to property owners and occupants in the Project Area No. 1, the proposed Added Area and the Great Mall Project Area, the taxing agencies and to the Department of Finance ("DOF") and the Department of Housing and Community Development ("HCD"). Notice will also be published in the newspaper. The taxing agencies, DOF and HCD will also receive a copy of the Report to the City Council.

- Agency and City Council will hold a joint public hearing on the Amendments.

# I. INTRODUCTION

## A. REPORT TO COUNCIL PURPOSE AND CONTENT

This Report to the City Council ("Report") for the proposed Thirteenth Amendment ("Thirteenth Amendment") to the Redevelopment Plan ("Redevelopment Plan" or "Plan") for the Milpitas Redevelopment Project Area No. 1 ("Project Area No. 1"), and the Sixth Amendment ("Sixth Amendment") to the Great Mall Redevelopment Project has been prepared by the Redevelopment Agency of the City of Milpitas ("Agency") to fulfill the requirements of the Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*, the "CRL"). Collectively, the Thirteenth Amendment and Sixth Amendment are referred to as the "Amendments."

The purpose of the Report is to provide the facts and evidence required for the Agency and City Council to make necessary findings in connection with the adoption of the proposed Amendments. The Report includes the blight and financial feasibility analyses. The blight analysis includes documentation on the nature and extent of the conditions remaining within the portions of the Project Area No. 1 that are proposed for amendment ("Amendment Areas"), and the conditions that exist within the area proposed to be added to Project Area No. 1 ("Thirteenth Amendment Area" or "Added Area"). The Report also includes the financial feasibility analysis including a tax increment projection demonstrating that the Agency's program for blight elimination is financially feasible. Subsequent to the completion of the Preliminary Report, the County provided the Agency with a required report which indicates the base year assessed value for the proposed Added Area. This new information is incorporated into the analysis presented in this Report. Projected revenues available for projects and programs have increased by approximately 1% over the estimates included in the Preliminary Report.

The Report further demonstrates that the increase in the tax increment limit and additional 10-year extension to the effectiveness and time period to collect tax increment/repay debt for the Amendment Areas is necessary to provide funding to eliminate the significant remaining blighting conditions and provide for additional affordable housing in the Amendment Areas. The 10-year extension will also provide additional needed time to implement the Agency's redevelopment program. In addition, the additional revenue to be allocated to Project Area No. 1 from the increase in the tax increment limit and the time extensions and the resulting increased revenues is proportional to the costs to eliminate remaining blight. Although not a required finding, the Report describes why repealing the debt establishment limits for the Amendment Areas is necessary to fully finance the Agency's redevelopment program. The Report describes the need for adding to the list of eligible infrastructure projects and public facilities. In addition, the Report describes the need for reinstating non-residential eminent domain authority in the Amendment Areas to eliminate remaining blight. In addition, the Report describes the reason for deleting area from the Great Mall Project and including this area within the proposed Added Area.

This Report is one of the legally required documents leading to the adoption of the Amendments. As part of the process of amending the Plan, the CRL requires that specific information be provided to taxing agencies and officials ("affected taxing entities"). Such information includes the contents of required sections of the Preliminary Report as defined in CRL Section 33344.5, with discussion and sections included to the extent warranted as required by CRL Section 33354.6 (adoption procedures for substantive amendments), including the required CRL Section 33333.10 as it pertains to the 10-year time extensions. In accordance with CRL Section 33451.5 (special notification requirements), the Preliminary Report is to be sent to the Department of Finance ("DOF") and the Department of Housing and Community Development ("HCD"). The Preliminary Report was transmitted to the affected taxing agencies, DOF and HCD on December 4, 2009. The information in this Report includes all the information in the Preliminary Report as updated and provides additional information as requested by CRL Sections 33352, 33451 and 33333.11 (contents of the Report) to the extent warranted by the Amendments. In accordance with CRL Section 33451.5 (special notification requirements), this Report will also be set to the same entities noted above.

The Report is divided into sections that generally correspond to the subdivisions contained in the CRL that specify the required contents of the Report and is organized as follows:

**Organization of the Report to the City Council**

| **CRL Section** | | **Report Section** |
|---|---|---|
| 33344.5(a)<br><br>33352(a) | The reasons for the Amendments. *(The reasons for the selection of the Amendment Areas for redevelopment were defined at the time of adoption. For the Thirteenth Amendment, this Report states the reasons for amending the limits for the Amendment Areas including; increasing the tax increment limit and excluding the Midtown Added Area from the tax increment limit, extending the effectiveness and debt repayment/receipt of tax increment limits and repealing the debt establishment limits. The Report also describes the need for adding public improvements and facilities to the list of eligible projects, adding territory and the reasons for selecting the boundaries of the Added Area. In addition, the Report also describes the need for non-residential eminent domain authority and the purpose of making certain technical corrections to the Redevelopment Plan. For the Sixth Amendment, the Report includes an explanation for the deletion of certain territory and the inclusion of this territory in the area proposed to be added by the Thirteenth Amendment.)* | Section I |
| 33344.5(b) and (c)<br><br>33333.10(b), (c) and (d)<br><br>33333.11(e)(1) and (2)<br><br>33333.2(a)(4)<br><br>33352(b) | For the Added Area, a description of physical and economic blighting conditions in the Added Area and a description of the Added Area which is sufficiently detailed for a determination as to whether the Added Area is predominately urbanized. For the Amendment Areas, a description of the significant remaining physical and economic conditions specified in Section 33031, the portion of the Amendment Areas, if any, that is no longer blighted and a map showing where in the Amendment Areas the remaining blighting conditions exist and those parcels that are necessary and essential… *(This Report identifies that the Added Area is urbanized and is predominately blighted. The Report also identifies existing significant remaining blighting conditions within the Amendment Areas the elimination of which requires the additional tax increment made available by the increase in the tax increment limit and the extension of effectiveness and debt repayment and receipt of tax* | Sections II and III |

| **CRL Section** | | **Report Section** |
|---|---|---|
| 33451. 5(c)(1) and (2) | *increment limits for the Amendment Areas and that the blight cannot be eliminated without the use of eminent domain over non-residential uses. The Report includes maps showing the location of blighted areas, areas that are no longer blighted and necessary and essential parcels.)* | |
| 33344.5(e) and (f)<br><br>33451.5(c)(3), (4) and (5)<br><br>33333.11(e)(3), (4), (5) and (6)<br><br>33352(a) | For the Amendment Areas and Added Area, a description of specific projects proposed by the Agency and description of the how the projects will improve or alleviate the blighting conditions. Also, for the Amendment Areas, the projects that are required to be completed to eradicate the remaining blight, and the relationship between the costs of those projects and the increase in the tax increment resulting from the increase in the tax increment limit and 10-year extension. (*As described in the Report, the Agency has developed a redevelopment program to eliminate blight in the Added Area and remaining blight in the Amendment Areas. For Amendment Areas, the Report describes the continued need for tax increment financing, including the increase in the tax increment limit and time extensions to pay existing and future debt service and fund current and future projects and programs to eliminate remaining blight and need to repeal the debt establishment limits.)* | Sections IV and V |
| 33344.5(d)<br><br>33451.5(c)(5) and (6)<br><br>33333.11(e)(5), (6) and (9)<br><br>33352(b), (d) and (e) | The proposed method of financing the redevelopment of the Amendment Areas and Added Area, including an assessment of economic feasibility of the proposed Amendments, the reasons for using tax increment financing. *(As described in the Report, the Amendments including the increase in the tax increment limit and extension of the effectiveness and the time period to repay debt/collect tax increment are necessary to provide tax increment revenues to finance projects and programs to eliminate the significant remaining blight. This section also includes the amount of tax increment revenues that is projected to be generated in the Added Area and in the Amendment Areas. Also, for the Amendment Areas the amount of tax increment that will be generated during the period of the extension, including amounts projected to be deposited into the Low and Moderate Income Housing Fund and amounts to be paid to affected taxing entities and relationship between the time and financial limits and blight elimination. This section also identifies sources and amounts of moneys other than tax increment that is available for financing the redevelopment projects and programs. This section includes a description of each bond sold by the Agency to finance or refinance the redevelopment project prior to six months before the anticipated date of adoption of the proposed Thirteenth Amendment, and listing for each bond the amount of remaining principal, the annual payments, and the date that the bond will be paid in full. Finally, this section discusses why the private sector acting alone or with City without redevelopment cannot eliminate the blighting conditions and the burden on the community.)* | Section V |
| 33333.11(e)(7)<br><br>33451.5(c)(7)<br><br>33352(c) | An amendment to the Agency's Implementation Plan that includes, but is not limited to, the Agency's housing responsibilities pursuant to Section 33490. (*As described in the Report, the existing Implementation Plan contemplated the adoption of the Amendments. Also, the Agency will not receive additional revenue during the current Implementation Plan cycle.)* | Section VI |
| 33333.11(e)(8)<br><br>33451.5(c)(8)<br><br>33352(m) | A new neighborhood impact report (*A new neighborhood impact report is included within the Report*.) | Section VII |

| CRL Section | | Report Section |
|---|---|---|
| 33352(f) | A method or plan for relocation of families or persons to be temporarily or permanently displaced. | Section VIII |
| 33352(g) | Analysis of the Preliminary Plan. | Section IX |
| 33352(h) and (J)<br><br>33333.11(h)(2) | The report and recommendations of the Planning Commission. | |
| 33352(i)<br><br>33333.11(h)(5) | The summary referred to in CRL Section 33387 *(A summary of the consultations with residents and community organizations)*. | Section X |
| 33352(k)<br><br>33333.11(h)(3) | The report required by CRL Section 21151 of the Public Resources Code (*EIR*). | Section XI |
| 33352.(n)(l)<br><br>33333.11(h)(4) | The report of the County Fiscal Officer and the Agency's analysis thereof, including a summary of consultations with affected taxing entities. | Section XII |

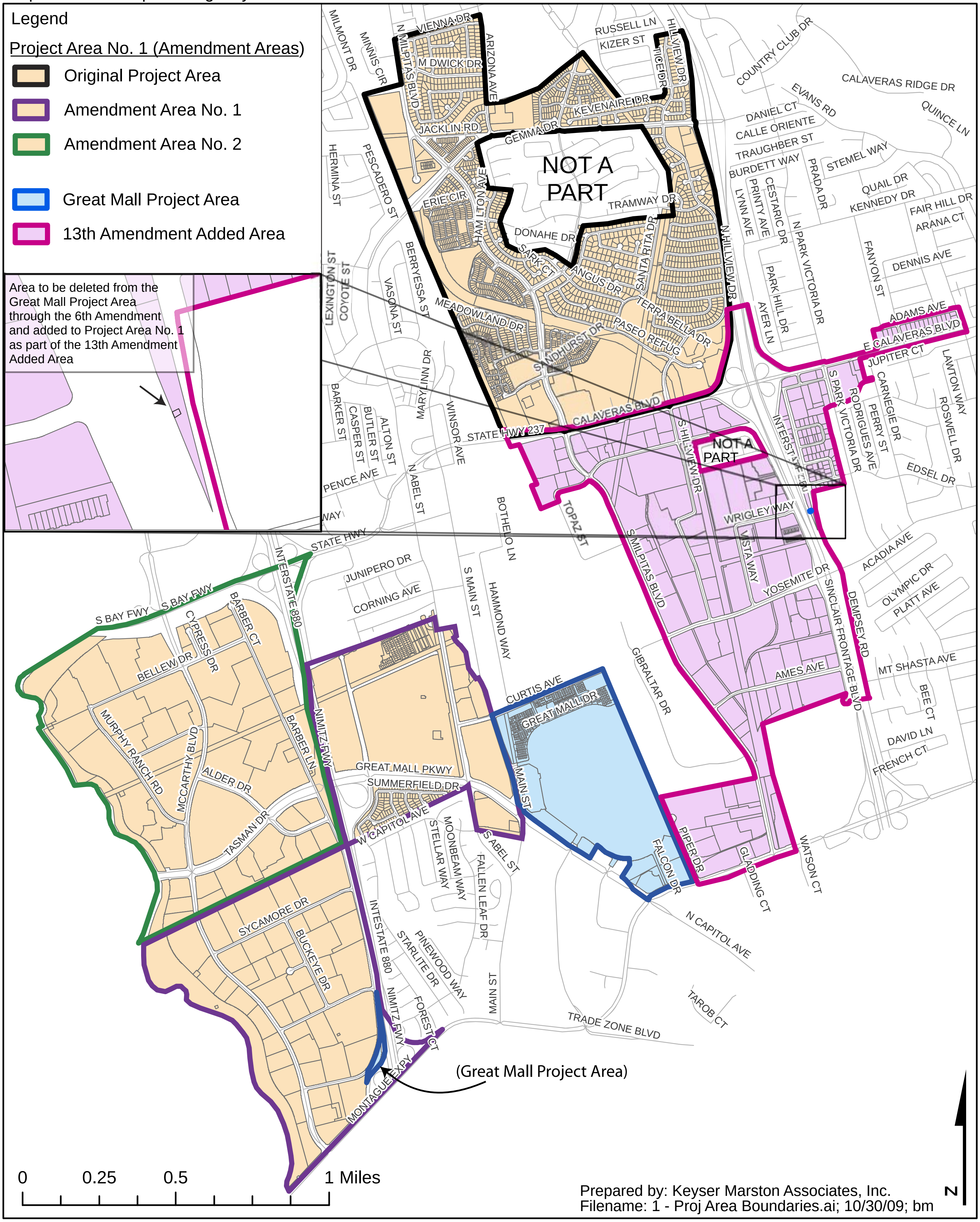
## B. REASONS FOR AMENDMENTS

### 1. Prior Amendments to Project Area No. 1

The City of Milpitas has two redevelopment project areas: Milpitas Redevelopment Project Area No. 1 and the Great Mall Project Area, which were merged in 2006. Milpitas Redevelopment Project Area No. 1 contains approximately 2,230 acres. The original Redevelopment Plan for Project No. 1 was adopted by the City Council by Ordinance No. 192 on September 21, 1976, and consisted of approximately 577 acres ("Original Project Area") located in the central portion of the City. In 1979, Project Area No. 1 was amended to include an additional 483 acres ("Amendment Area No. 1"). In 1982, Project Area No. 1 was amended to include 479 acres ("Amendment Area No. 2") and in 2003, the Project Area was amended to add 691 acres ("Midtown Added Area"). The Original Project Area No. 1 and Amendment Areas No. 1 and 2 are referred to as the "Amendment Areas." **Map 1: "Project Area No. 1 Boundaries and Amendment Areas"** shows the boundaries of the Existing Project Area including the Amendment Areas and the Midtown Added Area.

In total, the Redevelopment Plan for Milpitas Redevelopment Project Area No. 1 has been amended 12 times. The first amendment adopted September 4, 1979, by Ordinance No. 192.1 added approximately 483 acres to the Original Project Area. The second amendment adopted May 4, 1982, by Ordinance No. 192.2 added approximately 479 acres to the Original Project Area. The third amendment, adopted on November 27, 1984, by Ordinance No. 192.3 added provisions applicable only to Amendment Area No. 1 and Amendment Area No. 2 including a public improvements list and a tax increment limit. The fourth amendment adopted on December 9, 1986, by Ordinance No. 192.4 contained time and financial limits.

Map 1: Project Area No. 1, Great Mall Project Area, and 13th Amendment Added Area Boundaries
13th Amendment to Milpitas Redevelopment Project Area No. 1 and 6th Amendment to the Great Mall Project Area
Milpitas Redevelopment Agency



The fifth amendment, adopted on April 16, 1991, by Ordinance No. 192.6A made changes to clarify the time and financial limitations applicable to the areas within Project Area No. 1. The sixth amendment, adopted on December 9, 1994, by Ordinance No. 192.9 amended the time limits in accordance with Assembly Bill 1290. The seventh amendment, adopted on October 15, 1996, by Ordinance No. 192.11 increased the tax increment limit, increased the bond debt limit, and extended the debt establishment time limit. The eighth amendment, adopted October 16, 2001, by Ordinance No. 192.12 deleted certain property from the Project Area (sign property).

The ninth amendment, adopted June 17, 2003, by Ordinance No. 192.14 included the following: 1) added area (691 acres) to the Original Project Area (known as the "Midtown Added Area"); 2) increased the tax increment limit; 3) increased the bonded indebtedness limit; 4) established eminent domain in the 691-acre added area for properties not occupied as a residence; and 5) revised and updated various text provisions to conform to the requirements of the CRL. The tenth amendment adopted on October 7, 2003, by Ordinance No. 192.15 extended the time limits on plan effectiveness/receipt of tax increment by one year for the Original Project Area, Amendment Area No. 1, Amendment Area No. 2 and the Midtown Added Area as allowed by SB 1045 in exchange for the Agency's payment to the Educational Revenue Augmentation Fund ("ERAF") in fiscal year 2003-04. The Agency was allowed to further extend the time limits on plan effectiveness/receipt of tax increment by two years for the Original Project Area, Amendment Area No. 1 and Amendment Area No. 2 as allowed by SB 1096 in exchange for the Agency's ERAF payments made in fiscal years 2004-05 and 2005-06. The SB 1096 eleventh amendment was adopted on October 3, 2006, by Ordinance No. 192.16. On November 29, 2006, by Ordinance No. 192.18 the twelfth amendment was adopted which merged Project Area No. 1 with the Great Mall Redevelopment Project.

2. Prior Amendments to the Great Mall Redevelopment Project

The Redevelopment Plan for the Great Mall Redevelopment Project was adopted by the City Council on November 2, 1993, by Ordinance No. 192.8 and consists of 150 acres. The Great Mall Project has been amended four times. The first amendment, adopted on December 6, 1994, by Ordinance No. 192.10 brought the Project Area into conformity with the CRL as amended by Assembly Bill 1290. The second amendment, adopted on October 16, 2001, by Ordinance No. 192.13 added 0.76 acres in two separate properties (located along Interstate 880 & Montague Expressway containing 0.75 acres and along Interstate 680 south of Calaveras Boulevard containing 613 square feet) for the placement and maintenance of freeway signs for the Great Mall of the Bay Area. The third amendment adopted on October 3, 2006, by Ordinance No. 192.17 extended the time limits on plan effectiveness/receipt of tax increment by two years as allowed by SB 1096. The fourth amendment adopted on November 29, 2006, by Ordinance No. 192.19

merged the Great Mall Project with Project Area No. 1. The fifth amendment adopted on May 5, 2009, by Ordinance No. 192.22 extended plan effectiveness from 17 to 40 years.

3. Proposed Amendments and Need for Amendments

The Agency is proposing to amend the Redevelopment Plan for the Milpitas Redevelopment Project Area No. 1 to: 1) extend by 10 years the effectiveness time limit and time limit to repay debt/collect tax increment of the original Project Area ("Original Project Area") and Amendment Areas No. 1 and 2 (collectively the Original Project Area and Amendment Areas No. 1 and No. 2 are referred to as the "Amendment Areas"); 2) repeal the debt establishment limit for the Amendment Areas; 3) increase the tax increment and bonded indebtedness limits and excludes Midtown Added Area from the tax increment limit; 4) add projects and facilities to the list of eligible projects and facilities the Agency may fund; 5) reinstate eminent domain over non-residential uses in the Amendment Areas; 6) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); and 7) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the CRL.

To ensure that the Agency has sufficient time to complete the Agency's redevelopment program in Project Area No. 1, the Agency is proposing to extend Redevelopment Plan effectiveness and the time period for collection of tax increment and repayment of debt by 10 years as allowed by CRL Section 33333.10. The Original Project Area, Amendment Area No. 1 and Amendment Area No. 2 were adopted before December 31, 1993, and, therefore, are eligible for the 10-year extension with a finding of significant remaining blight. The Midtown Added Area was adopted in 2003 and is not proposed for amendment (except that the tax increment limit which currently applies to Midtown would be made applicable only to the Amendment Areas as described below).

The extension of redevelopment plan effectiveness and receipt of tax increment limits by an additional 10 years for the Amendment Areas (combined with the increase in the dollar limit on receipt of tax increment which is necessary in order to receive the additional tax increment during the period of the 10-year extension) would provide the Agency an additional $559 million in tax increment within the Amendment Areas to fund projects and programs including funding infrastructure projects. The time extension will also help the Agency achieve its economic development goals by providing additional funding to upgrade aging and obsolete industrial uses. For the Amendment Areas, 30% of the gross tax increment would be set-aside to fund affordable housing. In total, an additional $1.5 billion would be allocated to the affordable housing set-aside fund with the adoption of the Amendments. **Table 1: "Redevelopment Plan Time and Financial Limits"** shows the existing and proposed time and financial limits for Project Area No. 1.

| TABLE 1: REDEVELOPMENT PLAN - TIME AND FINANCIAL LIMITS | | | | | | |
|---|---|---|---|---|---|---|
| **PROJECT ADOPTION DATE** | **DEBT ESTABLISHMENT** | **PLAN EFFECTIVENESS** | **DEBT REPAYMENT (RECEIPT OF T.I.)** | **TAX INCREMENT** | **BOND DEBT** | **EMINENT DOMAIN** |
| **PROJECT AREA NO. 1**<br><br>Original Project Area<br>Adopted 9/21/76<br>577 acres | 1/1/14<br><br>(Repealed - 13th Amendment) | 9/21/19<br><br>(9/21/29 -13th Amendment) | 9/21/29<br><br>(9/21/39 - 13th Amendment) | $2.4 billion<br><br>($6.7 billion excluding Mid-town Added Area and 13th Amendment Added Area) | $498 million<br><br>($1.3 billion - 13th Amendment) | None<br><br>(5/4/22 -<br>12 years from adoption of the 13th Amendment non-residential only) |
| Amendment Area No.1<br>Adopted 9/4/79<br>Added 483 acres | 1/1/14<br><br>(Repealed - 13th Amendment) | 9/4/22<br><br>(9/4/32 - 13th Amendment) | 9/4/32<br><br>(9/4/42 -13th Amendment) | | | None<br><br>(5/4/22 -<br>12 years from adoption of the 13th Amendment non-residential only) |
| Amendment Area No. 2<br>Adopted 5/4/82<br>Added 479 acres | 1/1/14<br><br>(Repealed -13th Amendment) | 5/4/25<br><br>(5/4/35 - 13th Amendment) | 5/4/35<br><br>(5/4/45 - 13th Amendment) | | | None<br><br>(5/4/22 -<br>12 years from adoption of the 13th Amendment non-residential only) |
| Midtown Added Area<br>Added 6/17/03<br>(Eighth Amendment)<br>691 acres | 6/17/23 | 6/17/34 | 6/17/49 | (Repealed - 13th Amendment) | | 6/17/15<br><br>non-residential only |
| Proposed 13th Amendment<br>Added Area<br>596 acres | 5/4/30[1]<br><br>20 years from adoption of the 13th Amendment | 5/4/40[1]<br><br>30 years from adoption of the 13th Amendment | 5/4/55[1]<br><br>45 years from the adoption of the 13th Amendment | Not Applicable | | (5/4/22 -<br>12 years from adoption of the 13th Amendment non-residential only) |
| **GREAT MALL**<br><br>Adopted 11/2/93<br>150 acres | Not Applicable | 11/2/08 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Second Amendment<br>Adopted 10/16/01<br>Added 0.76 acres | Not Applicable | 11/2/08 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Proposed 6th Amendment<br>Delete 613 square feet<br><br>(no changes to time or financial limits proposed) | Not Applicable | 11/2/33<br>(Previously amended to establish effectiveness date 40 years from adoption) | Not Applicable | Not Applicable | Not Applicable | None |

Proposed 13th Amendment limits indicated in blue.

---

[1] Based on estimated adoption date.

The Agency is proposing to repeal the debt establishment limit currently set at January 1, 2014 for the Amendment Areas. By repealing this limit, the Agency will be able to establish debt during the length of the proposed effectiveness period, which includes issuing bonds and entering into agreements that would pledge tax increment revenues such as development agreements.

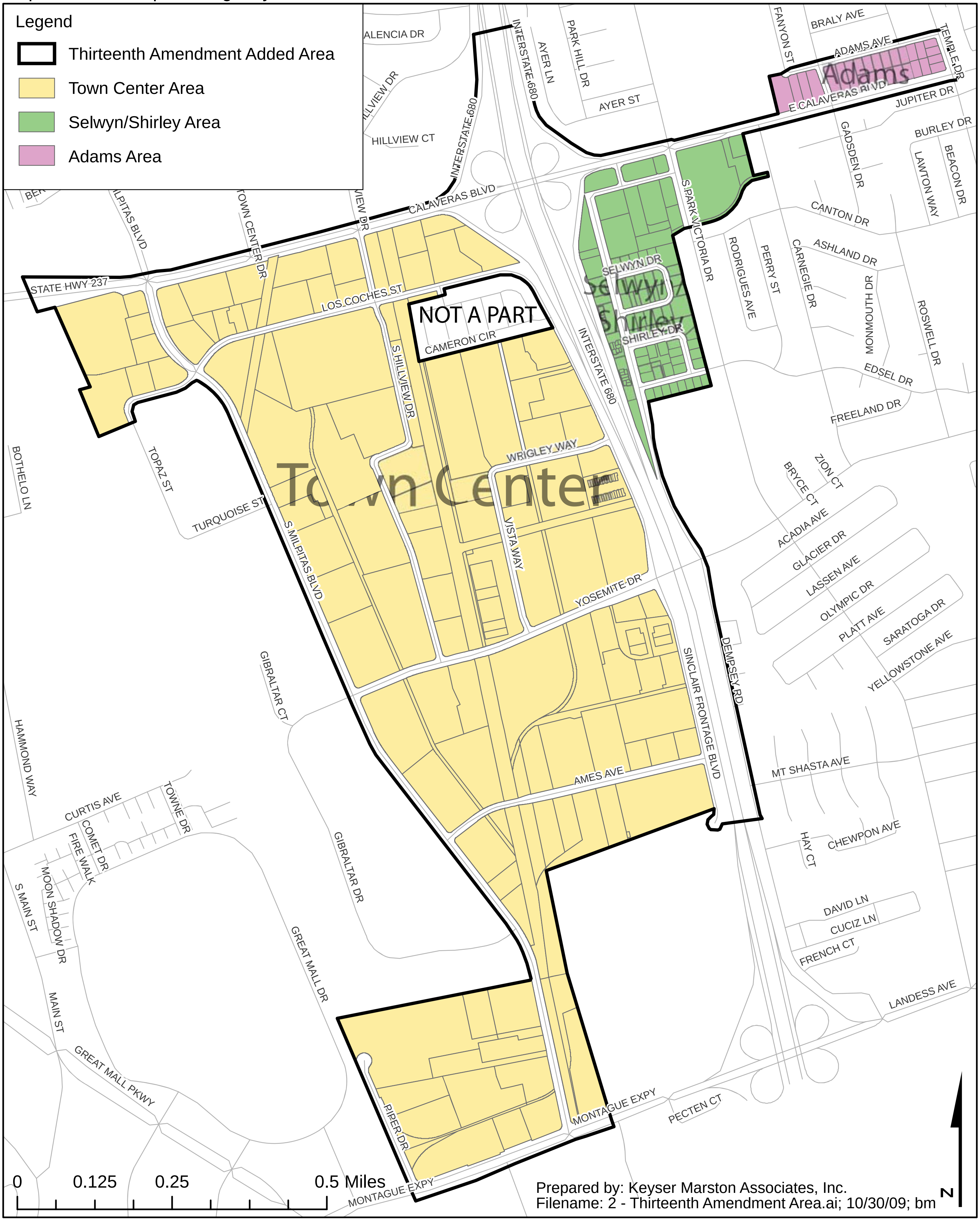
It is currently projected that the Agency would reach the tax increment limit of $2.4 billion in 2030 or 19 years before the Agency would otherwise be able to collect tax increment. To allow the Agency sufficient revenue to fund its redevelopment program for the Amendment Areas, it is proposed that the tax increment limit be increased to $6.7 billion and that it be made applicable only to the Amendment Areas. Under the CRL, neither the Midtown Added Area nor the Thirteenth Amendment Added Area is required to have a tax increment limit. The proposed increase in the tax increment limit is necessary to allow the Agency to collect the additional tax increment that would be generated in the 10-year extension period for the Amendment Areas. The bonded indebtedness limit is also proposed to be increased. The increase in this limit is necessary to provide bonding capacity in relationship to the proposed tax increment limit for the Amendment Areas. Furthermore, unlike the tax increment limit, the bonded indebtedness limit applies to the Midtown Added Area and the proposed Thirteenth Amendment Added Area and needs to be large enough to provide adequate bonding capacity for these areas in addition to the Amendment Areas.

The Redevelopment Plan includes a description of public improvements and facilities that the Agency may install or construct or cause to be installed or constructed. The Agency is also proposing to update and expand the description of public improvements as necessary to reflect the Agency's anticipated public improvement projects and facilities over the remaining effectiveness period of the Redevelopment Plan.

The Agency proposes to reinstate or establish eminent domain authority within the Amendment Areas and establish eminent domain authority in the Added Area, excluding properties that are occupied as a residence. Eminent domain will be established for a 12-year period from the date of adoption of the Thirteenth Amendment. Eminent domain may be needed to assemble small and irregularly shaped industrial and commercial sites to accommodate contemporary businesses that will contribute to the elimination of obsolete facilities, and high vacancy rates and low lease rates.

The Agency is also proposing to add approximately 600 acres to Project Area No. 1. The proposed added area (Added Area) encompasses three areas including 446 acres within the Town Center Business Park ("Town Center"), a small 13 acre residential area near the intersection of East Calaveras Boulevard and Temple Drive ("Adams area"), and a second small 47-acre residential area with limited commercial generally along Interstate 680 between Calaveras Boulevard and Edsel Drive ("Selwyn/Shirley area") and 90 acres of other right-of-way connecting the areas. **Map 2: "Thirteenth Amendment Area"** shows the boundaries of the proposed Added Area

Map 2 - Thirteenth Amendment Added Area
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency




Prepared by: Keyser Marston Associates, Inc.
Filename: 2 - Thirteenth Amendment Area.ai; 10/30/09; bm

with subarea boundaries. The residential areas considered for inclusion in a redevelopment project are primarily developed with multiple-family residential rental buildings built in the 1960s. The apartment complexes suffer from overcrowding and have been the site of gang activity. For some time, the two residential areas have been the focus of City code enforcement, proactive planning and police enforcement. The first coordinated corrective City effort resulted in the creation of a task force with representation from the various City departments to take proactive measures to improve conditions in the Adams and Selwyn/Shirley areas. The task force was in effect in 2002 continuing through 2003. Conditions improve after the task force efforts but the problems continue to reoccur and to persist. Redevelopment is being considered as another tool to facilitate lasting improvement to the area through a combination of loans for residential rehabilitation, additional code enforcement activity and public improvements to make the areas more desirable for investment and reduce crime such as additional street lighting.

Although the Town Center area is notable for its research and development uses, there are a significant number of manufacturing and warehousing uses in this area. The City has been concerned about the growing number of vacancies and there is some perception that the increased vacancies are due in part to the aging industrial building stock which has become obsolete for contemporary users. Redevelopment is being considered for this area to assist property owners in upgrading obsolete industrial buildings for viable contemporary use. In some instances, it may be necessary for the Agency to participate in the assembly of small sites for reuse and fund infrastructure improvements including road realignments and additional drainage improvements.

The Agency is proposing to make certain technical corrections to the Redevelopment Plan to update and clarify the provisions of the Redevelopment Plan. Collectively the amendments are referred to as the “Thirteenth Amendment” or “Amendment.” The proposed Amendment will be incorporated in a new Amended and Restated Redevelopment Plan that will apply to the Existing Project Area and Added Area.

The proposed Sixth Amendment to the Redevelopment Plan for the Great Mall Project is a technical amendment to avoid splitting or dividing a parcel within the proposed Added Area. The area proposed for deletion from the Great Mall Project is less than 0.02 acres and includes only a freeway sign. The sign is not on a separate parcel but part of a parcel proposed to be included in the Added Area. Rather than try to exclude the sign from the parcel in the Added Area, it is proposed to be included as part of the Added Area and deleted from the Great Mall Project. Collectively, the Thirteenth Amendment and Sixth Amendment are referred to as the “Amendments.”

## C. REDEVELOPMENT PLAN AMENDMENT REQUIREMENTS

Requirements to Change Project Area Boundaries

CRL Section 33354.6(a) requires, when changing project area boundaries to add new territory, the Agency to follow the same procedures for the formation of a new project area. The Agency will be required to make a determination that the Added Area is predominantly urbanized and that the blighting conditions are so prevalent and substantial that is causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. (Section 33450 et seq. Article 12 of Chapter 4 of Division 24 of the Health and Safety Code applies when changing project area boundaries to delete territory.)

Requirements to Extend Effectiveness and Dept Repayment/Receipt of Tax Increment

CRL Section 33333.10(a) authorizes redevelopment agencies with redevelopment plans that were adopted on or before December 31, 1993, to extend the time limit on effectiveness of the Plan for an additional 10 years. In addition, the Agency may also extend the limit on the payment of indebtedness and the receipt of property taxes, an additional 10 years from the termination of the redevelopment plan. The redevelopment plan may be amended after the Agency finds, based on substantial evidence, that both of the following conditions exist: (1) significant blight remains within the project area; and (2) this blight cannot be eliminated without extending the effectiveness of the plan and receipt of property taxes. Blight refers to the current definition of blight as defined in Section 33030 of the CRL and significant means important and of magnitude to warrant Agency assistance.

Requirements to Increase the Tax Increment Limit

CRL Section 33354.6(b) requires when an agency proposes to increase the limitation on the number of dollars to be allocated to the redevelopment agency, it shall describe and identify, in the report required by 33352 (Report to the City Council on the Amendments adoption), the remaining blight within the project area (Amendment Areas), identify the portion, if any, that is no longer blighted, the projects that are required to be completed to eradicate the remaining blight and the relationship between the costs of those projects and the amount of increase in the limitation on the number of dollars to be allocated to the agency. The ordinance adopting the amendment shall contain findings that both: (1) significant blight remains within the project area (amendment areas); and (2) the blight cannot be eliminated without the establishment of additional debt and the increase in the limitation on the number of dollars to be allocated to the redevelopment agency.

Requirements to Repeal the Debt Establishment Limit

CRL Section 33333.6(e)(2)(B) provides that the debt establishment limit required for pre-AB1290 plans (those adopted prior to January 1, 1994) can be repealed by summary ordinance. The Agency is not required to make any findings but must make statutory pass through payments, if the Agency is not already making statutory payments. If a taxing agency has an existing pass through agreement, the Agency will continue to make payments per the agreement.

Requirements to Extend Eminent Domain Authority

CRL Section 33333.4 requires that a redevelopment plan which includes eminent domain authority include a time limit, not exceeding 12 years from the adoption of the redevelopment plan, for commencement of eminent domain proceedings to acquire property within the Project Area. Effective January 1, 2007, when an agency proposes to extend eminent domain authority, it must prove significant remaining blight and the nexus between this authority and eliminating blight. Specifically Section 33333.2(a)(4) states:

> This limitation may be extended only by amendment of the redevelopment plan after the agency finds, based on substantial evidence, both of the following:
>
> (A) That significant blight remains within the project area.
> (B) That this blight cannot be eliminated without the use of eminent domain.

Adding Eligible Public Improvements and Facilities

CRL Section 33354.6(a) requires, when adding significant additional capital improvement projects, the Agency follow the same procedures for the formation of a new project area. A required component of a redevelopment plan is a list of public improvement facilities and projects that the Agency may fund (Section 33445(b)). The Agency has prepared an Amended and Restated Redevelopment Plan that will replace the existing Redevelopment Plan in its entirety and govern redevelopment in both the existing Project Area No. 1 (the Amendment Areas and the Midtown Added Area) as well as the proposed Added Area. The list of proposed projects and facilities presented as an attachment to the Amended and Restated Redevelopment Plan is general in nature and presents a range of projects that may be constructed in the Project Area. The list is not intended to be specific projects for implementation. The Agency will determine what projects will be eligible for financing as part of its annual budgeting process, and projects anticipated for construction in the near future will be outlined in the Agency's Five-Year Implementation Plan. The CRL requires the Agency to follow the redevelopment plan adoption process when adding significant public improvements. Although the list of public improvements and facilities included in the Amended and Restated Redevelopment Plan may not constitute adding significant public improvements, the Agency is following the procedure for the adoption of a redevelopment plan including preparing the required environmental review document.

## D. DEFINITION OF BLIGHT

The following are the definitions of physical blight as defined in CRL Section 33031:

Physical Blighting Conditions

1. Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious seismic or geologic hazards, and faulty or inadequate water or sewer utilities.

2. Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard design, defective or obsolete design or construction, given the present general plan, zoning or other development standards.

3. Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the Project Area.

4. The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.

Economic Blighting Conditions

1. Depreciated or stagnant property values.

2. Impaired property values, due in significant part, to hazardous wastes on property where the agency authority may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).[1]

3. Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

4. A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

[1] Properties that contain hazardous wastes that may benefit from the use of agency authority as specified in Article 12.5 (commencing with Section 33459) of Chapter 4 in order to be developed by either the private or public sector or in order to comply with applicable federal or state standards.

5. Serious residential overcrowding that has resulted in significant public health and safety problems.

6. An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety or welfare problems.

7. A high crime rate that constitutes a serious threat to the public safety and welfare.

## II. URBANIZATION STATUS OF THE ADDED AREA

As defined in Section 33320.1 of the CRL, for the Added Area to qualify as a redevelopment project, it must be both blighted and predominantly urbanized. Predominantly urbanized means that not less than 80% of the land in the Added Area:

1. Has been or is developed for urban uses; or
2. Is an integral part of one or more areas developed for urban uses that are surrounded or substantially surrounded by parcels that have been or are developed for urban uses.

Furthermore, CRL Section 33344.5(c) states that the Preliminary Report shall provide a description of Added Area that is sufficiently detailed for a determination as to whether the Added Area is predominantly urbanized. The description shall include at least the following information:

1. The total number of acres within the Added Area;
2. The total number of acres that are characterized by parcels of irregular shape and inadequate size;
3. The total number of acres in agricultural use;
4. The total number of acres that is an integral part of an area that is developed for urban use;
5. The percent of the property within the Added Area that is predominantly urbanized; and
6. A map of the Added Area that identifies the properties described in 2, 3, and 4 above and the property not developed for an urban use.

There are 596 gross acres in the Added Area. This includes parcelized land and public right-of-way. **Table 2: "Existing Land Uses"** identifies the acreage and parcels within the Added Area by existing use. As described in **Table 2,** 100% of the Adams area, 86% of the Selwyn/Shirley area, and 93% of the Town Center area is developed with urban uses not including right-of-way. In total (including public right-of-way), 563.7 acres in the Added Area totaling 95% of the Added Area are developed with urban uses and 5% is vacant. **Map 3: "Existing Land Uses"** shows existing land uses in the Added Area including those vacant properties. As shown in **Map 3**, the vacant land in the Added Area is entirely surrounded by urban development. The vacant parcels are part of an area that was developed over 30 years ago and are an integral part of the surrounding community. **Map 4: "Aerial View"** is an aerial view of the Added Area showing that the Added Area is part of a larger urbanized area. The Added Area is developed with residential, commercial, industrial, public/quasi public (churches) and recreation/open space including a park totaling 0.23 acres.

**Table 2: Existing Land Uses**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**Added Area**

| | Parcels | | | | | Acreage | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Land Use** | **Town Center Area** | **Selwyn Shirley Area** | **Adams Area** | **Total** | **Percent of Total** | **Town Center Area** | **Selwyn Shirley Area** | **Adams Area** | **Total** | **Percent of Total** |
| Single Family Residential | 0 | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0 | 0% |
| Multiple Family Residential | 0 | 57 | 27 | 84 | 30% | 0 | 13 | 9 | 22 | 4% |
| Commercial Retail | 4 | 8 | 0 | 12 | 4% | 5 | 13 | 0 | 17 | 3% |
| Commercial Office | 14 | 1 | 0 | 15 | 5% | 22 | 1 | 0 | 23 | 4% |
| Industrial | 111 | 9 | 0 | 120 | 43% | 279 | 1 | 0 | 280 | 47% |
| Public/Quasi-Public/Recreation | 9 | 22 | 0 | 31 | 11% | 43 | 5 | 0 | 49 | 8% |
| Vacant | 9 | 10 | 0 | 19 | 7% | 27 | 5 | 0 | 32 | 5% |
| Public ROW* | - | - | - | - | - | - | - | - | 173 | 29% |
| **TOTAL** | **147** | **107** | **27** | **281** | **100%** | **376** | **37** | **9** | **596** | **100%** |

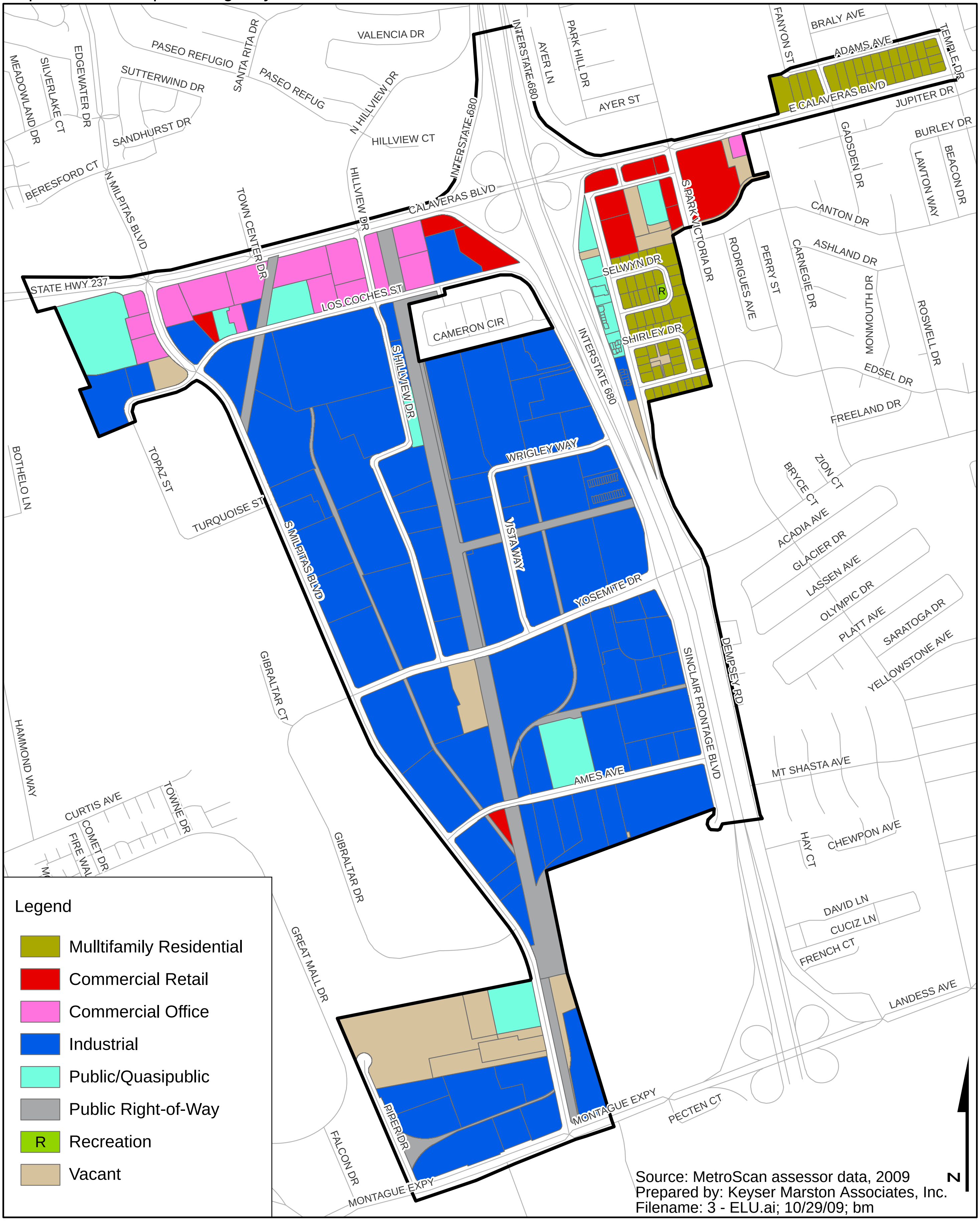
* The acreage of public right of way space was only calculated for the sum of the areas

**Existing Project Area**

| | Parcels | | | | | Acreage | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Land Use** | **Original Project Area** | **Amend-ment Area 1** | **Amend-ment Area 2** | **Total** | **Percent of Total** | **Original Project Area** | **Amend-ment Area 1** | **Amend-ment Area 2** | **Total** | **Percent of Total** |
| Single Family Residential | 1,693 | 111 | 0 | 1,804 | 74% | 218 | 12 | 0 | 230 | 15% |
| Multiple Family Residential | 343 | 121 | 0 | 464 | 19% | 25 | 42 | 0 | 68 | 4% |
| Commercial Retail | 17 | 3 | 8 | 28 | 1% | 66 | 28 | 34 | 128 | 8% |
| Commercial Office | 7 | 1 | 3 | 11 | 0% | 18 | 3 | 8 | 29 | 2% |
| Industrial | 19 | 44 | 32 | 95 | 4% | 14 | 197 | 253 | 465 | 30% |
| Public/Quasi-Public/Recreation | 15 | 3 | 0 | 18 | 1% | 32 | 62 | 0 | 94 | 6% |
| Vacant | 3 | 2 | 8 | 13 | 1% | 6 | 14 | 48 | 68 | 4% |
| Public ROW | - | - | - | - | - | 197 | 124 | 135 | 457 | 30% |
| **TOTAL** | **2,097** | **285** | **51** | **2,433** | **100%** | **577** | **483** | **479** | **1,539** | **100%** |

Source: MetroScan assessor data, 2009
Prepared by: Keyser Marston Associates, Inc.
Filename: Existing Land Use 3, Table; 11/19/2009; bm

Map 3: Existing Land Uses
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency



Map 4: Aerial View
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency

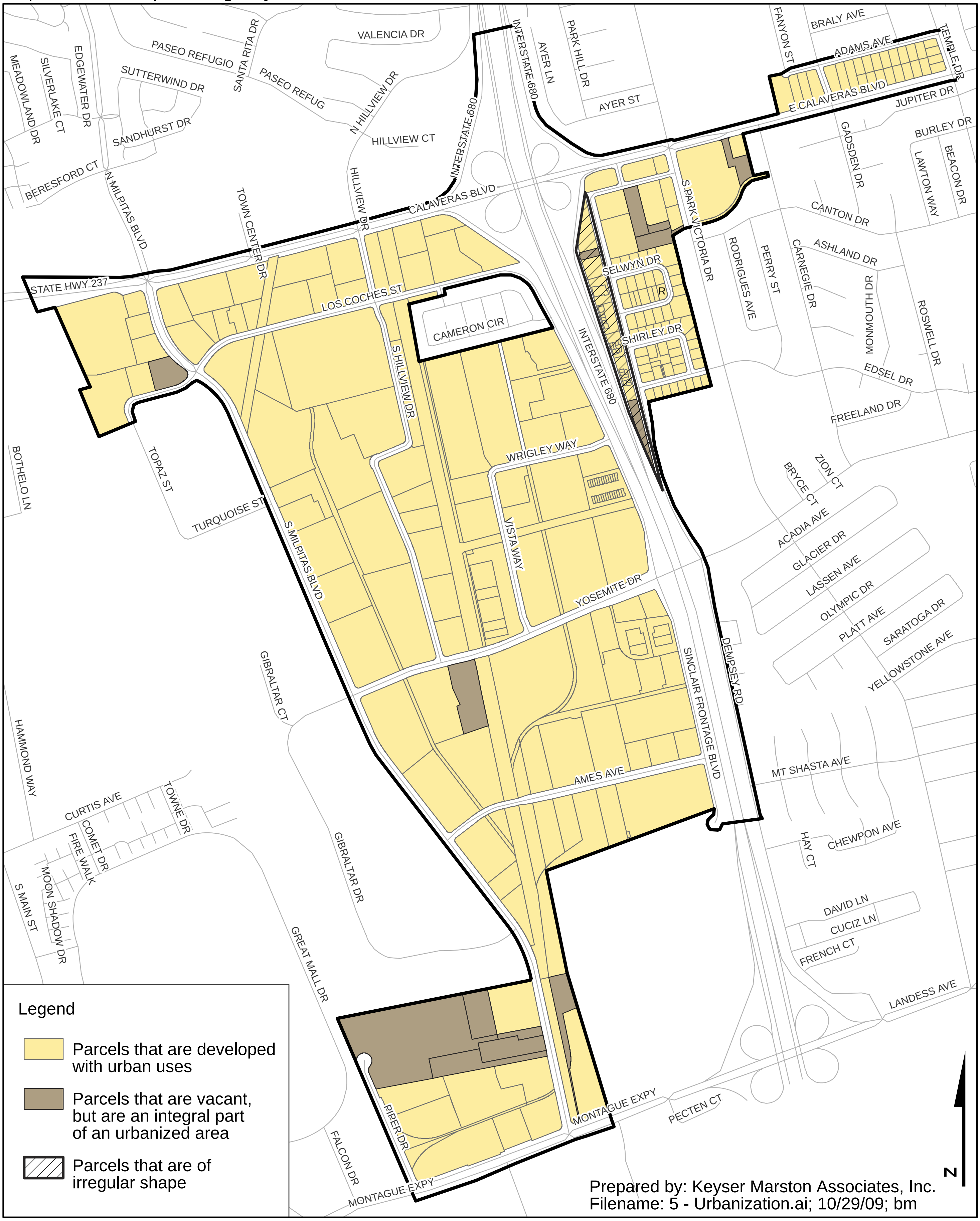

Prepared by: Keyser Marston Associates, Inc.
Filename: 4 - Aerial.ai; 10/29/09; bm

In the Selwyn/Shirley area there are irregularly shaped parcels resulting from the construction of Interstate 680. There are eight lots that taper to points at Calaveras Boulevard in the north and Piedmont Creek in the south. At the deepest point, the depth of the parcels reaches 170 feet with an average width of about 85 feet. Two of the parcels at the northern and southern limits are undeveloped. The northern parcel is occupied by Caltrans as a staging area and the southern parcel is vacant but for a freeway sign that is the subject of the Sixth Amendment. The parcels in this area were originally developed as light industrial/research and development spaces. However, due to their size and isolated location, their viability as office space is hindered. This is evidenced by the fact that space that was designed for office/industrial use is being leased or owned by public/quasi-public uses including two churches and a private school. It should be noted that three of the parcels are subdivided into office condominiums with separate ownership. This means that future improvements to the parcels will require the agreements of multiple owners. **Map 5: "Urbanization"** identifies the vacant parcels and the parcels that are of irregular shape and inadequate size and under multiple ownership [CRL Section 33031(a)(4)].

Redevelopment agencies have to qualify agricultural land proposed for inclusion within a redevelopment project area pursuant to requirements established in the CRL. The CRL prohibits redevelopment agencies from placing enforceably restricted open space and agricultural land, in redevelopment project areas. However, unrestricted farmland, greater than two acres may be included within a project area if certain findings are made by the redevelopment agency. No land is in agricultural use or is zoned for agricultural use. **Map 6: "General Plan Land Uses"** shows the existing General Plan Land Uses within the Added Area.

**Table 3: "Urbanization Analysis"** summarizes the urbanization analysis for the Added Area and is organized pursuant to CRL Section 33344.5(c). The analysis above demonstrates that 100% or all 596 acres of property in the Added Area is predominantly urbanized. Thus, the Added Area meets the urbanization criteria as defined by CRL Section 33320.1.

Map 5: Urbanization in the Added Area
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency




Prepared by: Keyser Marston Associates, Inc.
Filename: 5 - Urbanization.ai; 10/29/09; bm

Map 6: General Plan Land Uses
13th Amendment to the Milpitas Redevelopment Plan
Milpitas Redevelopment Agency

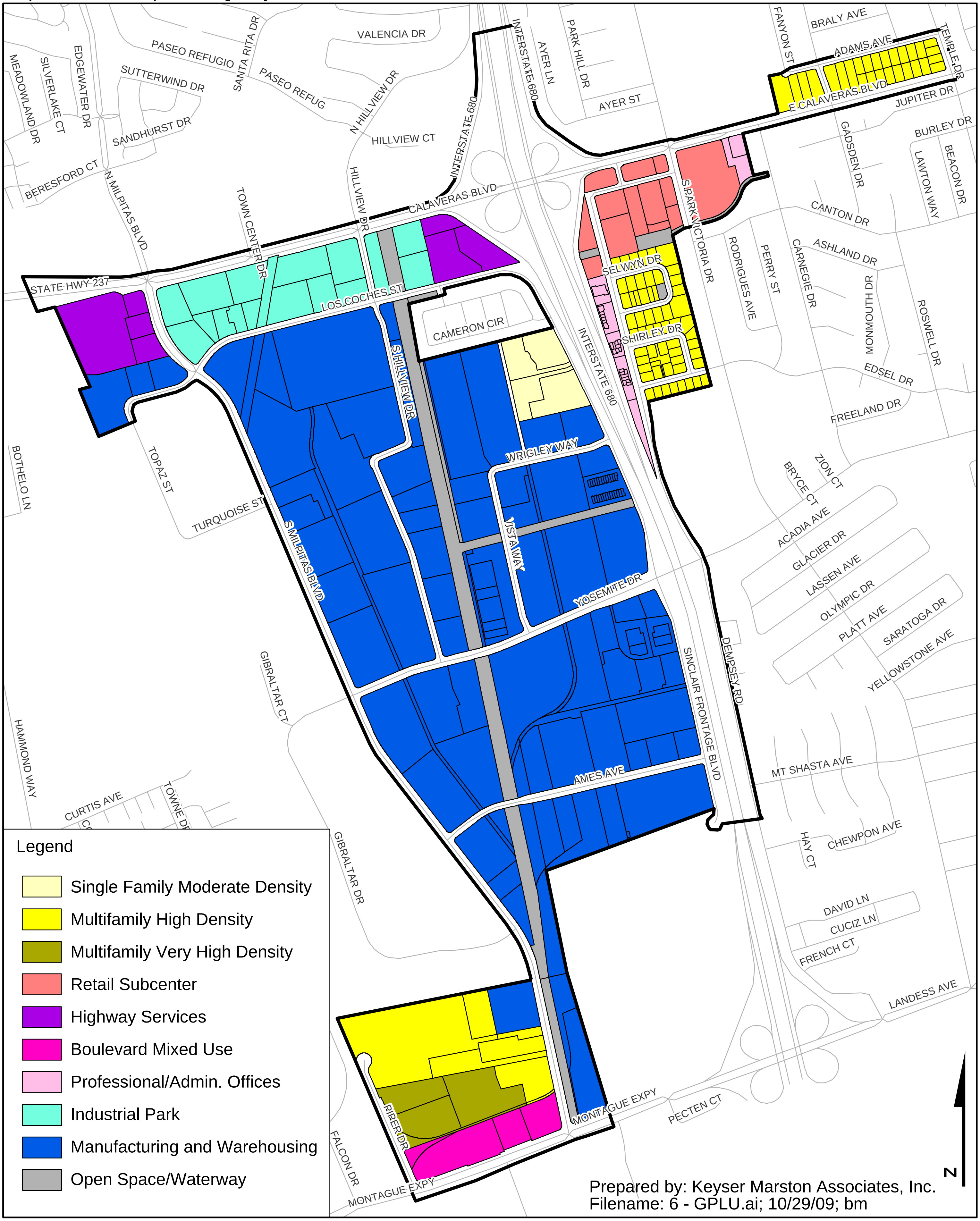


**Table 3: Urbanization Analysis**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| | Town Center Area | | Selwyn/Shirley Area | | Adams Area | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Acres | % of Total (Net) | Acres | % of Total (Net) | Acres | % of Total (Net) | Acres | % of Total (Net) |
| Total (Gross) Number of Acres in the Added Area: | 375.9 | | 37.3 | | 9.5 | | 595.9 | |
| Right of Way Space (Acres)* | N/A | | N/A | | N/A | | 173.3 | |
| Total (Net) Number of Acres in the Added Area | 375.9 | | 37.3 | | 9.5 | | 422.7 | |
| **Urbanized Parcels** | | | | | | | | |
| Total Number of Acres Developed for Urban Uses | 349.0 | 93% | 32.0 | 86% | 9.5 | 100% | 563.7 | 95% |
| Number of Acres in Lots of Irregular Form, Shape, and Inadequate Size | 0.0 | 0% | 1.3 | 3% | 0.0 | 0% | 1.3 | 0.3% |
| Number of (Vacant) Acres that are an Integral Part of an Urbanized Area | 26.9 | 7% | 5.4 | 14% | 0.0 | 0% | 32.2 | 5% |
| **Unurbanized Parcels** | | | | | | | | |
| Total number of Acres that are **not** an Integral Part of an Urbanized Area | 0.0 | 0% | 0.0 | 0% | 0 | 0% | 0.0 | 0% |
| Total number of Acres in Agricultural Use | 0.0 | 0% | 0.0 | 0% | 0 | 0% | 0.0 | 0% |
| **Total Property that is Predominantly Urbanized** | **375.9** | **100%** | **37.3** | **100%** | **9.5** | **100%** | **595.9** | **100%** |

* The acreage of public right of way space was only calculated for the sum of the areas.

Prepared by: Keyser Marston Assoicates, Inc.
Filename: Existing Land Use 3, Urbanization; 2/5/2010, bm

## III. DESCRIPTION OF BLIGHTING CONDITIONS

## A. BLIGHTING CONDITIONS IN THE PROPOSED ADDED AREA

### 1. Overview of Added Area

As described earlier, the Added Area encompasses three areas including the older portion of the industrial/warehouse Town Center Business Park ("Town Center area") totaling 446 acres, a small 13-acre residential area near the intersection of East Calaveras Boulevard and Temple Drive ("Adams area"), and a second small 47-acre residential area with limited commercial generally along Interstate 680 between Calaveras Boulevard and Edsel Drive ("Selwyn/Shirley area"). Collectively, joined by large areas of public right-of-way, these areas which comprise the Added Area total 596 acres.

Both residential areas are primarily developed with multiple-family residential rental buildings built in the mid 1960s. The apartment complexes suffer from overcrowding and have been the site of gang activity. For some time, the two residential areas have been the focus of City code enforcement, proactive planning and police enforcement. The first coordinated corrective City effort resulted in the creation of a task force with representation from the various City departments to take proactive measures to improve conditions in the Adams and Selwyn/Shirley areas. The task force was in effect in 2002 continuing through 2003. Conditions improved after the task force efforts but the problems continued to re-occur and endure.

In total, there are 134 parcels in the residential areas of which 114 are under separate ownership. Of the parcels, 81 or 71% were cited for code violations between 2002 and 2009. On a per-square-foot basis, the residential properties in these areas are assessed between 46% (Adams area) and 29% (Selwyn/Shirley area), below the Citywide average for similar density multiple-family properties. Between 2004 and 2008, the values of property sales in the Adams area were 17% lower, and in the Selwyn/Shirley area were 7% lower than Citywide averages for similar density multiple-family sales. Notably, the value of land was 10% lower per square foot in the Adams area and 15% lower per square foot in Selwyn/Shirley area. Overcrowding is a serious issue in these residential areas. Based on U.S. Census data for the census block groups that encompass the residential areas, 54% of residents in the Selwyn/Shirley area and 37% of residents in the Adams area live in overcrowded conditions compared to 22% Citywide. Also, within the Selwyn/Shirley area there are eight commercial properties primarily developed with older neighborhood shopping centers and the Executive Inn hotel. The majority (75%) of the leasable space within the shopping centers is over 30 years old and has not been substantially renovated. There are two newer strip centers, one of which is over 40% vacant. In addition, there are several public/quasi public uses located along Interstate

680. These commercial and public/semi-public uses have been included because they are integral to the effective planning of the area. Furthermore, the potential redevelopment of the parcels adjoining Interstate 680 is limited to their narrow width (ranging from 0 to 170 feet) which is evidenced from their transition from their designed use as light industrial buildings to churches and a school.

Although the Town Center area is notable for its research and development uses, there are a significant number of manufacturing and warehousing uses in this area. The City has been concerned about the growing number of vacancies in the Town Center area and that the increased vacancies are due in part to the aging industrial building stock which has become obsolete for contemporary users. To evaluate the competitiveness of the Town Center area, the City engaged Sperry Van Ness which has been representing property sales and leasing in this area for over 20 years to inventory the building stock and provide their assessment of the competitiveness of the area. Sperry Van Ness evaluated building conditions including construction type, ceiling height, column spacing, electrical power, loading capabilities, parking ratio, site utilization, and sprinkler systems to determine if the existing building stock met contemporary user needs. Based on findings of the analysis, approximately one third of the Added Area within the Town Center area is developed with obsolete industrial buildings. The industrial vacancy rate is at 9% compared to 6% in the North San Jose submarket area (market area). More telling is the time properties remain vacant. Vacant industrial properties in the Town Center area are on the market for an average of 12.2 months compared to 7.6 months in the market area. Industrial property sales data found that the industrial space sold for 45% less in the Town Center area than comparable properties Citywide during the same period.

2. Findings of Prior Analysis

In June 2009, KMA was asked by the City of Milpitas to evaluate the eligibility of adding certain territory to the Existing Project Area. The area identified by City staff (the Study Area) included three non-contiguous areas including the 687-acre industrial/warehouse Town Center Business Park (Town Center Study Area), a small 13-acre residential area near the intersection of East Calaveras Boulevard and Temple Drive ("Adams Study Area"), and a second small 62-acre residential area with limited commercial generally along Interstate 680 between Calaveras Boulevard and Yosemite Drive ("Selwyn/Shirley Study Area"). Collectively, these areas which comprised the Study Area, totaled 762 acres. Based on KMA's analysis, KMA recommended that two large residential complexes south of Edsel Drive (Dry Creek apartments and Crossroad condominiums) be excluded from the Added Area. These complexes have not been impacted by code violations and the properties appear to have had recent reinvestment. Based on KMA's analysis and survey findings of Sperry Van Ness of industrial properties in the Town Center area, KMA also recommended excluding the Fleming Business Park on Montague Expressway just west of Interstate 680, the residential properties on Cameron Circle, and the industrial area between South Milpitas Boulevard in the east, Great Mall

Drive in the west, Los Coches Street in the north and Gibraltar Drive in the south. The residential development on Cameron Circle is relatively new and sound. The Fleming Business Park and the other industrial uses recommended for exclusion are primarily sound most of which are research and development uses. The balance of the area is interspersed with heavy industrial uses, which are impacted by obsolescence and are not competitive with the market area. The acreage of the Added Area differed from the Study Area as follows:

| Area | Study Area Acreage | Proposed Added Area |
|---|---|---|
| Adams | 13 | 13 |
| Selwyn/Shirley | 62 | 47 |
| Town Center | 687 | 446 |
| TOTAL | 762 | 506 |

Note: The Added Area includes 90 acres of connecting right-of-way for a total gross acreage of 596 acres.

The following analysis is based upon KMA's field observations, data provided by City staff and on-line data sources including MetroScan (Assessor data), Loopnet and Costar (multiple-family residential, retail, office and industrial sales) and information provided by Sperry Van Ness. The findings for the Added Area may differ from the feasibility study to reflect the exclusion of certain properties from the Added Area that were included in the Study Area.

3. Physical Blight Analysis

a. Buildings in which it is Unsafe or Unhealthy for Persons to Live or Work. These Conditions may be Caused by Serious Building Code Violations, Serious Dilapidation and Deterioration caused by Long-term Neglect, Construction that is Vulnerable to Serious Seismic or Geologic Hazards, and Faulty or Inadequate Water or Sewer Utilities.

i. Code Violations

**Overview**

The City of Milpitas has been concerned about the deteriorating condition of Adams and Selwyn/Shirley areas for several years. Both areas are primarily developed with multiple-family housing built in the mid-1960s. Numerous and persistent code violations are one of the factors that have contributed to deteriorated conditions of these housing areas. Some of the violations such as "Building Structural Issues" and "Overcrowding" are obvious violations that result in unsafe conditions for persons to live. However, there are numerous other violations that are indicators of blight such as graffiti, which is related to the presence of gangs and many violations related to a lack of maintenance such as abandoned vehicles which contribute to the declining appearance of the area. During 2002-2003, the City made a coordinated effort to eliminate blighting influences in these areas which included a proactive code violation survey and enforcement. Of the 134 properties (114 under separate ownership), 47 were cited for one or more code violations. In total, 242 violations were cited for properties within the two areas over the two-year period. During this same period, the Police Department worked with the Code Enforcement to enforce any applicable codes or laws to eliminate the blighting influences. Police Department officers noted any deficiencies that could be corrected that would help to deter illegal activity, such as broken street lamps, need for additional lighting and improvements that could be made to City-owned property.

The result of these task force efforts was the abatement of the code violations. However, in the six subsequent years Code Enforcement has continued to receive complaints regarding the same types of violations that were corrected during 2002-2003. Between 2004 and May 2009, the City cited 248 violations within these two residential areas or approximately 41 violations per year for the 134 properties. The most frequently cited violations include graffiti, junk/inoperable vehicles and illegal outdoor storage. As mentioned above, the persistence of graffiti is an indicator of the continued presence of gang activity in the area. Junk and inoperable vehicles is not only unsightly and a nuisance but is an indicator of an on-going problem with illegal car repair businesses. The outdoor storage is a violation because it is an unsightly accumulation of materials that results in the attraction of vectors and is a fire hazard. **Table 4: "Code Violations: 2002-2009"** identifies code violations by type in the residential areas from 2002 through May 2009. **Appendix A: "Code Violation Types and Descriptions,"** provides a description of the different violations cited.

**Serious Code Violations**

As indicated in **Appendix A**, the violations that are grouped within the category of serious health and safety violations included "Structural Hazards", "Waste and Debris" and "Health and Safety Hazards." In total, there were 199 violations within these categories, which represent 46% of the total violations cited between 2002 and 2009. These violations were cited for 81% of the properties (parcels under common ownership) within the Adams area and 55% within the Selwyn/Shirley area.

Structural Hazards included four code violation types, "Building Exterior," "Building/ Structure," "Garage Enclosure Issues" and "Fences/Gates." As described in **Table 4,** these violations included deteriorated building components, which can compromise the structural integrity of the structures. These violations also include damaged and faulty construction methods that pose a threat to residents.

**Table 4: Code Violations**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**Adams Area**

| | Serious Health and Safety Code Violations | | | | Other Code Violations | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | **Structural Hazards[1]** | **Waste and Debris Violations[2]** | **Health and Safety Hazards[3]** | **Total** | **Vehicle Violations[4]** | **Pedestrian Hazards[5]** | **Graffiti[6]** | **Landscape Violations[7]** | **Other Violations** | **Total** |
| **2002/03** | 22 | 18 | | **40** | 2 | 2 | 1 | 2 | | **7** |
| **2004/05** | | 11 | 3 | **14** | 27 | | 6 | 4 | | **37** |
| **2006/07** | | 5 | | **5** | 6 | | 10 | | | **16** |
| **2008/09** | | | | | 7 | 6 | 11 | | | **24** |
| **Total** | **22** | **34** | **3** | **59** | **42** | **8** | **28** | **6** | **0** | **84** |

**Number of Parcels Affected by Serious Health and Safety Code Violations:** **21**
**Percent of Parcels:[8]** **81%**

**Number of Parcels Affected by Code Violations:** **22**
**Percent of Parcels:[8]** **85%**

**Selwyn/Shirley Area**

| | Serious Health and Safety Code Violations | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | **Structural Hazards[1]** | **Waste and Debris Violations[2]** | **Health and Safety Hazards[3]** | **Total** | **Vehicle Violations[4]** | **Pedestrian Hazards[5]** | **Graffiti[6]** | **Landscape Violations[7]** | **Other Violations** | **Total** |
| **2002/03** | 47 | 46 | | **93** | 21 | 3 | 23 | 2 | | **49** |
| **2004/05** | 1 | 22 | 5 | **28** | 32 | 1 | 29 | | 3 | **65** |
| **2006/07** | | 14 | 5 | **19** | 20 | | 17 | 1 | 1 | **39** |
| **2008/09** | | | | | 1 | | | | | **1** |
| **Total** | **48** | **82** | **10** | **140** | **74** | **4** | **69** | **3** | **4** | **154** |

**Number of Parcels Affected by Serious Health and Safety Code Violations:** **48**
**Percent of Parcels:[8]** **55%**

**Number of Parcels Affected by Code Violations:** **59**
**Percent of Parcels:[8]** **67%**

[1] Structural Hazards include any substantial hazard that comprimises the integrity of the building, missing or damaged structural components, and unpermitted construction. Also included are a variety of violations visible from the exterior including damaged or missing lighting, faulty electrical wiring, and deterioration of exterior building finishes including fencing.

[2] Waste and Debris Violations include a variety of violations including the accumulation of trash and junk and may include unenclosed trash areas for multiple family buildings.

[3] Health and Safety Hazards include tenant complaints regarding substandard conditions, lack of fire extinguisher citations, evidence of overcrowding (overflowing and numerous trash cans, vehicles in excess of permitted parking), and other miscellaneaous health and safety hazards.

[4] Vehicle Violations include any inoperable vehicles which are a visual blight and may leak oil and other fluids that cause ground contamination. Also includes any vehicle parked on a lawn.

[5] Pedestrian Hazards primarily consist of landscape obstructions encroaching on sidewalks that encourage or force pedestrians to walk in the street.

[6] Graffiti violations are primarily gang-related violations.

[7] Landscape Violations include unmaintained landscaping.

[8] Percentage calculated from a total number of parcels under common ownership. If two adjacent parcels are owned by the same entity, it is counted as one.

Source: Milpitas Code Enforcement Task Force, 2002-2003; complaint-based code viola ions, 2004-2009
Prepared by: Keyser Marston Associates, Inc.
Filename: Code Violations, TABLE 2; 11/19/2009; bm

Waste and Debris violations included three violation types, “Solid Waste”, “Outdoor Storage” and “Hazardous Material.” These violations are related to the improper accumulation and disposal of discarded objects, hazardous materials and trash. Citations for waste and debris indicate conditions that are not only unsightly but pose a threat for harboring vectors and potential fire hazards.

The final serious code violation category is Health and Safety Hazards. This category represents miscellaneous violations including “Overcrowding”, resident complaints of substandard conditions “Housing Code” and the lack of adequate fire extinguishers in multiple-family housing “Extinguisher Not Serviced” and “Fire Extinguisher Not Present.” Overcrowding is a serious code violation because the higher unit occupancy exceed building utility design capacity and in some instances tenants subdivide the space which compromises ventilation and access. Tenant complaints are considered serious because they reflect substandard or unsafe living conditions. Finally, inadequate fire extinguishers are a serious issue because fire extinguishers are the first line of defense in case of a fire.

**Other Factors Impacting Structural Integrity and Safety**

As identified by the City’s Building Department, most of the residential buildings are two-story apartments with detached carports and are approximately 45 years old. The buildings have stucco walls and flat roofs with roll-on roofing. Some have wood shingle siding. The City building officials evaluated the exterior of the conditions of the buildings in these areas. The stucco siding extends below the exterior grade level, which allows for moisture penetration under stucco and into the wall framing. The stucco also services as a seismic bracing of the walls. Due to the extensive moisture penetration, the stucco on many of the apartment buildings has extensive cracking and in several instances, completely separated from the building frame. Such cracking and separation can cause extensive moisture and termite damage to building framing and jeopardize the buildings ability to resist earthquakes. Most of the detached carports at Adams area have very limited or no seismic bracing, which is a potential hazard for residents using the carports. Those braced walls, which do exist, do not have proper connections to the roof; many have broken or shifted and split sill plates with anchor bolts missing the nut on top. Many of the carports have suffered significant damage due to moisture, weathering and, possibly mechanical damage from vehicles. Many of the same conditions are applicable to the detached carports for the apartments in the Selwyn/Shirley area. The carports have open fronts with limited or no lateral bracing at side and back walls. Some carports have replaced and improperly placed posts. Many have moisture and mechanical damage to walls and roofs. Interior partitions and overhead storage were built in some carports without permits. At Selwyn Drive, a carport is laterally braced with the adjacent commercial property fence also without permits. **Appendix B: “Photographs of Deteriorated and Substandard Conditions”** includes photographs illustrating deteriorated and faulty building conditions in the Selwyn/Shirley and Adams areas.

ii. Flooding Hazards

Potential flooding conditions occur along Los Coches Creek, Wrigley Creek and Piedmont Creek. The Los Coches Creek has significant flooding issues within the Added Area. To mitigate flooding along this creek, it will be necessary to remove and replace approximately 640 linear feet of undersized storm drain pipes and add more storm drain inlets to increase capacity and eliminating flooding. Other locations of specific improvement needs include pipes on Dempsey and S. Park Victoria Drive and storm pipe and inlet improvements along Los Coches Street and Milpitas Boulevard. To further mitigate flood improvement, replacement of pumps and engines to increase pumping capacity are needed at the Wrigley Pump station.

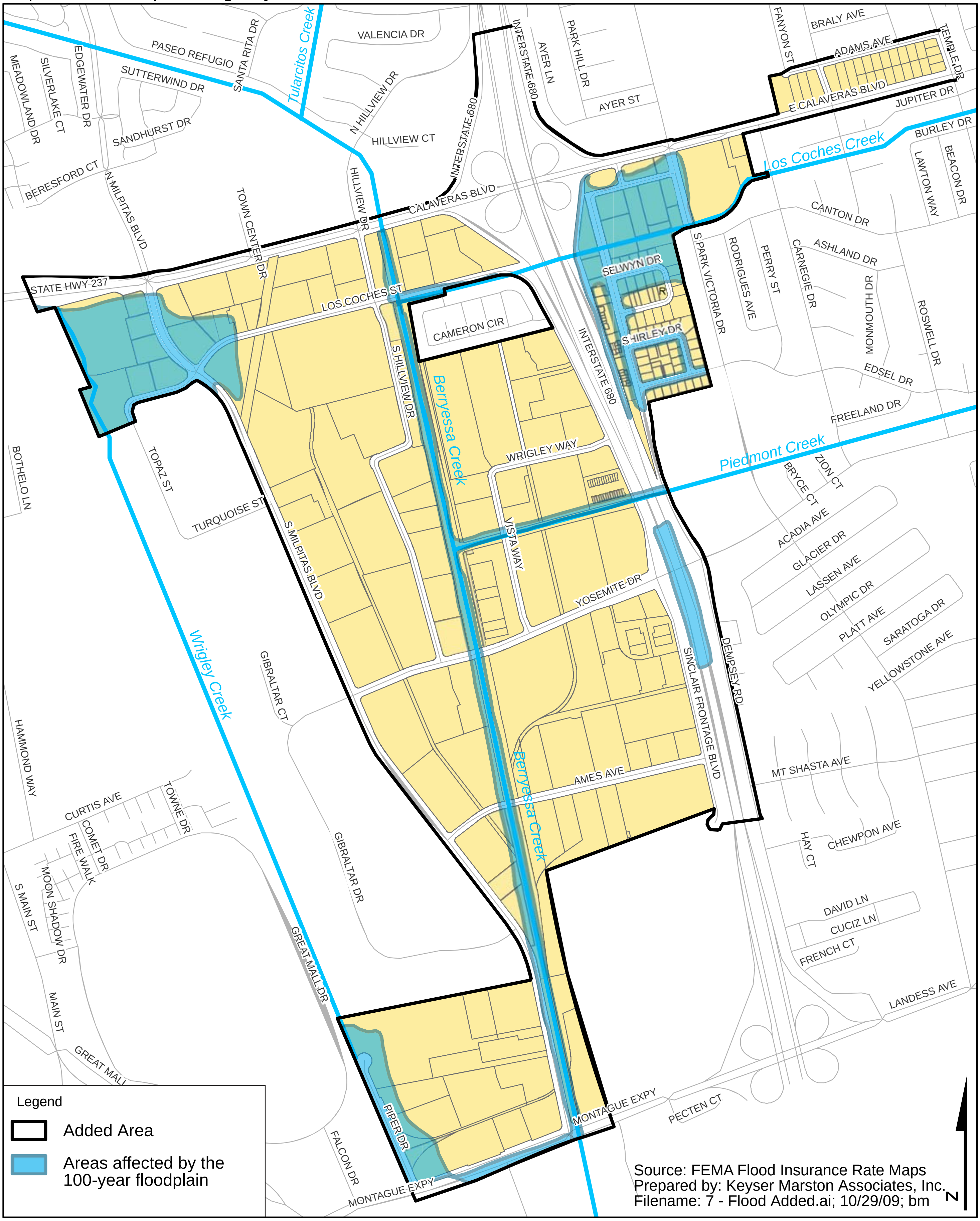
**Map 7: "100 –Year Floodplain"** shows the areas within the 100-year flood zone. Although improvements to the Berryessa Creek have reduced the floodplain within the Added Area, 19% of the parcels (112 parcels) are within designated 100-year floodplain areas along Los Coches and Wrigley Creeks including 16 parcels in the Town Center area. The floodplain encompasses much of the Selwyn/Shirley area. Based on the number of units (200) and average household size (3.52), there are approximately 704 people living within the floodplain.

b. Conditions that Prevent or Substantially Hinder the Viable Use or Capacity of Buildings or Lots. These Conditions may be Caused by Buildings of Substandard Design, Defective or Obsolete Design or Construction, given the Present General Plan, Zoning or other Development Standards.

As summarized above, Sperry Van Ness surveyed and inventoried the conditions of 175 properties in the Town Center Study Area. Of the 175 properties surveyed, 106 were identified as industrial (warehouse and manufacturing) and 46 were identified as research and development. The remaining 23 properties were developed with retail and office uses (the Cameron Circle residential neighborhood was excluded). Industrial and research and development uses were the focus of the Sperry Van Ness analysis which represented 87% of the Town Center Study Area. The industrial and research and development properties were evaluated for functionality and competitiveness. Characteristics that were analyzed included but were not limited to:

- Construction materials
- Building age
- Electrical power
- Ceiling height
- Sprinklers
- Building size
- Parking availability
- Truck loading
- Parcel size
- Column spacing

Map 7: 100-Year Floodplain within the Added Area
13th Amendment to Project No. 1
Milpitas Redevelopment Agency




Legend
Added Area
Areas affected by the 100-year floodplain

Source: FEMA Flood Insurance Rate Maps
Prepared by: Keyser Marston Associates, Inc.
Filename: 7 - Flood Added.ai; 10/29/09; bm

Sperry Van Ness determined that 27 industrial properties, 26 of which are included in the Added Area, were characterized or impacted by physical conditions that limited the viability of properties. This also included six vacant industrial sites. The research and development uses had fewer indicators of obsolescence or other factors that hindered the viability or use of the properties. The physical conditions that impacted the 26 industrial properties ranged from "moderate" to "significant". These properties within the Town Center area have physical conditions that substantially hinder or prevent the viable use or capacity of buildings or lots and are therefore physically blighted. As discussed in the economic blight analysis, the Sperry Van Ness analysis of current and historic market statistics (high vacancy rate, low absorption of vacant property, and low lease rates) supports the conclusion that the industrial properties are underperforming and impacted by the physical blighting conditions. Also, the six vacant sites further underscore the underutilization and lack of the private sector's ability to reinvest and redevelop these properties. The report prepared by Sperry Van Ness, including a map showing the location of the 26 properties identified as obsolete included in the Added Area (only the obsolete property "#22" was not included in the Added Area). The "Sperry Van Ness Town Center Study Area Obsolescence Report" is provided as **Appendix C**. The following is a summary of some of the key characteristics that were evaluated in determining the obsolescence, substandard, defective or other property characteristics of the 26 industrial properties that are not suited to contemporary development. These 26 properties represent 20% of the total properties in the Town Center area and 38% of the net acreage.

Age

Of the 20 developed properties identified as obsolete, the majority were developed in the mid-1970s or are approximately 30 years old. Sperry Van Ness identified structures constructed and maintained within the past 25 years as functionally competitive. As described below, this means that the effective life of the buildings is approximately half over and unless there has been substantial upgrades, rehabilitation and replacement of systems can be expected. Depending on the type (quality) of construction, the typical industrial building life is between 35 and 60 years.[2] Older properties are less desirable because it is assumed that a major reinvestment is required. For example, heating, ventilating and air conditioning components generally last between 10 and 30 years depending on the type and quality of the components.[3] As indicated below, in addition to replacing aged and deteriorated systems the older buildings often do not have contemporary building characteristics that users are looking for such as tall ceiling heights, adequate parking, dock high loading doors, sprinklers and adequate electrical power.

[2] Marshall Valuation Service, Section 97, page 7, March 2009.
[3] Marshall Valuation Service, Section 97, page 12, March 2009.

Construction Materials

Two basic construction types were noted for industrial buildings in the Town Center area, metal and masonry. Metal is less desirable because it is not as durable as masonry. As noted by Sperry Van Ness, nearly every office, research and development, and warehouse user, and most Manufacturing users are distinctly opposed to metal building construction for multiple reasons including: very low image, unacceptably low security-both perceived and actual, absence of dock high loading, deficient clear height, inability to support modern roof mounted HVAC mechanical systems, unsuitability to meet Title 24 government regulations for heating and cooling system insulation, etc. In classifying buildings by construction materials, Marshall Valuation Services, a service that provides cost data for determining replacement costs of buildings and other improvements, identifies industrial buildings in five classes, "A, B, C, D and S".[4] Class A represents the highest quality with Class S representing lower quality buildings. Generally, rigid steel frame and metal siding are considered lower quality buildings (Class D or Class S). Of the 15 buildings with construction type information available, six are made of metal.

Building Size

The average building size of the 20 industrial buildings was 59,342 square feet. However, there were four properties that were over 100,000 square feet. Generally, 200,000 square feet is considered an average size for a warehouse with new mega-warehouses as large as one to two million square feet.[5] According to the ULI's Business Park and Industrial Development Handbook, a typical warehouse facility is 500 feet long by 300 feet wide (150,000 square feet). It is anticipated that the trend will be to narrow; longer buildings with dimensions that are more likely to be 1,000 feet long by 150 feet wide.[6] Using 150,000 square feet as the standard, three of the buildings had an area of 150,000 square feet or greater. A typical manufacturing/ assembly requires a smaller space with a minimum building size of 25,000 square feet.[7] Approximately half (9) of the 20 buildings have 25,000 square feet or less of leasable area.

Parcel Size

Of the 26 industrial parcels, the average parcel size was approximately 4.5 acres with 13 under three acres. As mentioned above, the average size nationally for a manufacturing and distribution facility is 150,000 square feet, with a lot to building ratio of 3:1. (Sperry Van Ness identifies proper utilization for manufactures at 35 to 45%.) Based on these assumptions, the minimum desired lot size is approximately 10 acres. Three of the properties had a lot size of 10 acres or greater. A typical manufacturing/assembly facility

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[4] Marshall Valuation Service, Section 14, page 23, March 2009.
[5] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute.
[6] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute, page 128.
[7] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute, page 134.

requires a building size of 25,000 square feet, which based upon a 3:1 land to building ratio, would require a parcel size of 75,000 square feet (1.7 acres). Seven of the 26 properties cited are less than 1.7 acres.

Electrical Power

Of the 20 buildings, 17 had electrical power information available. Of these, 10 had less than 1,200 amps of 480/277-volt, three-phase wire power which is the desired power. (Sperry Van Ness identifies from several hundred to several thousand amps as the desired power levels.) "Power requirements have grown substantially and are still growing for all industrial uses. Warehousing and manufacturing are becoming more automated; as a result, more machinery and high-tech equipment are needed, entailing a greater need for electrical power ". … To support today's power needs and ensure flexibility to adapt to tomorrow's requirements, a building should be designed to accommodate both warehouse and manufacturing functions, which typically means 1,200 amps of 480/277-volt, three-phase wire power."[8]

Sprinklers

Sperry Van Ness identifies .33 gpm/3,000 square feet as a minimum standard sprinkler output for an ordinary hazard fire suppression system. One building was identified as not having sprinklers and the other was identified as "wet". The single biggest change in life-safety systems is the introduction of early suppression, fast response ("ESFR") equipment. While traditional fire sprinklers react to a fire that is already burning and are designed to contain the blaze until the fire department arrives and puts it out, ESFR can put the fire out. ESFR systems have one drawback: adding the system to an existing building is quite expensive. An ESFR retrofit typically costs $4 per square foot compared to $.50 to $1.50 per square foot when it is designed into the building as a part of construction.[9] Only half of the buildings were identified as having sprinklers and those do not necessarily have sprinklers that meet contemporary design standards.

Ceiling Height

Contemporary warehouse and distribution facilities provide a minimum clear height of 24 feet and standards are increasing to 30 feet and higher.[10] Sperry Van Ness cites a more conservative minimum height of 22 feet. It is not uncommon to see stacking or racking of five pallets high of goods or merchandise. Most industrial space is sold or leased by square footage not volume. If a building can show a 10 to 20% increase in storage capacity for the same square footage cost, it is more desirable for tenants and buyers. Of the 17 properties with ceiling height information available, 10 or more than half had

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[8] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute, page 132.
[9] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute, page 133.
[10] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute, page 128.

ceiling heights of less than 24 feet. Nine of the buildings did not meet the more conservative standard of 22 feet.

Truck Loading

Truck docks should be four feet above the ground to accommodate loading at truck bed height as opposed to at grade loading. According to Sperry Van Ness, there should be one dock door per 10,000 square feet. Of the 26 properties, 15 had loading dock information. Of these 15, 8 provided less than the desired number of dock doors.

Parking

Warehousing and distribution are frequently combined when discussing design standards, including parking requirements. These uses employ the fewest people and therefore require the smallest amount of parking. One to two spaces per 1,000 square feet is considered the rule of thumb for warehousing.[11] (Sperry Van Ness identified 1.5/1,000 square feet for warehouse uses and 2-3/1,000 for manufacturing uses.) Nationally, the average industrial building covers 33.17% of the site.[12] Of the 26 parcels surveyed, 22 had information on the number of available parking spaces from which parking ratios were calculated. A ratio of 2.0 is desired. In total, 14 or approximately half of the parcels surveyed did not provide adequate parking. Eight of the properties had a ratio lower than 1.0.

Column Spacing

Space efficiency is important in warehousing and distribution businesses. The larger the clear span the better. Facilities are now being built with 50'x50' and larger column spacing.[13] Sperry Van Ness uses a standard minimum of 24' x 60' for warehouse uses. Only two of the properties included information on column spacing. One had 50'x200' bays and the other 48'x48' bays. Based on the information provided, it would appear that only those buildings with contemporary bay widths made this information available.

[11] Business Park and Industrial Development Handbook, Second Edition, Urban Land Institute, page 112.
[12] Warehouse/Distribution Property Characteristics in the United Kingdom and the United States, A Comparison, Bob Thompson, Roy T. Black and John T. Warden; published in Warehouse/Flex industrial Facilities, Selected References, InfoPacket No.379, Urban Land Institute.
[13] Buying Industrial Real Estate – Key Factors to Consider, by Jim Cummings. Accessed by internet on July 14, 2009, http://ezinearticles.com

c. The Existence of Subdivided Lots that are in Multiple Ownership and Whose Physical Development has been Impaired by their Irregular Shapes and Inadequate Sizes, given Present General Plan and Zoning Standards and Present Market Conditions.

There are eight parcels, all of which are under separate ownership, in the Selwyn/Shirley area that are located adjacent to Interstate 680. **Map 8: "Parcels of Irregular Shape and Inadequate Size"** shows the location of these parcels. These parcels, which are remnants of the construction of the freeway, are narrow and of irregular shape. One parcel is used by Caltrans and another parcel has no improvements other than a freeway sign. The parcels range in depth from 75 to 170 feet and range in size from 0.25 to 1 acre. As noted above, a typical manufacturing/assembly use which can be accommodated in a smaller industrial space requires a minimum parcel size of 75,000 square feet which is larger than any of the eight remnant parcels. The parcels were originally developed as industrial uses but with few exceptions have transitioned to quasi public uses including churches and a private school. The change in use is apparently the result of the small parcel size and complete separation from similar industrial uses on the opposite side of Interstate 680. The age of the structures (30 years and older), lack of any major reinvestment and transition from industrial to public/quasi public use is evidence that the irregular shape and size of the parcels combined with the multiple ownership has impaired the use of these parcels for their purpose.

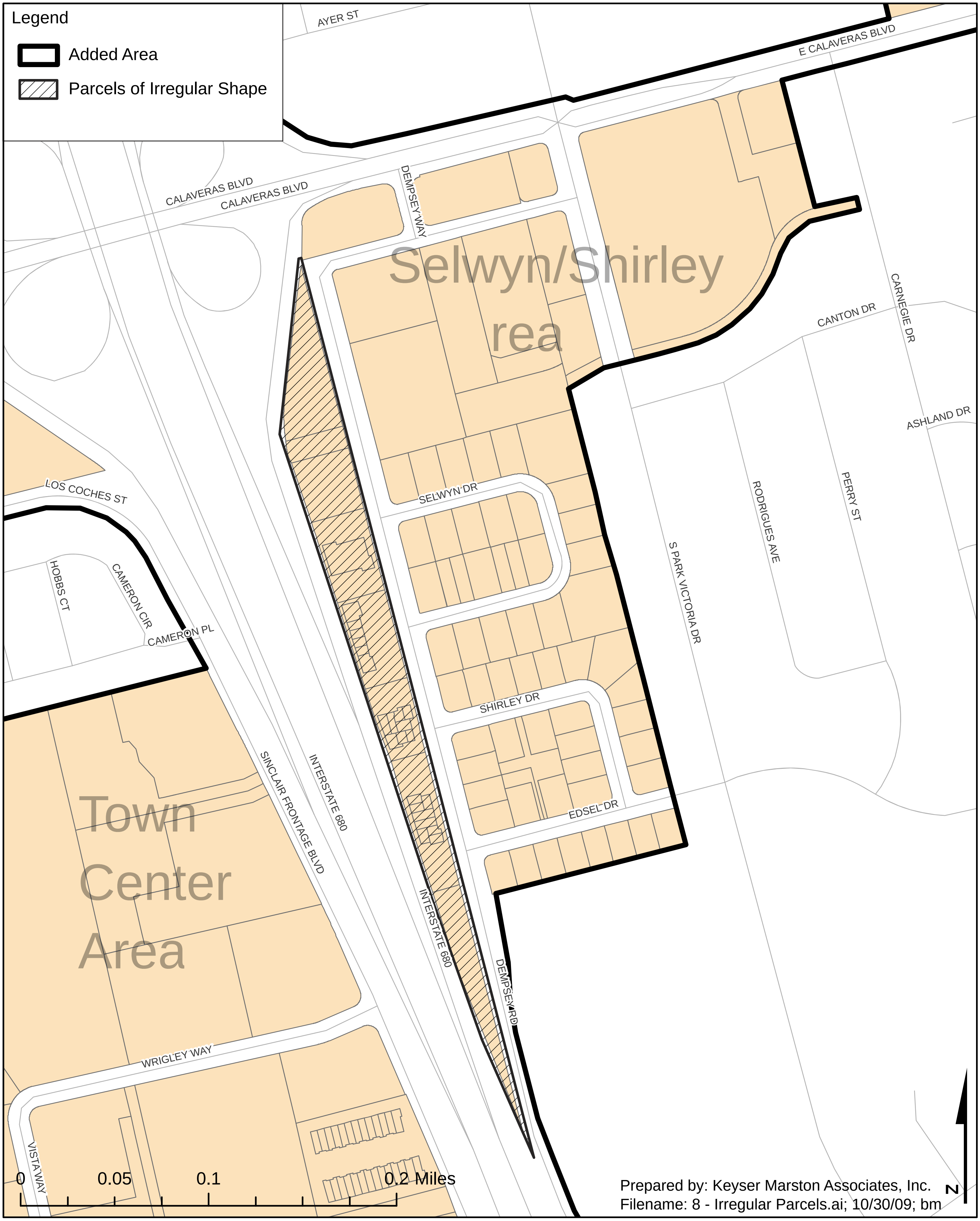
4. Economic Blight Analysis

a. Depreciated or Stagnant Property Values

Two indicators of depreciated and stagnant property values were analyzed including current assessed values as reported by the County Assessor for the 2008-09 tax roll and property sales for 2004 through 2008. Both indicators were examined by use type (multiple-family residential, industrial and office) for the Added Area as applicable and compared to the assessed values and property sales in the balance of the City.

Assessed values reflect long-term property investment through sales, major rehabilitation and new construction, all of which trigger an increase in assessed values. When assessed values lag (are depreciated) in one area versus another, it is an indication of lack of investment (stagnant values) in an area. Property sales reflect what the private sector is looking for in property characteristics and the current property value. Assessed values include properties that have not sold or have not been improved over an extended period of time and may include both quality and substandard properties. As a result, assessed values and property sales do not necessary reflect similar values. Although representing different values, the assessed value and property sales analysis indicates that overall values in the Added Area both in total (assessed value) and current value as reflected in property sales, trail the balance of the City.

Map 8: Parcels of Irregular Shape in the Added Area
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency




Prepared by: Keyser Marston Associates, Inc.
Filename: 8 - Irregular Parcels.ai; 10/30/09; bm

i. Assessed Values

Multiple-family assessed values are significantly lower in the Adams and Selwyn/Shirley areas in comparisons to the balance of the City. This is true for both total value and value per square foot. The total assessed value of multiple-family dwellings in the Selwyn/Shirley area is approximately half of that of multiple-family properties in the balance of the City. As shown on **Table 5: "Average Assessed Values in the Added Area and the City of Milpitas: Fiscal Year 2008/09,"** on a per-square-foot basis, multiple-family assessed values are 46% lower in the Adams area and 29% lower in the Selwyn/Shirley area than the balance of the City. As discussed below, sales prices between 2004 and 2008 indicate that total sales prices also lag significantly in both residential areas. The sales price per square foot is 15% lower in the Adams area than the balance of the City. The price per square foot is 5% higher in the Selwyn/Shirley area, but as discussed below, the higher price per square foot is the result of the skewing of values due to significantly smaller parcels in the area compared to the balance of the City.

In the Town Center area, office uses have a higher total assessed value however; this is due to the significantly larger parcel and building size with the value per square foot trailing the balance of the City. Both parcel and building sizes for office uses are approximately 33% larger in the Town Center area than the balance of the City, which is roughly comparable to the difference in price (37% greater in the Town Center area than the balance of the City). However, the price per square foot is less than half (55%) in the Town Center area in comparison to the balance of the City. As discussed below, the trend in sales prices is the reverse. The average total sales price between 2004 and 2008 was 16% lower in the Town Center area and per square foot was 21% greater than sales to the balance of the City. Based on the sales data, the office space that has sold in the past five years is on the average smaller than the balance of the City, even though on the average there are larger office parcels in the Town Center area. Either the office space is too large for user needs or larger office space does not sell as often and what is on the market is the less desirable space.

Industrial uses in the Town Center area have a total assessed value that trails the City by 38% while having comparable sales prices. The sales value per square foot is less an indicator of a comparable value between properties in this area and the City and is more reflective of notably smaller building and parcel sizes (approximately 8% smaller for both parcel and building size). It is likely other factors such as building quality are affecting assessed value. In fact, the value of improvements is almost half that of the City while the building size is 8% smaller. These values are consistent with the Sperry Van Ness report which concluded that the industrial uses were not competitive with the market areas. As discussed in more detail below, recent property sales indicate that both the total property value and value per square foot are lower in the Town Center area compared to the balance of the City.

**Table 5: Average Assessed Values in the Added Area and the City of Milpitas: Fiscal Year 2008/09**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**Multiple Family Residential**

| | Number of Parcels | Average Land Value | Average Improvement Value | Average Total Assessed Value | Average Lot Size (Sq. Ft.) | Average Building Size (Sq. Ft.) | Average Total Assessed Value per Lot Sq. Ft. | % lower than City |
|---|---|---|---|---|---|---|---|---|
| City of Milpitas* | 202 | $679,708 | $1,138,211 | $1,822,526 | 39,371 | 39,371 | $95.68 | |
| Adams Area | 27 | $291,379 | $452,952 | $744,331 | 15,254 | 5,825 | $51.61 | -46% |
| Selwyn/Shirley Area | 57 | $464,231 | $592,101 | $1,059,835 | 15,552 | 5,552 | $67.84 | -29% |

*Does not include duplexes

**Industrial**

| | Number of Parcels | Average Land Value | Average Improvement Value | Average Total Assessed Value | Average Lot Size (Sq. Ft.) | Average Building Size (Sq. Ft.) | Average Total Assessed Value per Lot Sq. Ft. | % lower than City |
|---|---|---|---|---|---|---|---|---|
| City of Milpitas | 387 | $2,671,162 | $4,009,968 | $6,883,734 | 158,739 | 158,739 | $57.94 | |
| Town Center Subarea | 111 | $1,738,755 | $2,298,484 | $4,298,577 | 146,179 | 146,179 | $59.67 | 3% |

**Office**

| | Number of Parcels | Average Land Value | Average Improvement Value | Average Total Assessed Value | Average Lot Size (Sq. Ft.) | Average Building Size (Sq. Ft.) | Average Total Assessed Value per Lot Sq. Ft. | % lower than City |
|---|---|---|---|---|---|---|---|---|
| City of Milpitas | 88 | $1,001,003 | $1,450,583 | $2,454,692 | 50,298 | 50,298 | $113.48 | |
| Town Center Subarea | 14 | $1,311,848 | $2,594,088 | $3,905,936 | 74,848 | 74,848 | $50.89 | -55% |

Source: MetroScan - 2008/09 Secured assessor data
Prepared by: Keyser Marston Associates, Inc.
Filename: Assessed Values, TABLE; 11/19/2009; bm

ii. Property Sales

To determine depreciated or stagnant property values, KMA analyzed properties sales by use type in the Added Area and compared these transactions to sales in the balance of the City. Property sales were analyzed for the following uses and timeframes:

- Multiple-Family – 2004-2008 (Adams & Selwyn/Shirley areas)
- Retail Commercial – 2004-2008 (Selwyn/Shirley area)
- Office Sales – 2004-2008 (Town Center area)
  (includes medical and professional offices)
- Industrial Sales – 2004-2008 (Town Center area)
  (includes flex space, research and development, warehousing and manufacturing)

The purpose of the analysis was to determine if the Added Area was performing competitively with the balance of the City. If sales prices are lower in the Added Area this would indicate that values are stagnant and/or depressed. Due to a small number of sales within the Town Center area portion of the Added Area, and because the office and industrial uses within the Added Area are part of the entire Town Center area which is a recognized and definable area (bounded by Calaveras Boulevard, Interstate 680, Montague Expressway and Wrigley Creek), sales are reported for the whole of the Town Center and compared to the balance of the City. **Table 6: "Summary Comparison of Sales for the Added Area and City of Milpitas: 2004-2008,"** summarizes the averages for the property sales for the five-year period.

**Findings**

*Multiple-Family Dwellings*

All of the Adams and 34% of the Selwyn/Shirley areas (excluding public right-of-way) are developed with multiple-family dwellings. The majority of the apartments are two-story apartments averaging four units of which the majority are two-bedroom apartments. Generally, the complexes were built in the mid-1960s, built of wood frame construction with stucco siding. The complexes do not have garages but rather detached open-air carports.

There were eight multiple-family sales transactions in the Adams area between 2004-2008. The buildings had an average area of 3,460 square feet with four units or approximately 800 square foot units, which based on the square footage, are assumed

**Table 6: Summary Comparison of Sales for the Added Area and the City of Milpitas: 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**Adams Area**

| | Number of Sales Comps | Percentage Difference Compared to Sales Comparable Averages for the Balance of the City*: Sales Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price per Sq. Ft. of Land | Price per Unit |
|---|---|---|---|---|---|---|---|
| **Multiple Family Residential**** | 8 | -17% | -6% | -10% | -15% | -12% | -1% |

**Selwyn/Shirley Area**

| | Number of Sales Comps | Percentage Difference Compared to Sales Comparable Averages for the Balance of the City*: Sales Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price per Sq. Ft. of Land | Price per Unit |
|---|---|---|---|---|---|---|---|
| **Multiple Family Residential**** | 14 | -7% | -12% | -15% | 5% | 5% | -7% |
| **Retail***** | 2 | -72% | -73% | -68% | 37% | -21% | |

**Town Center Area^**

| | Number of Sales Comps | Percentage Difference Compared to Sales Comparable Averages for the Balance of the City*: Sales Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price per Sq. Ft. of Land |
|---|---|---|---|---|---|---|
| **Office** | 15 | -16% | -22% | N/A^^ | 21% | N/A^^ |
| **Flex Space** | 15 | -8% | -26% | -46% | -24% | -4% |
| **R&D** | 7 | -8% | -10% | -39% | -38% | -28% |
| **Industrial** | 12 | -35% | -11% | -10% | -4% | -19% |

* Balance of the City excludes all of the Added Area

** Multiple Family averages exclude 32 duplexes in the balance of the City, as there were none in the Added Area to compare with. The resulting average for the balance of the City is calculated from a total of 45 sales.

***There are 8 properties in the Selwyn/Shirley Subrea identified as having existing retail uses; 2 (25%) of them were sold between 2004 and 2008.

^ Due to a small number of sales within the Town Center portion of the Added Area and because the office and industrial uses within the Added Area are part of the entire Town Center area wich is a recognized and definable area (bounded by Calaveras Boulevard, Interstate 680, Montague Expressway and Wrigley Creek) sales area reported for the whole of the Town Center and compared to the Balance of the City.

^^ Since most of the Office Comps were condominiums, land sizes were not analyzed; however 5 Comps in the flex category and 11 Comps in the R&D category in the balance of the City were condominiums and therefore did not contribute to land size averages

Source: Costar COMPS (www.costar.com) All sales are from January 2004 to December 2008.
Source for Multiple Family Residential Comps: Loopnet (www.loopnet.com) All sales are from January 2004 to December 2008.

to be two-bedrooms. The total sales prices were 17% lower than the balance of the City and 12% lower per square foot of land. The building age and number of units were comparable to the balance of the City for comparable density multiple-family housing but the buildings and lot sizes were smaller (6% and 10% respectively). Given the comparable age and number of units, the notable difference in price per square foot (12% lower) would have to be attributed to factors such as building quality and location. **Table 7: "Multiple-Family Residential Sales Comparables in the Adams Area: 2004-2008**" and **Table 8: "Multiple-Family Residential Sales Comparables in the City of Milpitas: 2004-2008,**" list the property sales within these areas and **Table 7** includes the percent differences between the sales prices and property characteristics between the two areas.

There were 16 multiple-family sales in the Selwyn/Shirley area during the five-year period between 2004 and 2008. The building size and lot size were comparable to those sold in the Adams area as well as the age of the buildings (built in the mid-1960s). Although generally comparable to those in the Adams area, the buildings in the Selwyn/Shirley area sold for 5% more per square foot while buildings in the Adams area sold for 15% less than the City per square foot. However, compared to the balance of the City the total sales prices were still 7% lower. Sales prices per square foot were 5% higher than the balance of the City. However, the higher price per square foot is primarily attributed to smaller lot size. The average lot size sold in the balance of the City was 9,272 compared to 8,968 in the Selwyn/Shirley area or 15% smaller. **Table 9: "Multiple-Family Residential Sales Comparables within the Selwyn/Shirley Area: 2004/2008"** lists the property sales in this area and the percentage difference between the Citywide average.

It can be concluded that the multiple-family properties in the Added Area are of the same age compared to the balance of the City and are generally built on smaller lots with smaller buildings. It can also be concluded that because the average number of units are similar (4 units) the units must also be smaller than the balance of the City. This does not mean there are necessarily fewer bedrooms but the units themselves are smaller. The apartments sell for substantially less than similar buildings in the balance of the City, which can be attributed to the building quality and location.

*Commercial Retail*

Overview

There are eight commercial properties in the Selwyn/Shirley area. There are four shopping centers: "Park Victoria" is located at the southeast corner of S. Park Victoria Drive and Calaveras Boulevard and is anchored by Ocean Supermarket, "Park Victoria Place" is located at the southeast corner of Dempsey Road and S. Park Victoria Drive. "Fiesta Plaza" is located on Dempsey Road just south of the Executive Inn and is anchored by Savers discount store and the fourth shopping center is unnamed and is

**Table 7 Multiple Family Residential Sales Comparables in the Adams Area 2004-2008**
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**Milpitas Redevelopment Agency**

| Address | Date Sold | Price | Building Sq. Ft. | Land Sq. Ft. | Number of Units | Price per Unit | Price per Sq. Ft. | Price per Sq. Ft. of Land | Year Built |
|---|---|---|---|---|---|---|---|---|---|
| 47 N Temple Dr | 2/1/2005 | $890,000 | 3,560 | 8,610 | 4 | $222,500 | $250 | $103 37 | 1973 |
| 1666 Adams Ave | 11/1/2004 | $867,500 | 3,328 | 10,890 | 4 | $216,875 | $261 | $79.66 | 1962 |
| 71 N Temple Dr | 2/1/2007 | $850,000 | 3,560 | 7,841 | 3 | $283,333 | $239 | $108.41 | 1973 |
| 95 N Temple Dr | 11/1/2007 | $775,000 | 3,560 | 7,841 | 3 | $258,333 | $218 | $98.84 | 1973 |
| 1610 Adams Ave | 3/1/2007 | $775,000 | 3,325 | 10,890 | 4 | $193,750 | $233 | $71.17 | 1962 |
| 71 N Temple Dr | 9/1/2004 | $735,000 | 3,560 | 7,841 | 3 | $245,000 | $206 | $93.74 | 1973 |
| 1649 E Calaveras | 1/1/2006 | $700,000 | 3,328 | 10,890 | 4 | $175,000 | $210 | $64 28 | 1962 |
| 1610 Adams Ave | 3/12/2007 | $775,000 | 3,455 | 10,890 | 4 | $193,750 | $224 | $71 | 1962 |
| **AVERAGE** | 3/26/2006 | $795,938 | 3,460 | 9,462 | 3.6 | $223,568 | $230 | $86 | 1968 |
| **Percent Difference Between City and Added Area Average** | | **-17%** | **-6%** | **-10%** | **-18%** | **-1%** | **-15%** | **-12%** | |

Prepared by: Keyser Marston Associates, Inc.
Filename: Comps 1109, MFR; 11/2/2009; bm

**Table 8  Multiple Family Residential Sales Comparables in the City of Milpitas  2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Price | Building Sq. Ft. | Land Sq. Ft. | Number of Units | Price per Unit | Price per Sq. Ft. | Price per Sq. Ft. of Land | Year Built |
|---|---|---|---|---|---|---|---|---|---|
| 1416-1430 Calle Oriente | 2/17/2006 | $2,250,000 | 8,832 | 34,800 | 12 | $187,500 | $255 | $65 | 1963 |
| 1226 Daniel Ct | 10/1/2005 | $1,300,000 | 4,895 | 9,583 | 4 | $325,000 | $266 | $136 | 1979 |
| 322 Laguna Dr | 3/22/2004 | $1,129,000 | 6,902 | 12,196 | 8 | $141,125 | $164 | $93 | 1958 |
| 236 Marylinn Dr | 11/1/2006 | $1,100,000 | 3,574 | 14,375 | 4 | $275,000 | $308 | $77 | 1962 |
| 224 Marylinn Dr | 11/1/2005 | $1,100,000 | 3,574 | 14,375 | 4 | $275,000 | $308 | $77 | 1962 |
| 513 Penitencia St | 1/1/2006 | $1,050,000 | 3,699 | 10,019 | 4 | $262,500 | $284 | $105 | 1972 |
| 322 Marylinn Ave | 11/16/2005 | $1,030,000 | 4,500 | 12,022 | 5 | $206,000 | $229 | $86 | 1972 |
| 1226 Daniel Ct | 9/1/2004 | $960,000 | 4,895 | 9,583 | 4 | $240,000 | $196 | $100 | 1979 |
| 1383 Calle Oriente | 8/1/2006 | $940,000 | 2,944 | 10,454 | 4 | $235,000 | $319 | $90 | 1963 |
| 571 N Abel St | 11/1/2007 | $938,500 | 2,992 | 9,148 | 4 | $234,625 | $314 | $103 | 1962 |
| 1188 Edsel Dr | 5/1/2007 | $930,000 | 2,992 | 7,405 | 4 | $232,500 | $311 | $126 | 1963 |
| 1162 Edsel Dr | 12/1/2006 | $930,000 | 2,992 | 7,405 | 4 | $232,500 | $311 | $126 | 1963 |
| 513 Penitencia St | 4/1/2005 | $930,000 | 3,699 | 10,019 | 4 | $232,500 | $251 | $93 | 1972 |
| 236 Marylinn Dr | 10/1/2004 | $923,000 | 3,574 | 14,375 | 4 | $230,750 | $258 | $64 | 1962 |
| 700 Dempsey Rd | 11/16/2007 | $900,000 | 3,574 | 7,840 | 3 | $300,000 | $252 | $115 | 1977 |
| 1200 Edsel Dr | 3/1/2006 | $900,000 | 2,992 | 7,841 | 4 | $225,000 | $301 | $115 | 1963 |
| 1425 Calle Oriente | 2/1/2006 | $900,000 | 2,944 | 11,761 | 4 | $225,000 | $306 | $77 | 1963 |
| 1407 Calle Oriente | 2/1/2006 | $900,000 | 2,944 | 10,454 | 4 | $225,000 | $306 | $86 | 1963 |
| 1188 Edsel Dr | 6/1/2005 | $880,000 | 2,992 | 7,405 | 4 | $220,000 | $294 | $119 | 1963 |
| 1717 Clear Lake Dr | 4/1/2005 | $870,000 | 2,776 | 7,841 | 2 | $435,000 | $313 | $111 | 1979 |
| 1096 Courtland Ave | 6/1/2008 | $850,000 | 3,234 | 8,712 | 2 | $425,000 | $263 | $98 | 1979 |
| 1176 Edsel Dr | 9/1/2004 | $845,000 | 2,992 | 7,405 | 4 | $211,250 | $282 | $114 | 1963 |
| 323 Fanyon St | 2/1/2007 | $835,000 | 2,219 | 7,841 | 2 | $417,500 | $376 | $106 | 1971 |
| 1730 Clear Lake Ave | 6/1/2005 | $830,000 | 2,472 | 7,841 | 2 | $415,000 | $336 | $106 | 1979 |
| 393 Fanyon St | 8/1/2007 | $825,000 | 2,219 | 7,841 | 2 | $412,500 | $372 | $105 | 1971 |
| 409 Fanyon St | 8/1/2006 | $820,000 | 2,219 | 7,841 | 2 | $410,000 | $370 | $105 | 1971 |
| 154 Fanyon St | 8/1/2006 | $800,000 | 1,848 | 7,841 | 2 | $400,000 | $433 | $102 | 1960 |
| 1716 Clear Lake Ave | 1/1/2005 | $800,000 | 2,776 | 7,841 | 2 | $400,000 | $288 | $102 | 1979 |
| 170 Berrendo Dr | 2/1/2005 | $795,000 | 4,223 | 6,098 | 6 | $132,500 | $188 | $130 | 1962 |
| 1031 S Park Victoria | 3/1/2007 | $790,000 | 2,103 | 9,148 | 2 | $395,000 | $376 | $86 | 1968 |
| 1301 Calle Oriente | 11/1/2004 | $775,000 | 2,944 | 7,841 | 4 | $193,750 | $263 | $99 | 1963 |
| 1203 Calle Oriente | 2/1/2004 | $774,000 | 2,944 | 7,405 | 4 | $193,500 | $263 | $105 | 1963 |
| 887 S Park Victoria | 11/1/2006 | $760,000 | 2,103 | 9,148 | 2 | $380,000 | $361 | $83 | 1968 |
| 323 Fanyon St | 11/1/2005 | $760,000 | 2,219 | 7,841 | 2 | $380,000 | $342 | $97 | 1971 |
| 95 Fanyon St | 10/1/2005 | $760,000 | 1,848 | 7,841 | 2 | $380,000 | $411 | $97 | 1960 |
| 1718 Clear Lake Ave | 8/1/2008 | $755,000 | 2,776 | 7,841 | 2 | $377,500 | $272 | $96 | 1979 |
| 706 N Abel St | 8/1/2005 | $750,000 | 1,860 | 8,276 | 2 | $375,000 | $403 | $91 | 1961 |
| 249 Spence Ave | 6/1/2005 | $750,000 | 3,150 | 6,534 | 4 | $187,500 | $238 | $115 | 1961 |
| 1709 Clear Lake Ave | 10/1/2004 | $750,000 | 2,472 | 7,841 | 2 | $375,000 | $303 | $96 | |
| 1730 Clear Lake Ave | 1/1/2005 | $749,000 | 2,472 | 7,841 | 2 | $374,500 | $303 | $96 | 1979 |
| 199 Fanyon St | 7/1/2005 | $735,000 | 2,328 | 7,841 | 2 | $367,500 | $316 | $94 | 1960 |
| 564 Penitencia Ct | 3/1/2005 | $735,000 | 2,484 | 9,583 | 3 | $245,000 | $296 | $77 | 1972 |
| 528 Penitencia St | 1/1/2005 | $731,000 | 2,484 | 8,276 | 3 | $243,667 | $294 | $88 | 1972 |
| 679 N Abel St | 1/1/2006 | $730,000 | 2,190 | 8,276 | 2 | $365,000 | $333 | $88 | 1962 |
| 1043 S Park Victoria Dr | 5/1/2008 | $730,000 | 2,103 | 9,300 | 2 | $365,000 | $347 | $78 | |
| 337 Fanyon St | 11/1/2004 | $725,000 | 1,688 | 7,841 | 2 | $362,500 | $430 | $92 | 1971 |
| 213 Fanyon St | 5/1/2005 | $705,000 | 1,848 | 7,841 | 2 | $352,500 | $381 | $90 | 1960 |
| 548 Wool Dr | 7/1/2005 | $700,000 | 1,692 | 8,276 | 2 | $350,000 | $414 | $85 | 1972 |
| 149 Marylinn Dr | 6/1/2006 | $695,000 | 1,664 | 9,583 | 2 | $347,500 | $418 | $73 | 1960 |
| 109 Fanyon St | 11/1/2004 | $677,500 | 1,848 | 7,841 | 2 | $338,750 | $367 | $86 | 1960 |
| 83 Fanyon St | 12/1/2004 | $665,000 | 1,848 | 7,841 | 2 | $332,500 | $360 | $85 | 1960 |
| 248 Fanyon St | 1/1/2005 | $650,000 | 2,219 | 7,841 | 2 | $325,000 | $293 | $83 | 1971 |
| 742 N Abel St | 8/1/2004 | $650,000 | 1,684 | 7,841 | 2 | $325,000 | $386 | $83 | 1962 |
| 691 N Abel St | 7/1/2007 | $626,000 | 1,684 | 8,276 | 2 | $313,000 | $372 | $76 | 1962 |
| 945 S Park Victoria Dr | 4/1/2004 | $580,000 | 2,141 | 9,148 | 2 | $290,000 | $271 | $63 | 1968 |
| 564 Penitencia Ct | 7/1/2004 | $560,000 | 2,484 | 9,583 | 3 | $186,667 | $225 | $58 | 1972 |
| 901 S Park Victoria Dr | 6/1/2004 | $515,000 | 1,998 | 8,712 | 2 | $257,500 | $258 | $59 | 1968 |
| 189 Marylinn Dr | 4/1/2004 | $285,000 | 1,664 | 8,276 | 2 | $142,500 | $171 | $34 | 1960 |
| 790 N Abel St | 4/1/2004 | $285,000 | 1,860 | 9,148 | 2 | $142,500 | $153 | $31 | 1961 |
| **AVERAGE** | 10/16/2005 | $823,949 | 2,835 | 9,272 | 3 | $295,383 | $306 | $92 | 1967 |
| **Without Duplexes** | 9/19/2005 | $961,315 | 3,675 | 10,511 | 4 | $225,883 | $270 | $98 | 1966 |

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**Table 9 Multiple Family Residential Sales Comparables in the Selwyn/Shirley Area 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Price | Building Sq. Ft. | Land Sq. Ft. | Number of Units | Price per Unit | Price per Sq. Ft. | Price per Sq. Ft. of Land | Year Built |
|---|---|---|---|---|---|---|---|---|---|
| 236-238 Selwyn Dr | 6/16/2006 | $1,030,000 | 3,952 | 10,558 | 5 | $206,000 | $261 | $98 | |
| 230 Selwyn Dr | 12/1/2007 | $1,010,000 | 3,795 | 10,454 | 6 | $168,333 | $266 | $97 | |
| 238 Selwyn Dr | 6/1/2006 | $1,000,000 | 3,795 | 10,454 | 6 | $166,667 | $264 | $96 | |
| 196 Selwyn Dr | 9/1/2006 | $951,000 | 4,520 | 10,019 | 5 | $190,200 | $210 | $95 | 1963 |
| 1127 Shirley Dr | 6/1/2007 | $940,000 | 2,992 | 7,405 | 4 | $235,000 | $314 | $127 | 1963 |
| 1188 Shirley Dr | 9/1/2006 | $910,000 | 2,992 | 8,712 | 4 | $227,500 | $304 | $104 | 1963 |
| 1119 Shirley Dr | 12/1/2006 | $900,000 | 2,992 | 7,405 | 4 | $225,000 | $301 | $122 | 1963 |
| 1143 Shirley Dr | 3/1/2006 | $892,000 | 2,992 | 9,583 | 4 | $223,000 | $298 | $93 | 1963 |
| 700 Dempsey rd | 11/1/2007 | $886,500 | 3,574 | 7,841 | 3 | $295,500 | $248 | $113 | 1977 |
| 1127 Shirley Dr | 6/1/2006 | $870,000 | 2,992 | 7,405 | 4 | $217,500 | $291 | $117 | 1963 |
| 1135 Shirley Dr | 5/1/2006 | $845,000 | 2,990 | 7,405 | 4 | $211,250 | $283 | $114 | 1963 |
| 1109 Shirley Dr | 11/1/2004 | $800,000 | 2,992 | 7,405 | 4 | $200,000 | $267 | $108 | 1963 |
| 180 Selwyn Dr | 2/1/2007 | $765,000 | 2,448 | 10,454 | 4 | $191,250 | $313 | $73 | 1960 |
| 172 Selwyn Ave | 2/1/2007 | $755,000 | 2,248 | 10,454 | 4 | $188,750 | $336 | $72 | 1960 |
| **AVERAGE** | 9/23/2006 | $896,750 | 3,234 | 8,968 | 4.4 | $210,425 | $283 | $102 | 1964 |
| **Percent Difference Between City and Added Area Average** | | **-7%** | **-12%** | **-15%** | **-1%** | **-7%** | **5%** | **5%** | |

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located at the southeast corner of Dempsey Way and Calaveras Boulevard. The shopping centers are a standard type neighborhood serving shopping centers with one story multiple tenant buildings. The shopping centers are generally leased, with the exception of the center on the corner of Dempsey Way and Calaveras Boulevard, which has three vacancies of nine total tenant spaces. Also within this area is the Executive Inn. The Executive Inn was built in 1983 and has 76 units. In the past, (2007) the Executive Inn was cited for narcotics and prostitution that was attributed to individuals that had been released from prison and were placed at the Executive Inn while they served probation/parole. Commercial retail uses total 13 acres or 34% of Selwyn/Shirley area.

Commercial retail sales were analyzed for the five-year period between 2004 and 2008 for the Selwyn/Shirley area and the balance of the City. During this period, there were two transactions in the Selwyn/Shirley area and 15 in the balance of the City. The two commercial transactions in the Selwyn/Shirley area included a general freestanding commercial building (“Savers” discount store adjacent to Fiesta Plaza) located at 60 Dempsey Road built in 1964, and a 76 gas station located at 27 South Park Victoria Drive built in 1963. The 15 retail sales in the balance of the City during this period included five properties described as “general freestanding,” one auto repair, one bank, one veterinarian/kennel, two restaurants, one-day care center and two that were not described. **Table 10: “Retail Sales Comparables for the Selwyn/Shirley Area and the City of Milpitas: 2004-2008,”** lists all of the property sales within the Selwyn/Shirley area and the City of Milpitas and identifies percent differences between sales price and building and parcel sizes.

The average sales prices of the two commercial properties that sold in this area were 72% lower than the 15 sales in the balance of the City. The closest comparable to the gas station sale was the auto repair use. The auto repair use sold for 25% more than the service station with an almost identical site size. The general freestanding building that sold in the area sold for more than the other freestanding buildings Citywide. However, the parcel of land was more than twice the size of the other sales comparables and the building was five times the size of the average of the general freestanding buildings that sold. More relevant is the price per square foot of land. The general freestanding building that sold in the area sold for $50 per square foot of land compared to an average of $83 per square foot or 40% less than similar use types in the balance of the City during the same period. Although it is not possible to arrive at any conclusion based on two property sales, the sales data available would indicate that commercial properties are valued at significantly less in the Selwyn/Shirley area than the balance of the City.

*Office*

Between 2004 and 2008, there were 15 office sales in the Town Center. All but one on Calaveras Boulevard were on the Montague Expressway. The office spaces were

**Table 10: Retail Sales Comparables for the Selwyn/Shirley Area and the City of Milpitas: 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Sale Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price per Sq. Ft. of Land | Store Type | Year Built |
|---|---|---|---|---|---|---|---|---|
| **Balance of Milpitas** | | | | | | | | |
| 1541-1547 California Cir | 9/11/2007 | $2,200,000 | 3,840 | 48,787 | $573 | $45 | General Freestanding | 1995 |
| 1905 N Main St | 5/15/2007 | $1,500,000 | 3,363 | 13,939 | $446 | $108 | General Freestanding | 1966 |
| 1620 S Main St | 6/30/2005 | $1,471,000 | 4,410 | 16,635 | $334 | $88 | Auto Repair | 1976 |
| 1785 Landess Ave | 8/13/2008 | $1,470,000 | 4,428 | 26,297 | $332 | $56 | Bank | 1979 |
| 174-176 S Main St | 4/6/2007 | $1,199,000 | 1,600 | 9,583 | $749 | $125 | General Freestanding | 1948 |
| 420 S Main St | 4/29/2004 | $1,125,000 | 4,156 | | $271 | | | 1982 |
| 123 Corning Ave | 6/20/2008 | $1,076,500 | 3,721 | 13,068 | $289 | $82 | Day Care Center | 1980 |
| 209 S Main St | 5/12/2007 | $875,000 | 1,288 | 14,810 | $679 | $59 | Restaurant | 1967 |
| 78 Serra Way | 1/7/2004 | $570,000 | 1,158 | 9,661 | $492 | $59 | General Freestanding | 1963 |
| 1393 S Park Victoria Dr | 10/31/2008 | $525,000 | 2,340 | 15,002 | $224 | $35 | Veterinarian/Kennel | 1972 |
| 1213-1291 E Calaveras Blvd | 9/30/2005 | $16,580,000 | 55,882 | 188,614 | $297 | $88 | | 1980 |
| 1181 E Calaveras Blvd | 2/23/2007 | $1,700,000 | 7,500 | 30,056 | $227 | $57 | Restaurant | |
| 15-351 Ranch Dr | 6/8/2006 | $63,000,000 | 347,662 | 1,093,356 | $181 | $58 | | 1994 |
| 84 Ranch Dr | 4/7/2006 | $4,375,000 | 5,465 | 44,431 | $801 | $98 | Restaurant | 1995 |
| 1293 S Park Victoria Dr | 6/3/2005 | $2,050,000 | 6,728 | 25,800 | $305 | $79 | General Freestanding | 1978 |
| AVERAGE | 9/11/2006 | $6,647,767 | 30,236 | 110,717 | $413 | $74 | | 1977 |
| **Selwyn/Shirley Area** | | | | | | | | |
| 60 Dempsey Rd | 5/13/2005 | $2,675,000 | 15,193 | 53,805 | $176 | $50 | General Freestanding | 1964 |
| 27 S Park Victoria Dr | 12/13/2007 | $1,100,000 | 1,154 | 16,199 | $953 | $68 | Service Station | 1963 |
| AVERAGE | 8/28/2006 | $1,887,500 | 8,174 | 35,002 | $565 | $59 | | 1964 |
| **Percent Difference Between City and Added Area Average:** | | **-72%** | **-73%** | **-68%** | **37%** | **-21%** | | |

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Filename: Comps 1109, RET; 11/19/2009; bm

categorized as either "Medical" or "Telecom Hotel/Data Hosting[14]." A telecom hotel is a building that houses a data center. Telecom hotels typically house hundreds or thousands of web servers for web hosting organizations or businesses. However, based on discussion with Sperry Van Ness and their familiarity with the properties identified for lease, the space has been reclassified as professional office to reflect its past use and anticipated reuse (rather than Medical or Telecom Hotel/Data Hosting).

**Table 11: "Office Sales Comparables for the Town Center Area and the City of Milpitas: 2004-2008"** lists the various property sales within the two areas and identifies the percent difference between sales prices and property characteristics.

Although the office space in the balance of the City was on the average 15 years older than those sold in the entire Town Center area, the average sales price was 16% lower in the Town Center area. This is in part attributed to the smaller building and parcel size. The spaces in the Town Center area as a whole were 22% smaller, which had an equalizing effect on the price per square foot, which was 21% greater than the balance of the City.

The sales data indicates that even though the buildings are new in the Added Area they are not valued higher. This would indicate the smaller size and potentially the location are negatively impacting property sales values.

*Industrial*

Flex Space

Flex space is defined as space that can either be used for office or light industrial use such as manufacturing. In some instances, the only difference between office or general industrial space and flex space is in how the space is marketed. Between 2004 and 2008, a total of eight properties advertised as flex space sold in the Town Center area. One property was identified as Telecom Hotel/Data Hosting, one was identified as a "Showroom"[15], five were light manufacturing, seven were defined as Research and Development (R&D), and one was not listed with a building type. The R&D buildings tended to be larger (28%) and on larger parcels (44%) in comparison to the light manufacturing properties. The R&D and light industrial space were valued comparably on a price per-square-foot basis.

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[14] Costar defines Telcom Hotel/Data Center as a building designated as a centralized repository for the storage, management, and dissemination of data and information. The primary characteristic of these facilities is that they have very few, if any, offices, because they principally house electronic equipment. A data center is owned or leased to one company and a Telcom Hotel leased to numerous companies.

[15] Costar defines a showroom as "A building area specifically designed for merchandise display. Examples would be furniture, or clothing and apparel."

**Table 11: Office Sales Comparables for the Town Center Area and the City of Milpitas: 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Sale Price | Building Sq. Ft. | Price per Sq. Ft. | Year Built | Building Class |
|---|---|---|---|---|---|---|
| 1851 McCarthy Blvd | 4/12/2005 | $5,947,500 | 46,159 | $129 | 1984 | B |
| 25 Corning Ave | 5/20/2008 | $5,175,000 | 30,001 | $172 | 1985 | C |
| 1551 McCarthy Blvd | 11/10/2005 | $3,725,000 | 48,926 | $76 | 1984 | C |
| 1750-1798 Clear Lake Ave | 6/3/2004 | $3,180,000 | 18,670 | $170 | 1980 | C |
| 529 S Main St | 7/12/2006 | $2,475,000 | 6,005 | $412 | 1970 | C |
| 1289 S Park Victoria Dr | 11/7/2006 | $2,330,000 | 9,696 | $240 | 1982 | B |
| 59 Marylinn Dr | 3/26/2007 | $1,650,000 | 3,266 | $505 | 1993 | C |
| 59 Marylinn Dr | 12/12/2005 | $1,400,000 | 3,266 | $429 | 1993 | C |
| 1172-1176 Cadillac Ct | 5/16/2008 | $1,295,000 | 5,127 | $253 | 1988 | B |
| 1180-1182 Cadillac Ct | 12/18/2007 | $1,249,900 | 4,030 | $310 | 1988 | B |
| 1 N Main St | 8/3/2006 | $1,200,000 | 7,500 | $160 | 1977 | C |
| 1144-1158 Cadillac Ct, 1152/1st Floor | 4/10/2007 | $535,900 | 12,638 | $320 | 2007 | B |
| 354-372 Fairview Way, 368/1st Floor | 12/19/2007 | $509,900 | 125,280 | $310 | 1988 | B |
| 354-372 Fairview Way, 366/1st Floor | 11/15/2007 | $472,900 | 125,280 | $310 | 1988 | B |
| 354-372 Fairview Way, 370/1st Floor | 4/10/2007 | $472,900 | 125,280 | $310 | 1988 | B |
| 1144-1158 Cadillac Ct, 1148/1st Floor | 4/10/2007 | $443,900 | 12,638 | $310 | 2007 | B |
| 354-372 Fairview Way, 354/1st Floor | 4/10/2007 | $288,900 | 125,280 | $330 | 1988 | B |
| 354-372 Fairview Way, 356/1st Floor | 4/10/2007 | $243,900 | 125,280 | $300 | 1988 | B |
| AVERAGE | 12/23/2006 | $1,810,872 | 46,351 | $280 | 1988 | B |
| **Town Center Area** [1] | | | | | | |
| 500 E Calaveras Blvd | 6/22/2007 | $9,000,000 | 50,237 | $179 | 1985 | C |
| 991 Montague Expy | 4/29/2005 | $4,500,000 | 45,100 | $100 | 2000 | C |
| 991 Montague Expy | 4/16/2008 | $1,319,000 | 6,690 | $197 | | C |
| 995 Montague Expy, 119/1st Floor | 8/15/2006 | $1,172,500 | 35,602 | $995 | 2000 | B |
| 995 Montague Expy | 1/30/2008 | $1,006,000 | 3,293 | $306 | | B |
| 995 Montague Expy, 120/1st Floor | 4/18/2007 | $753,000 | 35,602 | $451 | 2000 | B |
| 995 Montague Expy, 210/2nd Floor | 11/30/2007 | $679,500 | 35,602 | $452 | 2000 | B |
| 995 Montague Expy, 116/1st Floor | 12/18/2007 | $646,500 | 35,602 | $374 | 2000 | B |
| 995 Montague Expy, 110/1st Floor | 12/29/2006 | $637,000 | 35,602 | $419 | 2000 | B |
| 991 Montague Expy | 12/27/2005 | $634,000 | 45,100 | $267 | 2000 | C |
| 991 Montague Expy, 206/2nd Floor | 6/15/2007 | $609,675 | 45,100 | $275 | 2000 | C |
| 991 Montague Expy, 109/1st Floor | 3/16/2007 | $580,000 | 45,100 | $258 | 2000 | C |
| 991 Montague Expy, 110/1st Floor | 6/14/2007 | $496,770 | 45,100 | $290 | 2000 | C |
| 991 Montague Expy, 203/2nd Floor | 6/15/2007 | $471,075 | 45,100 | $275 | 2000 | C |
| 995 Montague Expy, 219/2nd Floor | 10/24/2008 | $330,000 | 35,602 | $270 | 2000 | B |
| AVERAGE | 5/9/2007 | $1,522,335 | 36,295 | $340 | 1999 | C |
| **Percent Difference Between City and Added Area Average:** | | **-16%** | **-22%** | **21%** | | |

[1] There was only one sale in the Town Center portion of the Added Area between 2004 and 2008 located at 500 E. Calaveras Boulevard. The other 14 sales are within the balance of the Town Center area and therefore are adjacent to the Added Area and are provided as representative sales for the Added Area.

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In the balance of the City, there were 33 flex space sales between 2004-2008. The majority were R&D. **Table 12: "Flex Space Sales Comparables for the Town Center Area and the City of Milpitas: 2004-2008,"** lists the various property sales within the two areas and identifies the percent difference between sales prices and property characteristics. In comparing total sales in the Town Center area to the balance of the City, the average sale price in the Town Center area was 8% lower, the average building size was 26% smaller, the average parcel size was 46% smaller and the price per square foot was 24% less. The sales data would indicate that the flex space in the Town Center is far less desirable than flex space in the balance of the City.

A notable difference in the flex space in the balance of the City was that the spaces were either significantly larger or smaller. In contrast, the size of the flex space in the Town Center area was generally uniform. In the Town Center area, the flex space is located within freestanding buildings of generally 32,000 square feet. In the balance of the City, the space is within significantly larger freestanding buildings averaging approximately 70,000 square feet or in much smaller industrial condominiums of approximately 13,000 square feet. The difference in the building size ranges combined with the lower sales value is further indication that the flex space in the Town Center area is not meeting contemporary user needs.

Research and Development

There were eight research and development property sales in the Town Center area between 2004 and 2008. During the same period, there were 21 research and development property sales in the balance of the City. Half of the sales in the balance of the City were office condominiums while there was only one office condominium sale in the Town Center area. The research and development properties that sold in the Town Center area were comparable in building age and classification. For purposes of sales and leasing commercial and industrial building, quality is rated by "Class." Class A represents an extremely desirable investment-grade property with the highest quality construction, systems, architectural features and amenities. Class B represents more utilitarian space with average finishes and adequate systems. Class C represents a no-frills, older building with basic space. Class C properties also have below-average maintenance and inferior mechanical and electrical systems. The last classification is Class F which represents a functionally or economically obsolete building. The property may even be tagged as "condemned.[16]"

The buildings were generally built in the mid-1980's and had "B" classification. The major difference in the property sales in the Town Center area and balance of the City was in size. In the Town Center area, the lot sizes were 39% smaller and the buildings were 10% smaller. The smaller property size may have been the primary contributing

[16] CoStar Commercial Real Estate Definitions. See Appendix D for detailed descriptions.

**Table 12 Flex Sales Comparables for the Town Center Area and the City of Milpitas 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Sale Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price per Sq. Ft. of Land | Year Built | Building Class | Building Type |
|---|---|---|---|---|---|---|---|---|---|
| **Balance of the City** | | | | | | | | | |
| 1545 Barber Ln | 10/15/2004 | $14,650,000 | 85,040 | 196,020 | $172 | $75 | 1982 | C | Light Manufacturing |
| 1331 California Cir | 6/28/2007 | $10,995,000 | 100,041 | 281,645 | $110 | $39 | 1985 | C | Light Manufacturing |
| 380 Fairview Way | 3/18/2005 | $7,672,320 | 106,560 | | $72 | | 1987 | | |
| 1201 Cadillac Ct | 4/27/2005 | $6,920,640 | 51,264 | 152,460 | $135 | $45 | 1986 | C | Light Manufacturing |
| 720 Montague Expy | 4/13/2007 | $6,600,000 | 39,976 | 102,366 | $165 | $64 | 1983 | B | |
| 1625-1655 McCarthy Blvd | 5/24/2005 | $5,450,000 | 48,531 | 146,361 | $112 | $37 | 1987 | B | Light Manufacturing |
| 231 Houret Dr | 8/12/2005 | $2,250,000 | 19,455 | 74,487 | $116 | $30 | 1979 | C | Light Manufacturing |
| 1128-1140 Cadillac Ct, 1134/1st Floor | 4/10/2007 | $603,900 | 12,819 | | $245 | | | B | |
| 1128-1140 Cadillac Ct, 1136/1st Floor | 12/4/2006 | $578,900 | 12,819 | | $245 | | | B | |
| 1128-1140 Cadillac Ct, 1132/1st Floor | 11/9/2007 | $556,900 | 12,819 | | $245 | | | B | |
| 1128-1140 Cadillac Ct, 1140/1st Floor | 4/10/2007 | $297,900 | 12,819 | | $330 | | | B | |
| 1128-1140 Cadillac Ct, 1128/1st Floor | 10/29/2007 | $297,900 | 12,819 | | $330 | | | B | |
| AVERAGE | 7/9/2006 | $4,739,455 | 42,914 | 158,890 | $190 | $49 | 1984 | B | |
| **Town Center Area** | | | | | | | | | |
| 611-631 S Milpitas Blvd | 7/8/2004 | $15,150,000 | 59,262 | 164,656 | $256 | $92 | 1984 | B | |
| 525 Los Coches St | 1/25/2005 | $4,250,000 | 39,083 | 106,504 | $109 | $40 | 1988 | B | Light Manufacturing |
| 775-779 Montague Expy | 7/26/2007 | $4,050,000 | 24,656 | 69,696 | $164 | $58 | 1986 | C | Showroom |
| 356-378 S Milpitas Blvd | 9/1/2006 | $3,033,697 | 29,237 | 77,536 | $104 | $39 | 1981 | C | Light Manufacturing |
| 215 Topaz St [1] | 2/11/2005 | $3,000,000 | 38,658 | 65,984 | $78 | $45 | 1982 | | Light Manufacturing |
| 736-744 S Hillview Dr | 6/12/2007 | $2,875,000 | 21,600 | 43,560 | $133 | $66 | 1984 | | Light Manufacturing |
| 881 Yosemite Way | 5/6/2004 | $1,390,000 | 24,133 | 69,260 | $117 | $20 | 2001 | B | Light Manufacturing |
| 467-491 Sinclair Frontage Rd | 7/22/2005 | $1,000,000 | 18,483 | 91,476 | $189 | $11 | 1980 | | |
| AVERAGE | 10/13/2005 | $4,343,587 | 31,889 | 86,084 | $144 | $46 | 1986 | B | |
| **Percent Difference Between City and Added Area Average** | | **-8%** | **-26%** | **-46%** | **-24%** | **-4%** | | | |

[1] Property sale outside of the Added Area but within the balance of the Town Center area and therefore is adjacent to the Added Area and provided as a representative sale for the Added Area

factor to the lower sales prices that were achieved in the Town Center area. On the average sales prices were 8% lower and the price per square foot was 38% lower in the Town Center area than in the balance of the City. **Table 13: "R&D Sales Comparables for the Town Center Area and the City of Milpitas: 2004-2008"** provides a listing of the research and development sales in the City and the percent differences between the Town Center area and the City in the property characteristics and sales values.

Warehouse and Manufacturing

Between 2004 and 2008 there were 12 industrial sales in the Town Center area. During the same period there were 22 industrial sales comps in the balance of the City.

Seven of the 12 industrial sales in the Town Center area were for warehouse properties. In contrast, only five of the 22 sales in the balance of the City were for warehouses, the majority (12) were manufacturing uses.

Nineteen of the 22 buildings that sold in the City were rated, seven of which were rated as Class "B" and 12 were rated as Class "C." The average year built 1982. In the Town Center area, nine of the properties were rated of which all but two rated as Class "B" (the remaining two were Class "C"). The average year built was also 1982. This would indicate that the buildings in the Town Center area are of comparable age to the balance of the City and a larger number have a higher-class rating. The higher-class rating was not reflected in the sales price. The average price of an industrial property that sold in the Town Center area was 45% less than the balance of the City. On a square- foot basis, the properties sold for 7% less. The difference in sales prices appears to be attributed in part to smaller parcel and building sizes. The average building size was 19% smaller and the parcel size was 11% smaller than the balance of the City. **Table 14: "Warehouse and Manufacturing Sales Comparables in the Town Center Area and the City of Milpitas: 2004-2008"** compares property sales in the Town Center area to the balance of the City.

When comparing warehouse sales separately in the Town Center area to the balance of the City, warehouse sales in the Town Center area were 75% lower (roughly $9.2 million compared to $2.2 million). On a square-foot basis properties sold for approximately the same value. The comparable price per square foot is reflective of the small size of the warehouse properties in the Town Center area rather than higher-class property. The average industrial building and parcel size that sold in the balance of the City was more than twice the size of what sold in the Town Center area. In summary, during 2004-2008 warehouse properties in the Town Center area sold for substantially less than warehouse properties in the balance of the City, which is attributed to substantially smaller properties both in terms of building and parcel size.

**Table 13: R&D Sales Comparables for the Town Center Area and the City of Milpitas: 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Sale Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price per Sq. Ft. of Land | Year Built | Building Class |
|---|---|---|---|---|---|---|---|---|
| **Balance of the City** | | | | | | | | |
| 1351-1355 California Cir | 2/23/2007 | $33,257,000 | 91,474 | 291,416 | $364 | $114 | 1986 | C |
| 1621 Barber Ln | 11/4/2004 | $18,500,000 | 181,812 | 419,918 | $102 | $44 | 1981 | B |
| 1430 California Cir | 5/9/2005 | $11,200,000 | 158,356 | 442,134 | $71 | $25 | 1987 | B |
| 450 Montague Expy | 6/26/2008 | $10,000,000 | 29,304 | 158,558 | $341 | $63 | 1968 | B |
| 1590 Buckeye Dr | 8/2/2007 | $7,500,000 | 52,703 | 147,232 | $142 | $51 | 2000 | B |
| 1525 McCarthy Blvd | 10/30/2006 | $7,065,620 | 76,284 | 182,952 | $93 | $39 | 1983 | B |
| 1751 McCarthy Blvd | 12/6/2007 | $5,761,280 | 41,152 | 118,047 | $140 | $49 | 1983 | C |
| 580 Cottonwood Dr | 1/30/2004 | $5,000,000 | 48,384 | 106,286 | $103 | $47 | 1981 | C |
| 1600 California Cir | 11/23/2005 | $4,999,000 | 44,820 | 144,619 | $112 | $35 | 1997 | C |
| 550-576 Sycamore Dr | 5/26/2005 | $3,575,000 | 43,255 | 118,047 | $83 | $30 | 1978 | C |
| 505-517 Fairview Way, 517/1st Floor | 2/21/2008 | $1,405,000 | 30,993 | | $173 | | 1984 | B |
| 355-379 Fairview Way, 371/1st Floor | 8/8/2007 | $838,500 | 25,320 | | $185 | | 1985 | B |
| 355-379 Fairview Way, 375/1st Floor | 10/11/2007 | $775,000 | 25,320 | | $226 | | 1985 | B |
| 355-379 Fairview Way, 363/1st Floor | 8/8/2007 | $764,000 | 25,320 | | $190 | | 1985 | B |
| 355-379 Fairview Way, 355/1st Floor | 9/7/2007 | $668,000 | 25,320 | | $221 | | 1985 | B |
| 1112-1124 Cadillac Ct, 1118/1st Floor | 9/24/2007 | $628,900 | 12,819 | | $255 | | 1985 | B |
| 1112-1124 Cadillac Ct, 1120/1st Floor | 6/25/2008 | $620,000 | 12,819 | | $262 | | 1985 | B |
| 1112-1124 Cadillac Ct, 1116/1st Floor | 11/21/2007 | $549,900 | 12,819 | | $242 | | 1985 | B |
| 355-379 Fairview Way, 379/1st Floor | 10/11/2007 | $425,000 | 25,320 | | $181 | | 1985 | B |
| 1112-1124 Cadillac Ct, 1112/1st Floor | 12/14/2007 | $320,900 | 12,819 | | $355 | | 1985 | B |
| 1112-1124 Cadillac Ct, 1124/1st Floor | 9/24/2007 | $297,900 | 12,819 | | $330 | | 1985 | B |
| AVERAGE | 2/20/2007 | $5,435,762 | 47,106 | 212,921 | $199 | $50 | 1985 | B |
| **Town Center Area** | | | | | | | | |
| 233 S Hillview Dr | 3/9/2006 | $13,450,000 | 60,482 | 256,568 | $222 | $52 | 1999 | B |
| 628-658 Gibraltar Ct [1] | 9/24/2007 | $5,295,680 | 39,520 | 107,593 | $134 | $49 | 1985 | B |
| 790-796 Yosemite Way | 7/17/2007 | $4,555,635 | 42,378 | | $108 | | 2001 | B |
| 628-658 Gibraltar Ct [1] | 1/4/2007 | $3,883,700 | 39,520 | 107,593 | $98 | $36 | 1985 | B |
| 372-374 Turquoise St [1] | 10/12/2005 | $3,534,000 | 32,119 | 97,574 | $110 | $36 | 1985 | B |
| 628-658 Gibraltar Ct [1] | 7/29/2005 | $2,707,120 | 39,520 | 107,593 | $69 | $25 | 1985 | B |
| 796-800 Yosemite Way | 4/30/2004 | $1,505,196 | 42,378 | 106,286 | $123 | $14 | | B |
| AVERAGE | 4/22/2006 | $4,990,190 | 42,274 | 130,535 | $123 | $36 | 1990 | B |
| **Percent Difference Between City and Added Area Average:** | | **-8%** | **-10%** | **-39%** | **-38%** | **-28%** | | |

[1] Property sales outside of the Added Area but wi hin the balance of the Town Center area and therefore adjacent to the Added Area and provided as representative sales for the Added Area

Prepared by: Keyser Marston Associates, Inc.
Filename: Comps 1109, R&D; 2/5/2010; bm

**Table 14 Warehouse and Manufacturing Sales Comparables for the Town Center Area and the City of Milpitas 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| Address | Date Sold | Sale Price | Building Sq. Ft. | Land Sq. Ft. | Price per Sq. Ft. | Price Per Sq. Ft. of Land | Year Built | Ceiling Height | Building Class | Use Type |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance of the City** | | | | | | | | | | |
| 224-227 Curtis Ave | 1/21/2004 | $30,000,000 | 216,200 | 320,601 | $139 | $94 | 1980 | | | |
| 1501 McCarthy Blvd | 5/1/2004 | $13,810,000 | 135,648 | 410,335 | $102 | $34 | 1983 | | | Warehouse |
| 901-941 Cadillac Ct | 9/29/2004 | $9,804,780 | 120,600 | 358,063 | $81 | $27 | 1992 | 24'0"-30'0" | B | Warehouse |
| 765 Sycamore Dr | 8/19/2004 | $6,810,000 | 67,760 | 197,762 | $101 | $34 | 1983 | 18'0"-20'0" | | Manufacturing |
| 1 Hanson Ct | 4/27/2007 | $6,025,000 | 19,836 | 186,001 | $304 | $32 | 1996 | | C | Cement/Gravel Plant |
| 901-943 Hanson Ct | 12/30/2005 | $6,000,000 | 24,141 | 108,900 | $249 | $55 | 1984 | 16'0"-24'0" | C | Warehouse |
| 675 Sycamore Dr | 6/29/2006 | $5,985,000 | 87,146 | 260,053 | $69 | $23 | 1983 | 18'0"-20'0" | C | Warehouse |
| 1452-1474 S Main St | 9/15/2005 | $3,950,000 | 26,400 | 71,874 | $150 | $55 | 1975 | | C | Service |
| 1992-1998 Tarob Ct | 8/31/2006 | $3,900,000 | 39,500 | 99,316 | $99 | $39 | 1984 | 16'0"-21'0" | B | Manufacturing |
| 620 S Main St | 8/3/2005 | $3,350,000 | 29,520 | 71,874 | $113 | $47 | 1985 | 17'0"-20'0" | B | Manufacturing |
| 328 Sango Ct | 12/28/2005 | $2,200,000 | 14,800 | 30,491 | $149 | $72 | 1980 | | C | Manufacturing |
| 1603 Watson Ct | 3/17/2005 | $1,975,500 | 12,950 | 17,424 | $153 | $113 | 1980 | 16'0" | | Manufacturing |
| 1490 Gladding Ct | 7/24/2007 | $1,590,000 | 9,942 | 34,848 | $160 | $46 | 1982 | 16'0" | C | Manufacturing |
| 27-31 Winsor St | 4/13/2005 | $1,125,000 | 6,950 | 11,761 | $162 | $96 | | 20'0" | C | Manufacturing |
| 309 Sango Ct | 10/12/2006 | $912,000 | 6,009 | 21,780 | $152 | $42 | 1979 | | C | Manufacturing |
| 1650 Watson Ct | 10/29/2004 | $877,000 | 4,400 | 11,329 | $199 | $77 | 1982 | | B | |
| 1811-1829 Houret Ct, 1813/1st Floor | 1/8/2008 | $591,120 | 29,520 | 69,696 | $180 | $8 | 1985 | 16'0" | B | Manufacturing |
| 1811-1829 Houret Ct, 1811/1st Floor | 10/10/2007 | $525,000 | 29,520 | 69,696 | $167 | $8 | 1985 | 16'0" | B | Manufacturing |
| 1811-1829 Houret Ct, 1817/1st Floor | 3/11/2004 | $459,500 | 29,520 | 69,696 | $140 | $7 | 1985 | 16'0" | B | Manufacturing |
| 1656 McCarthy Blvd | 12/6/2006 | | 80,060 | 226,076 | | | 1983 | 13'6" | C | |
| 1666 S Main St | 4/18/2007 | | 12,000 | 87,120 | | | 1962 | | C | Warehouse |
| 801 Buckeye Ct | 11/30/2005 | | 30,968 | 98,010 | | | 1985 | | C | Manufacturing |
| AVERAGE | 12/19/2005 | $5,257,363 | 46,972 | 128,759 | $151 | $48 | 1982.52381 | N/A | C | |
| | | | | | | | | | | |
| **Town Center Area** | | | | | | | | | | |
| 1000-1210 Ames Ave | 5/10/2007 | $10,200,000 | 176,066 | 347,608 | $58 | $29 | 1965 | 16'0"-22'0" | B | Manufacturing |
| 743-765 Montague Expy | 1/21/2005 | $8,118,320 | 45,480 | 209,088 | $179 | $39 | 1971 | 17'0" | C | Service |
| 186-188 Topaz St [1] | 1/26/2007 | $4,859,400 | 32,396 | 91,476 | $150 | $53 | 1984 | | B | |
| 310-340 S Milpitas Blvd | 1/16/2008 | $3,730,000 | 35,520 | 96,267 | $105 | $39 | 1981 | 16'0"-18'0" | C | Warehouse |
| 756 Yosemite Way | 3/23/2007 | $2,969,824 | 23,909 | 65,340 | $124 | $45 | 2001 | 22'0" | B | Warehouse |
| 193-199 Topaz St [1] | 4/4/2005 | $2,700,000 | 16,250 | 63,588 | $166 | $42 | 1983 | 18'0"-20'0" | B | Warehouse |
| 1126 Yosemite Dr | 3/28/2008 | $1,975,000 | 12,048 | 37,461 | $164 | $53 | 1981 | | B | Warehouse |
| 1126 Yosemite Dr | 8/10/2004 | $1,600,000 | 12,048 | 37,461 | $133 | $43 | 1981 | | B | Warehouse |
| 605-645 Vista Way | 10/28/2005 | $1,512,500 | 120,320 | 265,280 | $94 | $6 | 1982 | 23'0"-25'0" | B | Warehouse |
| 615 Vista Way | 11/3/2006 | $1,500,000 | 16,062 | 36,590 | $93 | $41 | 1982 | | C | |
| 451 Los Coches St | 8/31/2004 | $1,200,000 | 10,800 | 31,363 | $111 | $38 | 1981 | 14'0" | | Warehouse |
| 991 Montague Expy [1] | 12/9/2005 | $610,000 | 1,700 | | $359 | | | | | |
| AVERAGE | 5/5/2006 | $3,414,587 | 41,883 | 116,502 | $145 | $39 | 1981 | N/A | B | |
| | | | | | | | | | | |
| **Percent Difference Between City and Added Area Average** | | **-35%** | **-11%** | **-10%** | **-4%** | **-19%** | | | | |

[1] Property sales outside of the Added Area but within the balance of the Town Center area and therefore adjacent to the Added Area and provided as representative sales for the Added Area

Prepared by: Keyser Marston Associates, Inc.
Filename: Comps 1109, IND; 2/5/2010; bm

b. Impaired Property Values, Due in Significant Part, to Hazardous Wastes on Property where the Agency may be Eligible to use its Authority as Specified in Article 12.5 (commencing with Section 33459).

Under Title 26 of the California Code of Regulations ("CCR"), a hazardous material is defined as a substance or combination of substances that may cause or significantly contribute to an increase in mortality or a increase in serious, irreversible, or incapacitating illness, or may pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported or disposed of, or otherwise managed (CCR, Title 22, Chapter 11, Article 2, Section 66261.10).

As stated in the Draft Environmental Impact Report (Draft EIR) prepared for the Amendments, "the sensitivity of potential receptors in the areas of known or potential hazardous materials contamination is dependent primarily on an individual's potential pathway for exposure. Hazardous materials exposure could occur through exposure to groundwater and/or soil contamination during construction. With respect to this possible form of hazardous materials exposure, construction workers have the highest potential for exposure to ground and/or soil contamination. Other potential receptors in the Amended Project Area (combined Existing Project Area and Added Area) include home health care facilities and residential areas."

Remediation (cleanup) of hazardous wastes found at a project site is generally required if those materials are excavated. Cleanup requirements are determined on a case-by case basis by the agency with lead jurisdiction over the project. As described below, there are multiple State and Federal agencies that monitor hazardous materials/waste handling and clean up. The proposed Added Area includes industrial and commercial uses both present and past that use and/or store hazardous materials. Underground storage tanks ("USTs") are a common method of storing hazardous materials, such as gasoline at a gasoline station.

There are multiple State and Federal agencies that monitor the handling and clean up of hazardous materials. According to the Draft EIR, there are 13 sites in the Added Area that have moderate to severe contamination. These sites represent 9% of the commercial and industrial parcels in the Added Area. The following are a list of the contaminated sites including owner, address and State and/or Federal list(s) on which the sites are reported:

- North American Transformer – 1200 Piper Drive (CERCLIS[17], ERNS[18], State Cleanup site[19], Spill site[20], UST[21] site, Other site[22])

- Sierra Chemical - 1001 Yosemite Drive (CERCLIS NFRAP[23], RCRA[24] GEN[25], ERNS, open LUST[26] site, UST site).

- Pierce and Stevens Chemical Corporation - 805 South Sinclair Frontage Road; (CERCLIS NFRAP, RCRA GEN, RCRA COR[27], ERNS, State Cleanup site, open LUST site, UST site).

- KOMAG 4 - 275 South Hillview Drive (CERCLIS NFRAP, RCRA GEN, State Clean site, Spill site).

- Great Western Chemical Company (945 Ames Boulevard) (CERCLIS NFRAP, ERNS, RCRA GEN, RCRA COR, RCRA TSD, State Cleanup site, Spill site, open LUST site, Permit site, SWL [28]site, UST site).

- Devcon Construction – 555 Los Coches Street (open LUST)

- Bottomley Distributing Company - 755 Yosemite Drive (open LUST)

- Aztec Tile – 1126 Yosemite Drive (open LUST)

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[17] Comprehensive Environmental Response Compensation and Liability Information System site (CERCLIS).
[18] Emergency Response Notification System (ERNS). Database of incidents reported to the National Response Center. These incidents include chemical spills, accidents involving chemicals (such as fires or explosions), oil spills, transportation accidents that involve oil or chemicals, releases of radioactive materials, sightings of oil sheens on bodies of water, terrorist incidents involving chemicals, incidents where illegally dumped chemicals have been found, and drills intended to prepare responders to handle these kinds of incidents. Data since January 2001 has been received from the National Response System database as the EPA no longer maintains this data.
[19] State Spills 90: *CA EPA* SLIC REGIONS 1 - 9- The California Regional Water Quality Control Boards maintain report of sites that have records of spills, leaks, investigation, and cleanups.
[20] State Spills 90: *CA EPA* SLIC REGIONS 1 - 9- The California Regional Water Quality Control Boards maintain report of sites that have records of spills, leaks, investigation, and cleanups.
[21] Underground Storage Tank (UST).
[22] Other Site can include unconfirmed State sites referred to another State or local agency, or sites where no further action determination has been made. More often, Other Site refers to a site managed by a local county environmental health department or agency.
[23] No Further Remediation Planned (NFRAP): - database of Archive designated CERCLA sites that, to the best of EPA's knowledge, assessment has been completed and has determined no further steps will be taken to list this site on the National Priorities List (NPL). This decision does not necessarily mean that there is no hazard associated with a given site; it only means that, based upon available information, the location is not judged to be a potential NPL site.
[24] Resource Conservation and Recovery Act (RCRA).
[25] Registered hazardous waste generator (GEN).
[26] Leaking underground storage tank (LUST).
[27] Corrective actions (COR) - waste generators that are subject to corrective actions imposed by the EPA for noncompliance with the RCRA laws and guidelines.
[28] Solid waste landfill (SWL site).

- Unocal –27 S. Park Victoria (open LUST)
- Comac – 565 Sinclair Frontage Road (open LUST)
- Shell – 950 Calaveras Boulevard (open LUST)
- JC Cleaners – 76 South Park Victoria Street (Dry Cleaners)
- Jones Chemical – 985 Montague Expressway (CERCLIS NFRAP, ERNS, State site, Spills site)

The California Department of Toxic Substances Control ("DTSC") is one of several entities that monitor hazardous materials contamination and remediation sites within the State. The following describes the specific information provided on the DTSC website "Envirostor" for two active sites in the Town Center area including:

| Site Name | Cleanup Status | Address |
|---|---|---|
| • Great Western Chemical Company | Inactive- Needs Evaluation | 945 Ames Avenue |
| • Sherwin William Company | Inactive- Needs Evaluation | 805 Sinclair Frontage Road |

As described in more detail below, the Great Western Chemical Company site requires further action to mitigate potential groundwater contamination. The Sherwin Williams site is identified as "Inactive – Needs Evaluation" which indicates there is no active clean up plan and the site requires further testing to determine the level of contamination. The following is a summary of status of the contamination on these selected sites:

**The Great Western Chemical Co** site was originally contaminated with Chlorinated Hydrocarbons and Trichloroethylene. The contamination migrated to the groundwater. The case was opened in 1983 when a leak was reported and its status is remediation. The current remedy plan revised in 2009 calls for using carbohydrate injections to further reduce Volatile Organic Compounds ("VOCs") in the groundwater. As described in the U.S. Environmental Protection Agency website, "Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids. VOCs include a variety of chemicals, some of which may have short- and long-term adverse health effects. Concentrations of many VOCs are consistently higher indoors (up to 10 times higher) than outdoors. VOCs are emitted by a wide array of products numbering in the thousands. Examples include: paints and lacquers, paint strippers, cleaning supplies, pesticides, building materials and furnishings, office equipment such as copiers and printers, correction fluids and carbonless copy paper, graphics and craft materials including glues and adhesives, permanent markers, and photographic solutions." Annual reporting and implementation of institutional controls, soil management plans (on-site) and risk management/evaluation activities (off-site) are required. A five-year status report is scheduled for 2013.

**The Sherwin Williams** site requires investigation. There is little information available on the site other than preliminary assessment reports which were completed in 1987, 1988 and again in September 1990. All that is noted in the DTSC report is that the status of the clean up is inactive and further evaluation is needed.

The DTSC also maintains a hazardous waste and substances list – site clean up (Cortese List). The following sites are two additional sites included in the DTSC's database (the Great Western site was also identified on this list):

| Site Name | Cleanup Status | Address |
|---|---|---|
| • KOMAG (other clean up site) | Open –Inactive | 275 Hillview Drive South (Town Center area) |
| • UNOCAL# 5130 (LUST) | Open Remediation | 27 S. Park Victoria (Selwyn/ Shirley area) |

The UNOCAL site is identified as a Leaking Underground Storage Tank ("LUST") cleanup site. The KOMAG is simply identified as "other clean up site". KOMAG is a manufactures of thin-film disks for computer hard drives. Both cases are "open."

The issues associated with LUSTs were summarized from an article accessed through the Water Environment Federation website (February 2008): Most USTs are used by the petroleum industry, predominantly within gas stations. Most gas stations have two to four 4,000 to 12,000 gallon tanks. USTs are also used by rural homeowners for farming or other miscellaneous purposes. Problems arise when USTs begin to leak. Most petroleum products used in UST's contain hydrocarbons and other additives that pose health risks and harm the environment. Hydrocarbons can slowly break down naturally through bioremediation; however this process is far too slow to prevent serious damage to the environment and groundwater.

Around 51% of the nation's population relies on groundwater as a source of drinking water. A contaminated water supply can have devastating and long-lasting effects. The remediation of a contaminated underground water supply can cost millions of dollars.

It was common practice in the twentieth century to place unprotected steel storage tanks and piping in the ground and forget about them. Unprotected steel can be highly subject to corrosion in addition to earthquake damage. According to an estimate in 1994, approximately 1.2 million USTs existed in the U.S., many of which were leaking or at high risk of leaking. There are now federal standards in place requiring new tanks and piping that are intended to prevent underground leakage.

The cost to clean up hazardous waste sites and the impact on property values varies depending on the type and extent of contamination. The issue of the effect of hazardous waste contamination on properties was analyzed in an article published by RICS Research entitled "The Cutting Edge 1998", authored by William N. Kinnard, Jr. Real Estate Counseling Group of Connecticut. It was found that seriously contaminated property will not sell at any price. Lenders are wary of contaminated properties and as a result, it is difficult to obtain mortgage financing for a seriously contaminated property. The article noted that the market-value loss experienced by contaminated properties fell into three categories: 1) cost of cleanup; 2) liability to the public; and 3) stigma after cleanup. Based on prior property sales, potential buyers remain reluctant to buy contaminated or previously contaminated property due to the potential increase in lending costs and the difficulty in obtaining a loan, even following clean up. The worth of the property is decreased by anticipated reduced occupancy and rent, increased cost of insurance and cost of monitoring costs after remediation. In addition, there are additional holding costs such as property taxes where property sales are delayed.

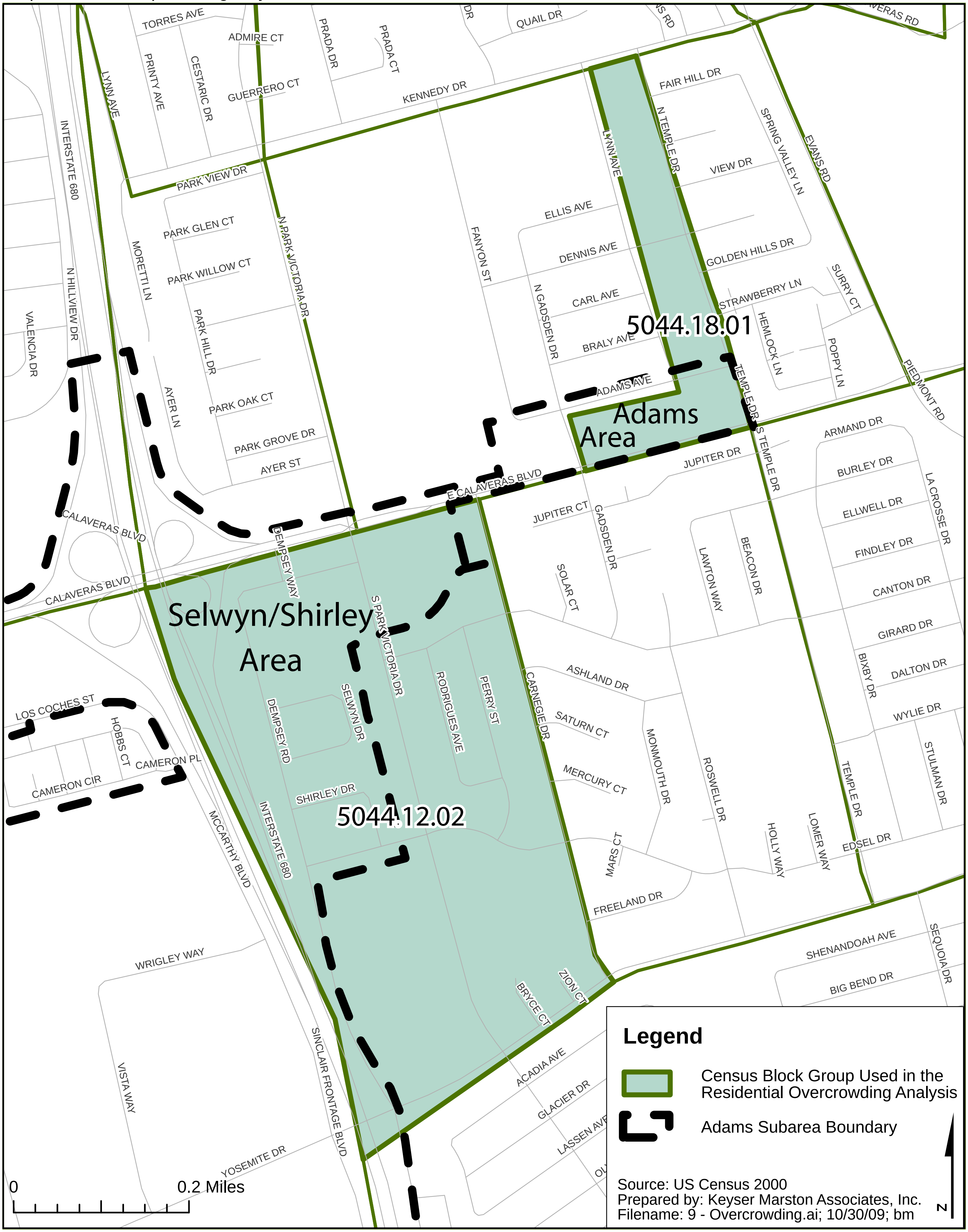
c. Abnormally High Business Vacancies, Abnormally Low Lease Rates, or an Abnormally High Number of Abandoned Buildings.

The industrial buildings in the Town Center area are being outperformed by the similar industrial building types in the North San Jose submarket, as well as by the County as whole. The vacancy rate in Town Center area is at 9% (as of July 2009) compared to 6% in the North San Jose submarket and 7% in Santa Clara County. More telling than the percentage of vacancies is the time the industrial properties remain on the market before they are leased. The average time on the market for industrial space in the Town Center area is 12.2 months, compared to 7.6 months in the North San Jose submarket area. Vacant industrial space Countywide stays on the market for a comparable period of time (13.3 months) but rents at $0.66 per square foot compared to $0.54 per square foot or 18% more. The lease rate in the North San Jose submarket for industrial space is comparable to the Town Center area but as noted above the space remains vacant twice as long.

d. Serious Residential Overcrowding that has Resulted in Significant Public Health and Safety Problems.

The following analysis is based upon a review of overcrowding data available from the 2000 US Census (the latest information available) for two census block groups that encompass the Adams area (5044.18.01) and the Selwyn/Shirley area (5044.12.02) and are compared to overcrowding in the City and County. **Map 9: "Overcrowding by Census Block Groups"** shows the census block groups used for this analysis.

Map 9: Residential Overcrowding Census Block Groups
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agencysd



The US Census reports overcrowding according to the basic unit standard used by ("HUD"), which is more than one person (1.01+) per room within a unit.[29] A room is defined by HUD as a habitable room within a dwelling unit and can be any room except the hallway, kitchen and the bathroom. More specifically, ideal housing is 1.00 persons per room or less, overcrowded housing is 1.01-1.50 persons per room, and severely overcrowded housing is 1.5+ persons per room. **Table 15: "Overcrowded Housing Units in the Adams and Selwyn/Shirley Areas"** presents living conditions as defined by HUD for the Selwyn/Shirley and Adams areas and for comparison purposes, the City and Santa Clara County. As shown in **Table 15,** 54% of the residents in the Selwyn/Shirley area and 37% of the residents in the Adams area live in overcrowded conditions compared to 22% in the City and 23% in the County.

As reported by the Fannie Mae Foundation in 2002, "To get a better sense of the living conditions implied by these two standards, it is helpful to consider them in relationship to the typical American home, which contains five rooms. For the typical house to be overcrowded, it would need to have a least six occupants. The typical home would need to have at least eight occupants for it to be classified as severely overcrowded."[30]

Based on property sale information from 2004-2008, the average size of a residential units in the Selwyn/Shirley and Adams areas is 800 square feet. This is assumed to be a two-bedroom apartment with three habitable rooms (two-bedrooms and a living room). Based on City inspections, it is estimated that the average family size in these areas is 3.99 in the Adams area and 4.30 in the Selwyn/Shirley area. In comparison, the average household size Citywide is 3.52 persons and in Santa Clara County is 2.98 persons.

In overcrowded units utilities are overloaded and can result in unsafe living conditions and accelerate building deterioration. This issue has been identified as a problem in the City for some time. The relationship between overcrowding, overburdened electrical systems and unsafe living conditions was cited by Fannie Mae. "Some overcrowded households have members living in basements or attics without adequate egress or are exposed to an increased fire risk because of overburdened home electrical systems." Furthermore, it was noted that "even if overcrowded households do not always suffer ill effects, their neighbors sometimes associate overcrowding with negative externalities

[29] The HUD definition of over grounding is based on the following citations from the Code of Federal Regulations (CFR): Citation 1) 24 CFR Subtitle A Section 91.5 Definitions. *Overcrowding*. For purposes of describing relative housing needs, a housing unit containing more than one person per room, as defined by the U.S. Census Bureau, for which data are made available by the Census Bureau. (See 24 CFR 791.402(b).) Citation 2) 24 CFR 791.402(b)(3) Housing Overcrowding. The number of renter-occupied housing units with an occupancy ratio of 1.01 or more persons per room.

[30] Patterns and Trends in Overcrowded Housing: Early Results from Census 2002, Patrick A. Simmons, Fannie Mae Foundation.

**Table 15: Overcrowded Housing Units in the Adams and Selwyn/Shirley Areas**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**2000 Census Housing Units**

| Persons Per Room | | Selwyn/ Shirley Area [1] | % of Total | Adams Area [2] | % of Total | City of Milpitas | % of Total | Santa Clara County | % of Total |
|---|---|---|---|---|---|---|---|---|---|
| 1.00 or Less | (Ideal) | 380 | 46% | 251 | 63% | 13,803 | 77% | 484,959 | 77% |
| 1.01 - 1.50 | (Overcrowded) | 180 | 22% | 53 | 13% | 1,824 | 7% | 34,640 | 8% |
| 1.51 or more | (Severely Overcrowded) | 259 | 32% | 95 | 24% | 1,510 | 15% | 46,264 | 15% |
| | **Total** | **819** | | **399** | | **17,137** | | **565,863** | |
| **Total Percentage of Units with Overcrowded or Severely Overcrowded Units:** | | | **54%** | | **37%** | | **22%** | | **23%** |

Source: US Census Bureau, Census 2000 Census Block Data

[1] The Selwyn/Shirley area is defined as census block group number 5044.18 01.
[2] The Adams area is defined as census block group number 5044.12 02.

such as increased traffic and noise, falling property values, and rising taxes. In addition, local public officials are becoming increasingly concerned about the impact of overcrowding on public infrastructure such as schools, roads, and water and sewer systems."[31]

e. A High Crime Rate that Constitutes a Serious Threat to the Public Safety and Welfare.

There is an estimated population of 640 persons in the Adams area or less than 1% of the estimated 69,362 persons living in Milpitas. In the Selwyn/Shirley area there is an estimated 2,182 persons living in the area or 3% of the total population. Overall, the total number of crimes in the Adams area is proportional to its population. While in the Selwyn/Shirley area the number of crimes are proportionally higher. More telling is the number of crimes per property. During the five-year period, there was an average of three crimes per property in Adams area, six crimes per property in the Selwyn/Shirley area compared to 0.8 crimes per property Citywide.

The largest number of crimes in these areas were assaults and auto thefts. In the five-year period, there were 30 assaults in the Adams area and 178 in the Selwyn/Shirley area, which is roughly twice as many per property than Citywide. In terms of population, there were 46.9 assaults per 1,000 in the Adams area, 81.6 assaults per 1,000 in the Selwyn/Shirley area compared to 39.0 assaults per 1,000 Citywide. This is consistent with the proportion of gang related crimes in theses areas. Although Adams has less than 1% of the City population, it has 6% of the gang related crimes. In the Selwyn/Shirley area the proportion of gang related crimes was even higher at 10% compared to 3% of the population. These crimes are consistent with the City's on-going efforts to reduce crime, and more specifically gang related crimes, which have been the focus of task forces and current City efforts for the past 10 years. **Table 16: "Crime in the Adams and Selwyn/Shirley Areas: 2004-2008"** summarizes the Part 1 Crimes in these areas and gang related incidents.

[31] Patterns and Trends in Overcrowded Housing: Early Results from Census 2002, Patrick A. Simmons, Fannie Mae Foundation.

**Table 16: Crime in the Adams and Selwyn/Shirley Areas: 2004-2008**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**Total Part I Crimes: 2004-2008**

| Crime Type | Adams Area | Selwyn/Shirley Area | City of Milpitas | Adams Area as a % of the Balance of the City | Selwyn/Shirley Area as a % of the Balance of the City |
|---|---|---|---|---|---|
| Murder | 0 | 1 | 11 | 0% | 9% |
| Rape | 1 | 8 | 73 | 1.4% | 11% |
| Robbery | 1 | 9 | 278 | 0.4% | 3% |
| Assault | 30 | 178 | 2,592 | 1.2% | 7% |
| Burglary | 2 | 45 | 1,769 | 0.1% | 3% |
| Theft | 17 | 200 | 7,277 | 0.2% | 3% |
| Auto Theft | 27 | 77 | 1,382 | 2.0% | 6% |
| Arson | 0 | 0 | 69 | 0% | 0% |
| **TOTAL** | **78** | **518** | **13,451** | **0.6%** | **4%** |
| **Population*:** | **640** | **2,182** | **69,362** | **0.9%** | **3%** |
| **Acreage:** | **13** | **57** | **8,704** | **0.1%** | **1%** |
| **Number of Properties** | **26** | **87** | **16,394** | **0.2%** | **1%** |
| **Crimes per Property:** | **3.0** | **6.0** | **0.8** | | |
| **Number of Gang Related Part I Crimes** | **3** | **5** | **65** | **4.6%** | **8%** |
| **Number of Total Gang-Related Incidents**** | **16** | **27** | **267** | **6.0%** | **10%** |

**Part I Crimes per 1,000 People**

| Crime Type | Adams Area | Selwyn/Shirley Area | City of Milpitas |
|---|---|---|---|
| Murder | 0.0 | 0.5 | 0.2 |
| Rape | 1.6 | 3.7 | 1.1 |
| Robbery | 1.6 | 4.1 | 4.2 |
| Assault | 46.9 | 81.6 | 39.0 |
| Burglary | 3.1 | 20.6 | 26.6 |
| Theft | 26.6 | 91.7 | 109.4 |
| Auto Theft | 42.2 | 35.3 | 20.8 |
| Arson | 0.0 | 0.0 | 1.0 |
| **TOTAL** | **121.9** | **237.4** | **202.1** |

*Population estimates provided by Claritas Site Reports.
**Gang related, non-Part I crimes include, but are not limited to: vandalism, narcotics violations, pubilic disturbances, and weapon violations.

## B. BLIGHTING CONDITIONS IN THE AMENDMENT AREAS

### 1. Physical Blighting Conditions

a. Buildings in which it is Unsafe or Unhealthy for Persons to Live or Work. These Conditions may be Caused by Serious Building Code Violations, Serious Dilapidation and Deterioration Caused by Long-term Neglect, Construction that is Vulnerable to Serious Seismic or Geologic Hazards, and Faulty or Inadequate Water or Sewer Utilities.

The Amendment Areas are within the Coyote Creek watershed which flows through the Cities of Milpitas and San Jose. Berryessa Creek, a major tributary of Coyote Creek, drains 22 square miles in Milpitas and a portion of San Jose into the San Francisco Bay. The Berryessa Creek enters the Original Project Area at Calaveras Boulevard near the intersection of North Hillview Drive and Calaveras Boulevard. Berryessa Creek flows northwest and exits the Original Project Area at North Abel Street. The Tularcitos Creek, which is a tributary to the Berryessa Creek flows in a southwesterly direction entering the Original Project Area near Del Rio Court and flowing south where it intersects Berryessa Creek.

The two creeks form a "Y" at which the center is the "1%" floodplain as described by the Santa Clara Valley Water District. A 1% or 100-year floodplain refers to a flood level with a 1% or greater chance of being equaled or exceeded in any give year. These areas have also been identified as "Special Flood Hazard Areas" ("SFHAS"). This is a high flood risk zone designation which is given to areas with a history and geography of significant floods.[32] In Milpitas, SFHAS are generally located near the following creeks: Calera, Penitencia, Berryessa, Los Coches, and Tularcitos. The Santa Clara Valley Water District ("SCVWD") is responsible for improvements to and maintenance of these major creeks. In 1997, a majority of the area west of I-880 was removed from the SFHA after Coyote Creek improvements were completed.[33] However, the Original Project Area lies east of the I-880 between I-880 and I-680.

Although the area in and around the Berryessa Creek is in a 100-year floodplain, the creek flooded in 1967, 1980, 1982 and 1983 and 1998. In 1998, significant damage occurred to homes and automobiles from flooding from Berryessa Creek. Potential

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[32] Watermark Nation Flood Insurance Program, "Keeping Up with the SFHAS", by David Mayrstad, FEMA accessed http://watermark.nfipstat.com/sfha_upkeep.htm on November 16, 2009.

[33] City of Milpitas website "City of Milpitas/Flood Information: http://www.ci.milpitas.ca.gov/governerment/engineering/flood.asp

damages from a 100-year flood on Berryessa Creek exceed $52 million with average annual damages of $3.6 million (1993 value).[34]

Problems on Berryessa Creek include the lack of capacity to keep 100-year flow in channel with upstream creek improvements, need for frequent and the difficulty in sediment removal and levee surface cracking. Calera Creek just north of the boundary of the Original Project Area on Jacklin Road and Tularcitos Creek, lack capacity to keep 100-year flow in channel. Backwater from improvements on Berryessa Creek causes flooding along Calera and Tularcitos Creeks. Contributing to the flooding conditions is difficulty in sediment removal, vegetation control and maintenance access.[35]

In addition to the Berryessa and Tularcitos Creeks, a portion of the Lower Penitencia Creek flows through Amendment Area No. 1 paralleling Abel Street. Lower Penitencia Creek is subject to 100-year flooding similar to Berryessa, Calera and Tularcitos Creeks. It is estimated that there are approximately 110 units within Amendment Area No. 1, housing an estimated 387 persons.[36] Within the Original Project Area, it is estimated that there are approximately 825 units housing 2,904 residents for a combined total of 3,291 people living within the 100-year floodplain. Within the Original Project Area and Amendment Areas No. 1 and 2, it is estimated that approximately 298 acres or 19% of these areas are within the 100-year floodplain (185 acres, or 32% of the Original Project Area and 113 acres, or 23% of Amendment Area No. 1). **Map 10: "100 –Year Floodplain"** shows the areas within the 100-year flood zone.

b. Conditions that Prevent or Substantially Hinder the Viable Use or Capacity of Buildings or Lots. These Conditions may be Caused by Buildings of Substandard Design, Defective or Obsolete Design or Construction, given the Present General Plan, Zoning or other Development Standards.

Sperry Van Ness Commercial Real Estate ("SVN") surveyed 78 properties in the area commonly known as Oak Creek in September and October 2009. Oak Creek includes approximately 350 acres and is bounded by Interstate 880 on the east, Montague Expressway on the south, Coyote Creek on the west and Tasman Drive on the north. This area encompasses the western half of Amendment Area No. 1 and the southern portion of Amendment Area No. 2. The survey also included one large 25-acre property for sale in Amendment Area No. 2 formerly occupied by Seagate Technologies. The commercial uses surveyed by SVN were manufacturing, and research and development facilities. SVN's report is included in **Appendix E.**

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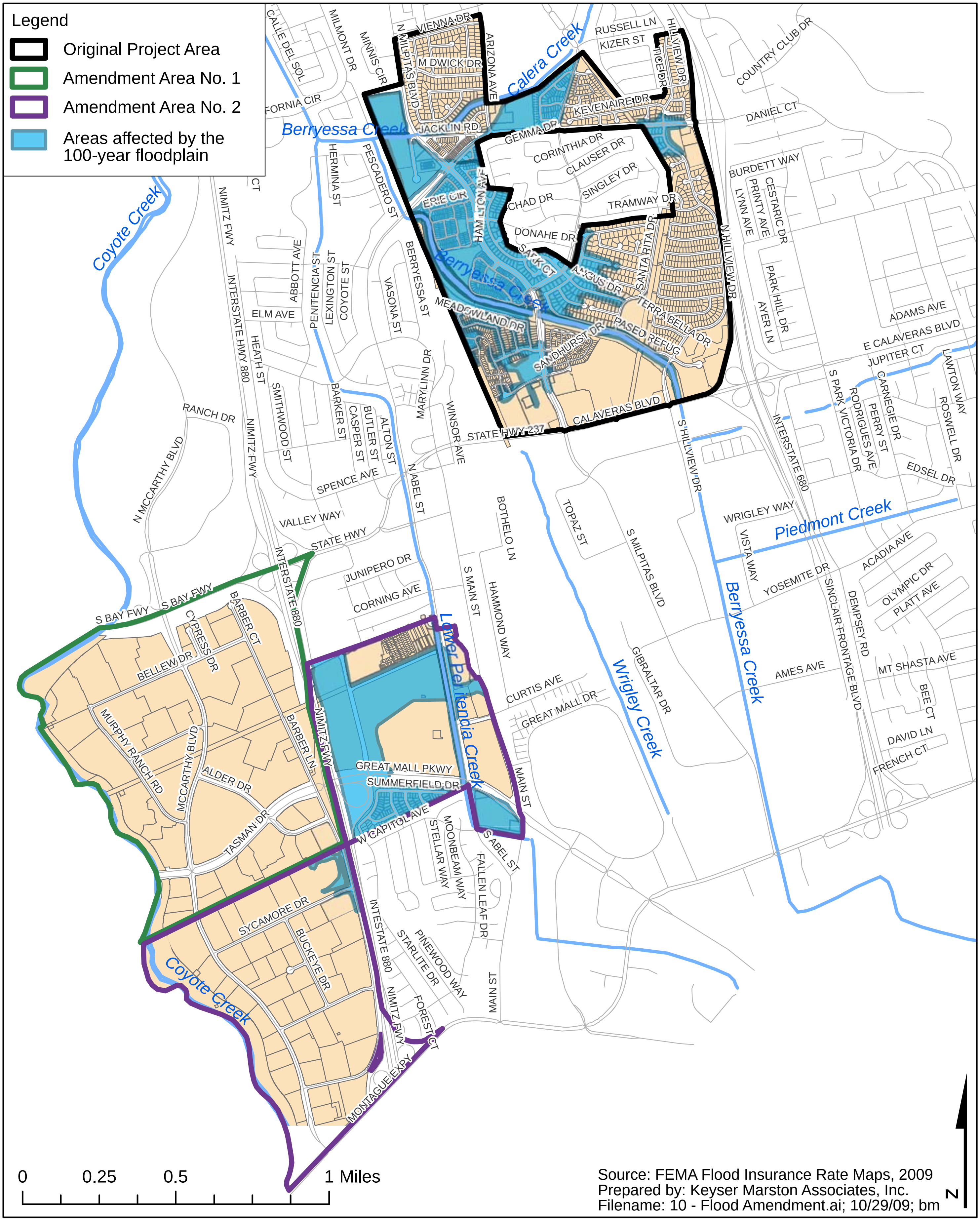
[34] Coyote / Berryessa Creek Flood Project, http://74.125.155/search?q=cache:kdDwKs9B1E8J.www. valleywater.org/media/pdf/D…9/21/2009
[35] PowerPoint presentation September 28, 2005, Santa Clara Valley Water District: www.valleywater.org....Tularcitos%20Crk%20-%20L.%20Peniten%20Crk.shtm.
[36] Based on an average household size of 3.52 persons as reported by Claritas.

Map 10: 100-Year Floodplain within the Amendment Areas
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency



Of the 78 buildings surveyed, 45 or 58% were manufacturing and research and development space. Of the leasable space totaling approximately 5 million square feet, 3 million was research and development space. The market demand for space in the Oak Creek area is for research and development/office space. What is being marketed as research and development includes structures originally built for manufacturing purposes as well as structures designed for research and development uses. The trend is away from single use to multiple tenant buildings. Buildings that are impacted by obsolescence are those buildings that are designed for manufacturing purposes and those designed for single use research and development tenants that require substantial retrofitting to accommodate multiple office tenants.

Buildings designed for manufacturing purposes tend to be buildings with long unencumbered spans and minimal window area. To make these buildings usable for offices the space needs to be divided and additional windows added. For example, the space for truck loading is not needed and in some instances the truck doors can be converted to window area. Also, office uses require more parking than manufacturing uses. Manufacturing facilities generally provide two to three parking spaces per 1,000 square feet of building area compared to three plus spaces for research and development facilities and four spaces per thousand for office space. The number of parking spaces can affect the ability to lease the buildings. At the height of “dot.com” industry, research and development facilities were being built as large campus facilities that would house one large tenant. The number of these large businesses has declined and the trend now is to smaller facilities with multiple tenants.

Within the Oak Creek area, SVN surveyed 78 industrial properties of which 12 or 15% were identified as obsolete totaling approximately one quarter of the industrial properties in Amendment Area No. 1. All of the obsolete buildings were single use manufacturing or research and development facilities. These facilities lacked the ability to be easily subdivided for multiple tenants. These buildings included those with “window-line deficiencies” or lack of adequate window area. This hinders the ability to readapt the buildings with expanded office area improvements and increase space utilization. The inability to reuse the space is evidenced by the high and prolonged vacancy rates. Eight of the 12 buildings have a combined 10-year historical average vacancy rate of 57%. As discussed in the economic blighting conditions 36% of the research and development space is vacant.

The 25-acre site in the northern half of Amendment Area No. 2 was originally developed in 1990 as a campus for Quantum Electronics. In 2000, Quantum Electronics’ hard drive group merged with Maxtor, a producer of computer hard drives. In 2006, Maxtor was acquired by Seagate, a manufacturer of computer disks. In July 2008, Seagate closed its facility in Milpitas. Although Seagate is obligated to pay rent through April 2011, the building is for sale. The property is being marketed as a 332,250 square foot facility including 66,000 square feet of clean room (environment with low levels of environmental contamination). The property has been on the market for approximately one year (August 2008). The issue for this property will be the difficulty in finding a single user to buy the facility or to readapt the space for multiple tenants.

2. Economic Blighting Conditions

a. Impaired Property Values, Due in Significant Part, to Hazardous Wastes on Property where the Agency Authority may be Eligible to use its Authority as Specified in Article 12.5 (commencing with Section 33459).[37]

The following analysis is based on the findings of the Draft EIR prepared for the Milpitas Redevelopment Amendments by the Ervin Consulting Group, November 2009. Under Title 26 of the California Code of Regulations ("CCR"), a hazardous material is defined as a substance or combination of substances that may cause or significantly contribute to an increase in mortality or a increase in serious, irreversible, or incapacitating illness, or may pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported or disposed of, or otherwise managed (CCR, Title 22, Chapter 11, Article 2, Section 66261.10).

Remediation (cleanup) of hazardous wastes found at a project site is generally required if those materials are excavated. Cleanup requirements are determined on a case-by-case basis by the agency with lead jurisdiction over the project. The Amendment Areas include industrial uses both present and past that use and/or store hazardous materials. Also, the north/south rail line of the Union Pacific Railroad runs along the western boundary of the Original Project Area. Contamination may occur with spills in the transport, use or storage of hazardous materials. Underground storage tanks (USTs) are a common method of storing hazardous materials, such as gasoline at a gasoline station. Of the sites located within the Amendment Areas, those considered as having relatively moderate to severe contamination are listed below including the general type of contamination (spill or leaking underground storage tank (LUST)) and the database(s) in which the contamination is reported:

<u>Original Project Area</u>

- Shell – 990 Jacklin Avenue (open [not remediated] LUST)
- Shapell Industries of Northern Cal – 100 North Milpitas Boulevard (open LUST)

[37] Properties that contain hazardous wastes that may benefit from the use of agency authority as specified in Article 12.5 (commencing with Section 33459) of Chapter 4 in order to be developed by either the private or public sector or in order to comply with applicable federal or state standards.

Amendment Area No. 1

- LSI Logic – 1601 McCarthy Boulevard (CERCLIS, NFRAP, State Spill Site, LUST).
- Harris Microwave Semi-conductor – 1530 McCarthy Boulevard (CERCLIS NFRAP, State Spill Site)
- General Electric Calma Site – 501 Sycamore Drive (State Spill Site, LUST)
- Elmwood Correctional Facility – 701 South Abel Street (open LUST)

Amendment Area No. 2

- Grace Semiconductor Facility – 92 South Alder Drive (Semiconductor Manufacturing)

As stated in the EIR, "the sensitivity of potential receptors in the areas of known or potential hazardous materials contamination is dependent primarily on an individual's potential pathway for exposure. Hazardous materials exposure could occur through exposure to groundwater and/or soil contamination during construction. With respect to this possible form of hazardous materials exposure, construction workers have the highest potential for exposure to ground and/or soil contamination. Other potential receptors in the Analysis Area (combined Amendment Areas and Added Area) include home health care facilities and residential areas."

In summary, the seven moderate to severe contamination sites represent 6% of the total acreage of the Amendment Areas, including 5% of the commercial and industrial parcels and 15% of the commercial and industrial acreage. The four contaminated parcels within Amendment Area No. 1 make up 8% of the commercial and industrial parcels and 37% of the commercial and industrial acreage. Agency assistance may be needed in coordinating the cleaning of contaminated sites, the cost of which can greatly reduce the value of the land. Also, given the long-term use of portions of the Amendment Areas for commercial and industrial uses, it is likely that additional hazardous waste contamination will be discovered during future excavation and development of the Amendment Areas.

b. Abnormally High Business Vacancies, Abnormally Low Lease Rates, or an Abnormally High Number of Abandoned Buildings.

i. Oak Creek Industrial Area

A component of the SVN obsolescence report prepared for the Oak Creek industrial area was the documentation of long-term high vacancy rates. Vacancy rates are disproportionally high in the Oak Creek area in comparison to the North San Jose submarket and in comparison to Santa Clara County. The industrial uses in this area are at somewhat of a disadvantage because the location is less desirable than others in the Silicon Valley. As described by SVN, demand for research and development product is greatest in the epicenter and prime areas of Silicon Valley such as Palo Alto, Mountain View, Cupertino, Sunnyvale, and Santa Clara. Generally speaking, the further away from these core research and development areas that available properties are located (i.e. in San Jose, Milpitas, & Fremont); the lower the demand, the lower the lease rates paid, and the higher the resulting vacancy rates. This economic reality becomes most acute during periods of economic downturn, and it is believed to be one of several factors in the abnormally high vacancy rates in Oak Creek over the last 21-month period (ending September 2009).

The vacancy rate in the Oak Creek area is at 36%, which is abnormally high even in a depressed market. In comparison, the vacancy rate for research and development uses in the North San Jose submarket is at 16% and countywide is at 15%. The vacancy rate in the Oak Creek area has been consistently double that of the research and development uses in the North San Jose submarket and the Santa Clara County since 2004.

As important as the percentage of vacant space is the time on the market space is for rent. Approximately 18% of the for-lease research and development space in the Oak Creek Area were available for two years or longer compared to 9% in the North San Jose submarket and 8% in the County. The contributing factor of obsolescence to the high vacancy rate is evident by the further extended time obsolete research and development space is on the market compared to all space in the Oak Creek. Eight of the 12 obsolete properties are currently vacant and they have been continuously available for a combined average time period of over 33 months.

ii. Abnormally High Hotel Room Vacancies and Abnormally Low Lease (Room) Rates

There are currently 19 operating hotels/motels within the City of Milpitas. The combined number of rooms for these 19 hotels/motels is 2,689 or an average of 142 rooms per hotel. Of these 19 hotels/motels, there is one within the Added Area, the Executive Inn (76 rooms). There are two hotels within the Original Project Area. The Embassy Suites has 265 rooms and the Extended Stay America has 146 rooms. There are also two hotels within Amendment Area No. 1. The Beverly Heritage hotel has 237 rooms and the Sheraton hotel has 229 rooms. There are four hotels within Amendment Area No. 2: Crown Plaza (305 rooms), Hampton Inn (93 rooms), Homestead Village (161 rooms) and the Stay Bridge Inn (97 rooms).

Of the 19 hotels in the City, the hotel with the lowest daily rate, as researched on travel agent sites, was the Executive Inn in the Added Area. With a lowest daily rate of $45 per night, the Executive Inn is 39% below the average rate of $113 per night within the City.[38]

Based on **Table 17: "Transient Occupancy Tax – 10-Year Trend"** and through brief conversations with a couple of the hotel managers, it is clear that the hotel/motel industry in Milpitas has recently suffered significant losses. Although hotels and motels within the Amendment Areas have higher TOT totals and averages per room than the balance of the City, all areas of the City have recently fallen to just below their respective 2006 levels. The average TOT totals dropped 23% from $379,431 per hotel/motel in fiscal year 2007-08 to $293,023 in 2008-09. The average TOT revenues per room also dropped 23% from $2,680.99 in 2007-08 to $2,070.45 in 2008-09.

KMA spoke with Dave Kellaerg of Extended Stay America, who noted that after a peak in the industry in August of 2008, occupancy rates and room rates began to fall. As of August 2009, rates have fallen 20% and occupancy rates have stopped falling, but are remaining stagnant. Overall, Kellaerg said, there had been between a 10% and 50% loss in total sales compared to the previous year (2007-08).

John Matthew of Embassy Suites also described similar losses over the same time span. He also noted that the losses were not entirely attributable to the economic downturn. He cited that the recent surge in internet-related technology (such as teleconferencing and video conferencing) has decreased the demand for business-related travel.

Both Dave Kellaerg and John Matthew agreed that the construction of a nearby conference center, proposed to be built at 540 Alder Drive, within Amendment Area No. 2 would definitely help the hotels regain their lost profits.

In summary, there are eight hotels in the Existing Project Area with a total of 1,533 rooms representing 47% of the hotels and 57% of the rooms Citywide. For fiscal year 2009/10, hotel revenues (TOT) represent 4.8 million of the $69 million General Fund budget or approximately 7% of the City's revenues of which 62% (based on 2008/09 numbers) is generated in the Amendment Areas. Given the dramatic decline in the room rates/increased vacancies, the drop in revenues has a significant impact on the City's budget, especially given the current economy in which every dollar of revenue is needed. Hotels in the Silicon Valley are heavily dependent of commercial business travel and meeting and groups; whereas leisure is not a major segment of the local hotel industry. Part of the decline in the revenues is a result of a competitive disadvantage with neighboring cities that have convention centers and other activities to draw guests to the City. The Agency is proposing to help create a more competitive business

[38] According to travel agent websites, Expedia and Travelocity as well as a site visit.

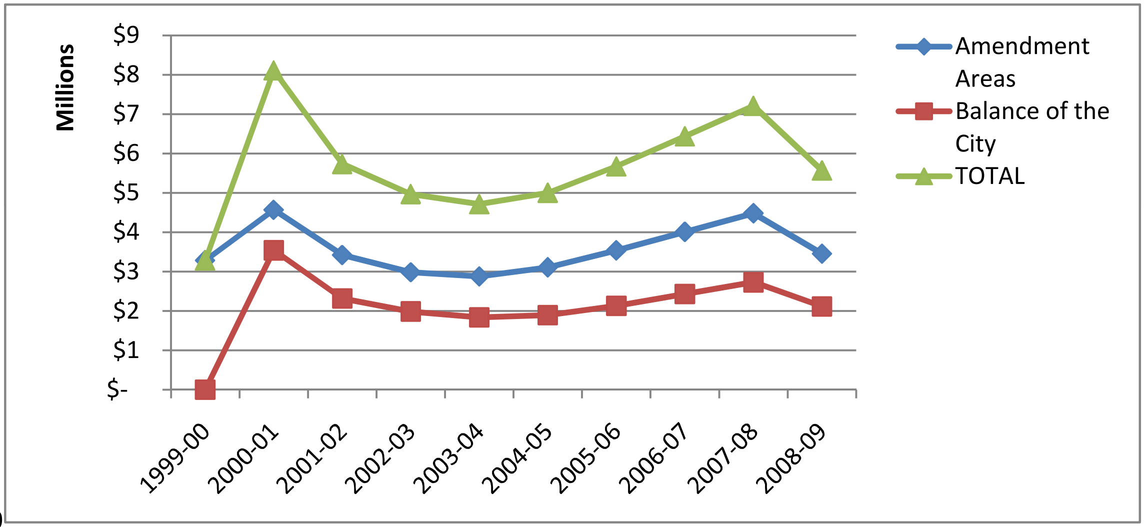
**Table 17: Transient Occupancy Tax - 10-Year Trend**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

**City of Milpitas Transient Occupancy Tax Revenues**
(1,000s omitted)

| **Fiscal Year** | **1999-00** | **2000-01** | **2001-02** | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** |
|---|---|---|---|---|---|---|---|---|---|---|
| Amendment Areas (8 Hotels) | $ 3,285 | $ 4,566 | $ 3,419 | $ 2,981 | $ 2,877 | $ 3,106 | $ 3,539 | $ 4,008 | $ 4,481 | $ 3,452 |
| Balance of the City (11 Hotels) | $ - | $ 3,541 | $ 2,315 | $ 1,987 | $ 1,835 | $ 1,895 | $ 2,130 | $ 2,428 | $ 2,728 | $ 2,116 |
| **TOTAL** | **$ 3,285** | **$ 8,107** | **$ 5,734** | **$ 4,968** | **$ 4,712** | **$ 5,001** | **$ 5,670** | **$ 6,437** | **$ 7,209** | **$ 5,567** |

**Percent Change from FY 2007/08 - 2008/09**

| | |
|---|---|
| Amendment Areas | -23% |
| Balance of the City | -22% |
| Total | -23% |




Source: Milpitas TOT revenues 1999/00 - 2008/09

Prepared by: Keyser Marston Associates, Inc.
Filename: TOT, Sheet2; 11/16/2009; bm

environment for the hotels by funding the construction of a convention center. The Agency had recently completed a convention center feasibility analysis and is proposing to start the design process as the next step in implementing the project.

## C. SUMMARY OF BLIGHTING CONDITIONS

### 1. Added Area

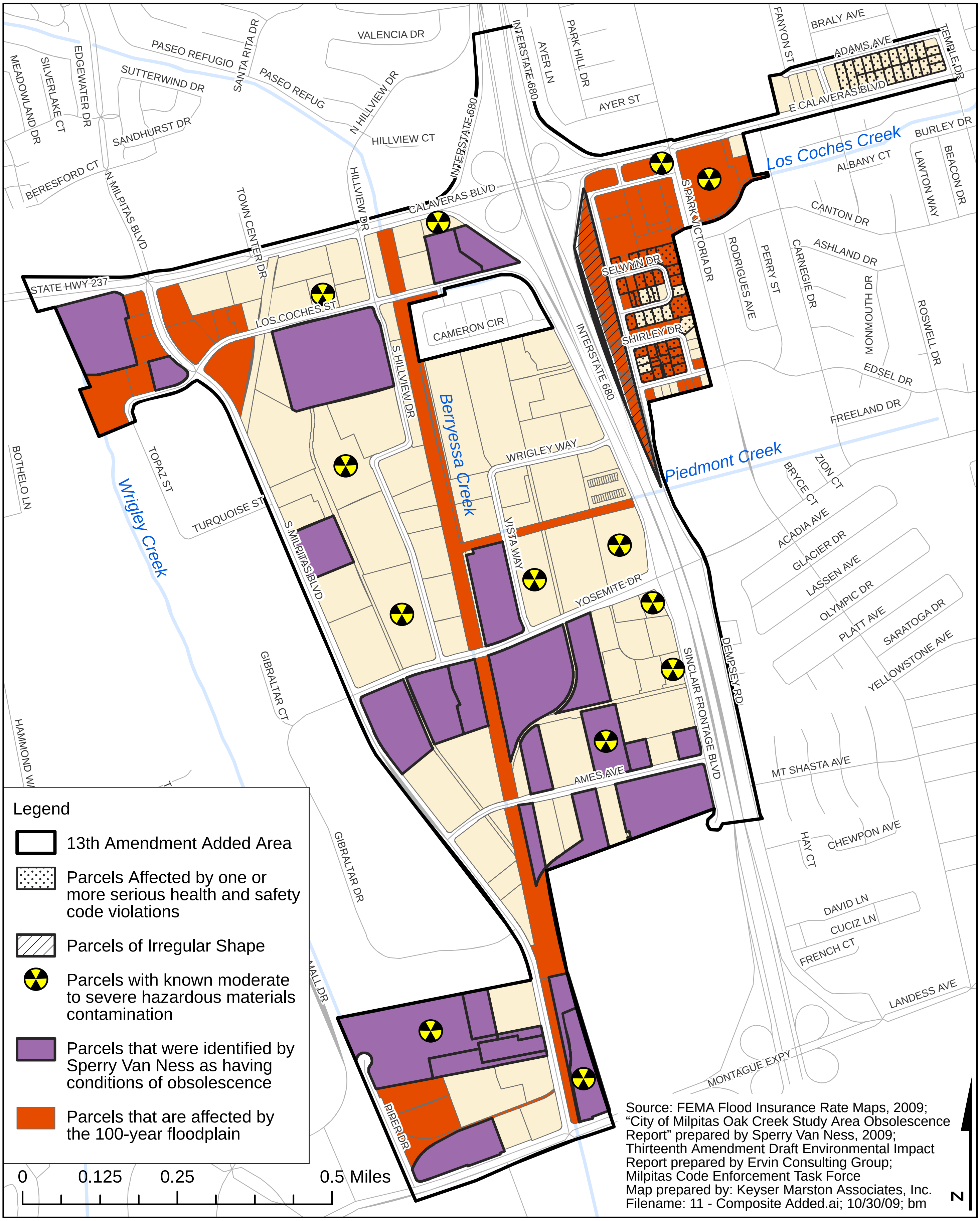
The blighting conditions impacting the Added Area are prevalent and substantial. As summarized in **Table 18: "Summary of Blighting Conditions in the Added Area"** approximately 62% of the parcels in the Added Area and 57% of the net acres are impacted by blighting conditions. The locations of the mapable blighting conditions are shown in **Map 11: "Composite of Blighting Conditions in the Added Area."** The Added Area is predominately developed with residential and industrial uses. In total, 63% of the residential properties are impacted by persistent and long term serious code violations and 22% of the industrial properties are obsolete by contemporary standards which hinders their use and viability. A contributing blighting factor is parcels of irregular shape and inadequate size resulting from the construction of Interstate 680. The parcels are not of a size to support most industrial uses as originally designed which is evidenced by non-industrial tenants including churches and a private school. The commercial uses in the Added Area are primarily limited to four neighborhood shopping centers (Park Victoria, Park Victoria Place, Fiesta Plaza and the unnamed center at the southwest corner of Dempsey Way and Calaveras Boulevard). In addition, the Park Victoria and Fiesta Plaza shopping centers are over 40 years old and have not had any major investment and the newest of the shopping centers - the unnamed center at Dempsey and Calaveras - is substantially vacant with three of nine tenant spaces for lease. These shopping centers have been included in the Added Area because they are the physical link between the residential uses in the Adams and Selwyn/Shirley areas and are integral to the effective planning for these areas. The economic effects of the serious code violations that impact the residential areas are compounded by a high rate of overcrowding (54% in the Selwyn/Shirley area and 37% in the Adams Subarea) and a high rate of assaults and gang related crimes (number of assaults was 17% higher in the Adams area and 52% higher in the Selwyn/Shirley Subarea). The combination of these factors is reflected in low sales prices. Similarly, the obsolescence of the industrial buildings is reflected in lower sales prices (flex space sold for 24% less and R&D sold for 38% less per square foot than the City) and higher vacancy rates (9%) compared to the balance of the City and market area. Another factor potentially hindering the economic viability of industrial and commercial uses is hazardous materials contamination. In total, there are 13 sites with moderate to severe contamination.

**Table 18: Summary of Blighting Conditions in Added Area**

Thirteenth Amendment to Milpitas Redevelopment Project Area No. 1

| Definition of Blight | Blighting Condition |
|---|---|
| ***Physical Blight*** | |
| 1. Unsafe or Unhealthy Conditions | |
| - Serious Code Violations | Between 2002-2009, 199 serious code violations were cited in the Adams and Selwyn/Shirley areas impacting 61% of the parcels within the combined areas. |
| - Flooding | Substantial areas along Wrigley and Los Coches Creeks are within the 100-year floodplain. Approximately 41% of the parcels in the Added Area are within the 100-year floodplain. There are approximately 200 residential units, housing 704 people within the floodplain. |
| 2. Factors Hindering Economic Viability (Obsolescence) | Based on a July 2009 survey performed by local commercial real estate advisors Sperry Van Ness, 26 industrial properties in the Town Center area totaling approximately 30% of the area are impacted by obsolete building and site conditions. |
| 3. Parcels of Inadequate Size and Irregular Shape | Eight parcels in the Selwyn/Shirley area are remnant parcels from the construction of Interstate 680 and are of irregular size or shape with an average depth of 85 feet. |
| ***Economic Blight*** | |
| 1. Depreciated or Stagnant Property Values | Between 2004-2008 in the Adams area apartments sold for 17% less and in the Selwyn/Shirley area they sold for 7% less than comparable multiple-family properties in the City. In the Town Center, flex space sold for 24% less per square foot, R&D space sold for 38% less, and general industrial sold for 4% less per square foot than comparable properties in the balance of the City. |
| 2. Hazardous Materials contamination | There are 13 sites in the Added Area that have moderate to severe contamination. These sites represent 9% of the commercial and industrial parcels. |
| 3. Abnormally High Business Vacancies and Low Lease Rates | Industrial vacancy rates in the Town Center are at 9% compared to 6% in the North San Jose submarket area. The average time for space to remain on the market is 12.2 months in the Town Center compared to 7.6 months in the North San Jose submarket area. |
| 4. Residential Overcrowding | 54% of the residents in the Selwyn/Shirley area and 37% of the residents in the Adams area live in overcrowded conditions compared to 22% in the City and 23% in the County. |
| 5. Crime | Between 2004 and 2008 assaults and gang related activities were found to be disproportionately high in the Adams and Selwyn/Shirley areas. The number of assaults per 1,000 persons was 17% higher in the Adams area and 52% higher in the Selwyn/Shirley area than Citywide. The Adams area has less than 1% of the City's population but 8% of the gang related crimes. Similarly, the Selwyn/Shirley area has 3% of the population and 10% of the gang related crimes. |

Map 11: Composite of Blighting Conditions in the Added Area
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency



## 2. Amendment Areas

Within the Amendment Areas, there is significant remaining blight that continues to warrant Agency action to improve or eliminate the blighting conditions. Three creeks flow through the Original Project Area, the Berryessa, Tularcitos and Calvera Creeks. Substantial flood control improvements have been made south of Calaveras Boulevard outside of the Original Project Area; however the necessary improvements to prevent flooding have not been made in the Original Project Area. Approximately 19% of the Amendment Areas are within the 100-year floodplain. Approximately 3,290 people live within the floodplain areas. Agency assistance is needed to fund the remaining flood control improvements to remove the areas from the 100-year floodplain. The estimated cost of these flood control improvements are in excess of $7 million. Industrial uses are a major portion of the Amendment Areas. Although some of the most desirable research and development space is in the Amendment Areas there are areas with older obsolete industrial uses. The industrial area commonly known as “Oak Creek” has a number (15%) of obsolete buildings that are designed for manufacturing and single use tenants. The demand for industrial space in this area is for multiple tenant office oriented buildings. Rehabilitating buildings with minimal window area converting manufacturing space such as truck loading to useable office space is challenging and requires redevelopment assistance. The effect of the obsolescence is evidenced by a 36% vacancy rate with 18% of the space for lease on the market for more than 24 months. The following is a discussion of the blighting conditions by Amendment Areas.

The Original Project Area is predominately residential but does include limited commercial including two hotels, the Embassy Suites and Extended Stay America. The economic downturn and changes in transit stay have impacted hotels in the Original Project Area. In the past year (2007/08 – 2008/09), the City has experienced a 23% decline in transit occupancy tax. Hotels are looking for other ways to attract more businesses. Agency assistance is needed to help in marketing hotel occupancy and service in the Original Project Area. The Agency is proposing to assist in funding a convention center which should be a substantial draw to the hotels.

Amendment Area No. 1 includes the area in and around the Elmwood Correction Facility and the area south of West Capitol Avenue, west of Interstate 680 and north of the Montague Expressway. The area in and around the Correction Facility includes substantial new housing. The Lower Penitencia Creek bisects this area along Abel Street. There is also a large single-family residential area to the south of Great Mall Parkway along Summerfield Drive. Within this area there are an estimated 110 units housing approximately 390 people that are all within the 100-year floodplain. The area west of Interstate 680 is primarily industrial research and development uses. Within this area is the Oak Creek industrial area which includes outdated manufacturing facilities. Industrial manufacturing space built in this area no longer meets contemporary user needs as demand has shifted from manufacturing to research and development space.

The research and development uses need space that can be subdivided and has substantial window area. This is in contrast to buildings designed for manufacturing purposes which tend to be larger uninterrupted clear spans with minimal windows. The industrial uses in this area suffer from a high vacancy rate (30%) with space being on the market for more than 24 months. The Agency plans to help with marketing the industrial uses and providing loans to facilitate the conversion of obsolete manufacturing to office space. Amendment Area No. 1 also includes the Beverly Heritage and Sheraton Hotels which have experienced the same decline in occupancy and rooms rates as described for the hotels in the Original Project Area.

Amendment Area No. 2 is almost entirely industrial and developed almost exclusively with research and development uses. This industrial area also suffers from a high vacancy rate. A major source of vacant space is within the Maxtor Seagate campus; originally the home of Quantum Electronics, the campus is virtually vacant. There is no longer demand for large campus space. Agency assistance is needed to market the entire Amendment Areas and potentially to assist in the reuse of the campus for multiple tenants.

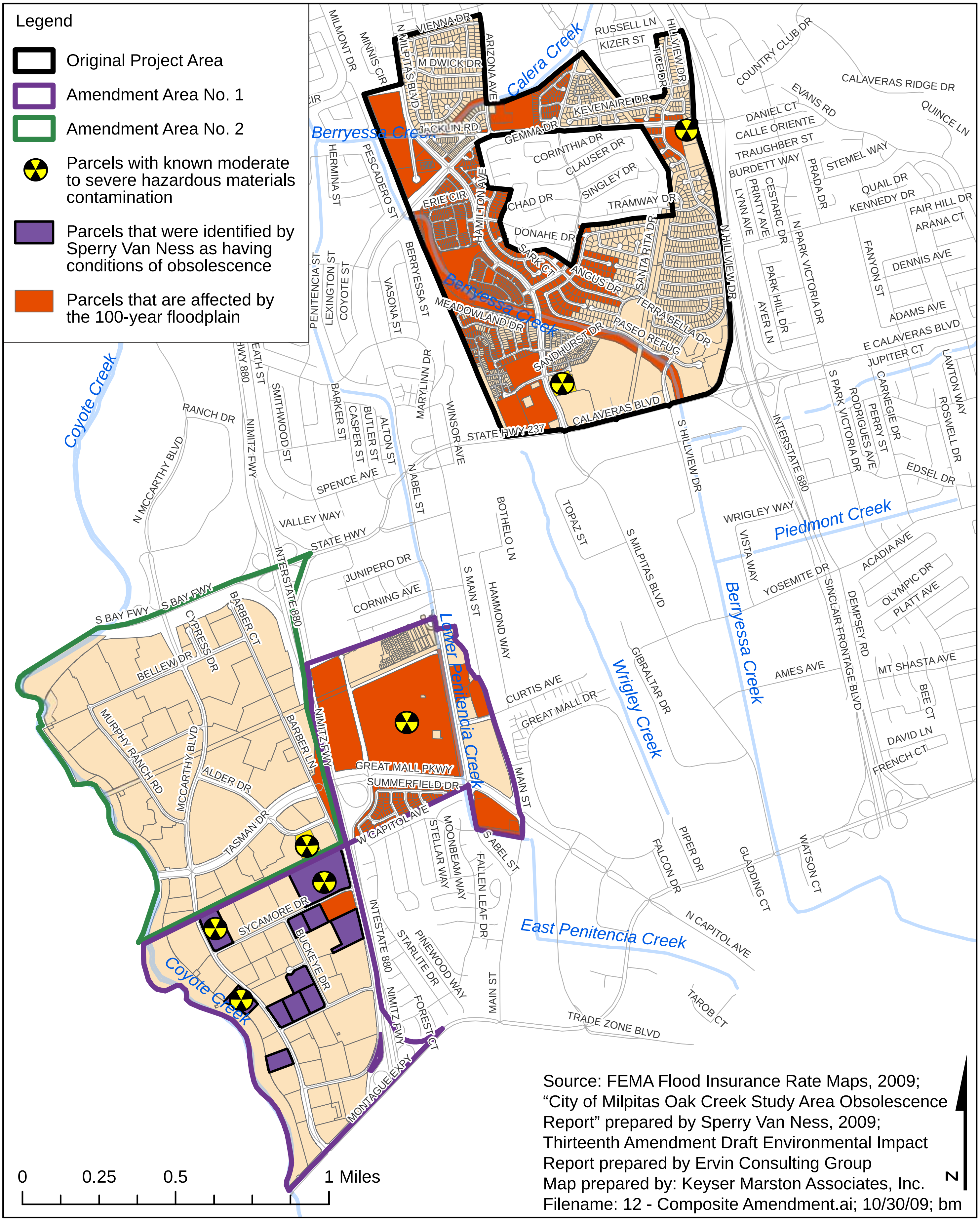
As described in **Table 19: “Summary of Blighting Conditions in the Amendment Area”** approximately 41% of the parcels in the Amendment Areas continue to be impacted by blighting conditions. The location of the mapable blighting conditions are shown in **Map 12: "Composite of Blighting Conditions in the Amendment Areas.”** Also, indicated on **Map 13: “Blighted Parcels, Non-Blighted Parcels, and Parcels that are Necessary and Essential for the Elimination of Blight”** are those areas that are no longer blighted and identifies those parcels that are necessary and essential including those parcels that are adjacent or near parcels on which it is necessary to construct a public improvement to eliminate blight (namely flood control improvements). In addition, there are some parcels identified as necessary and essential that are not blighted but adjoin obsolete industrial facilities that may need to be assembled with the obsolete facilities to provide parking or expand the facilities to meet contemporary user needs.

**Table 19: Summary of Blighting Conditions in the Amendment Areas**

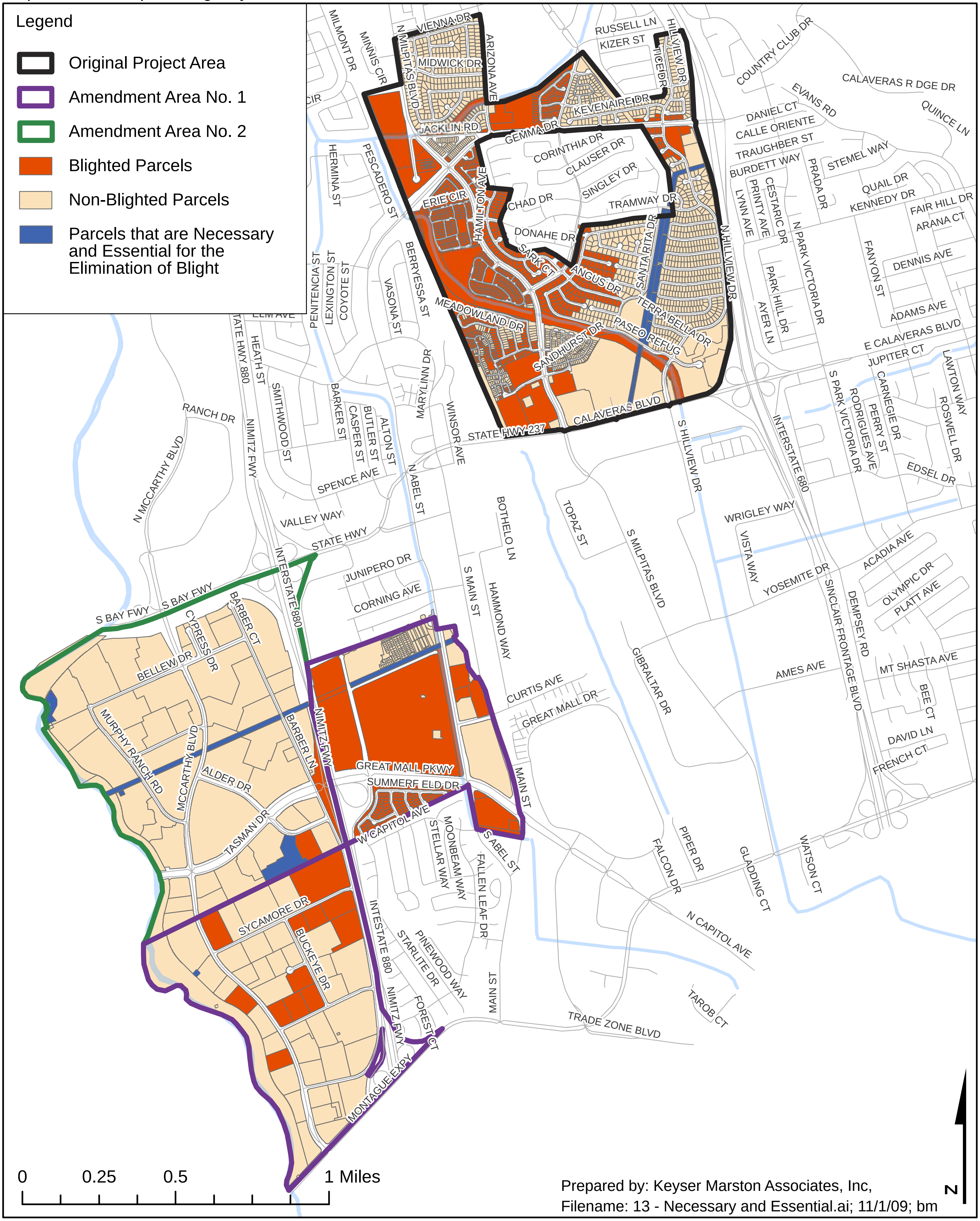
Thirteenth Amendment to Milpitas Redevelopment Project Area No. 1

| Definition of Blight | Blighting Condition |
|---|---|
| ***Physical Blight*** | |
| 1. Unsafe or Unhealthy Conditions | Berryessa, Tularcitos, Calera and Lower Penitencia Creeks flow through the Amendment Areas. These creeks are within a 100-year floodplain and the Berryessa Creek floods on the average every four years. Approximately 19% of the Amendment Areas are within the 100-year floodplain housing an estimated 3,291 persons. |
| 2. Factors Hindering Economic Viability (Obsolescence) | Based on a July 2009 survey performed by local commercial real estate advisors Sperry Van Ness, 15% of the industrial properties in the Oak Creek areas totaling approximately one quarter of the industrial parcels in Amendment Area No. 1 are impacted by obsolete building and site conditions. |
| ***Economic Blight*** | |
| 1. Impaired Property Values - Hazardous Wastes | There are seven moderate to severe contamination sites within the Amendment Areas, representing 6% of the total acreage for the Amendment Areas. |
| 2. Abnormally High Vacancies and Low Lease Rates | |
| - Industrial | The industrial vacancy rate in the Oak Creek area is at approximately 36% compared to 16% in the North San Jose submarket area. Approximately 18% of for lease R&D space has been on the market for more than 24 months. |
| -Hotels | There are eight hotels in the Amendment Areas with a total of 1,533 rooms representing 47% of the hotels, 57% of the rooms, and 62% of the TOT revenues Citywide. In the past year, TOT from the hotels dropped 23% resulting from increased vacancies and lower room rates. |

Map 12: Composite of Blighting Conditions in the Amendment Areas
13th Amendment to Milpitas Redevelopment Project Area No. 1
Milpitas Redevelopment Agency



Map 13: Parcels that are Blighted, Non-Blighted, and Necessary and Essential for the Elimination of Blight
13th Amendment to Milpitas Redevelopment Project Area No.1
Milpitas Redevelopment Agency



## IV. PROPOSED PROJECTS AND PROGRAMS

As documented in this Report, the Amendment Areas currently do not generate sufficient tax increment to complete the Agency's redevelopment program of economic development, infrastructure and community facilities improvements to eliminate blighting conditions and implement the Agency's affordable housing program. The proposed Thirteenth Amendment which includes the extension of the duration of the Redevelopment Plan and the time to receive tax increment/repay debt and increased tax increment and bond debt limits will provide the Agency with revenues and additional time needed to implement its program of activities to eliminate blight and develop affordable housing. Although the proposed Amendment does not include the Midtown Added Area, because tax increment from Project Area No. 1 funds activities in the Midtown Added Area the programs and projects described in this Report are applicable to all of Project Area No. 1. The projects and programs described in this Report are an extension of the existing programs and projects described in the Agency's current Implementation Plan but have been expanded to implemented redevelopment activities in the Added Area and project activities over the duration of the Redevelopment Plan.

The redevelopment program needs to be flexible and provide the capability to respond to changes and private sector interest. The strategy to attain the Agency's goals and objectives is to use public investment to attract and stimulate private investment. The Agency uses legal agreements to form public-private partnerships leading to development of industrial sites, commercial centers, office buildings, and housing. The proposed redevelopment program for the Project Area No. 1 includes four primary programs, as follows: 1) Transportation and Public Infrastructure Improvements; 2) Community Infrastructure; 3) Economic Stimulation; and 4) Affordable Housing Program. Within Section V of this Report (financial feasibility analysis), the above listed programs with the exception of Affordable Housing are considered within the cash flow analysis as discretionary funds since exact future allocation of Agency revenues for each of the redevelopment programs beyond the current Five-Year Implementation Plan period cannot be determined but for near term public improvements projects. The Agency will allocate the necessary funds for each program as needed over the remaining life of the Redevelopment Plan.

The programs are designed to address the most significant blighting conditions in the Project Area. It is believed that as the most significant blighting conditions are reduced that further private sector investment will occur in the Project Area leading to further removal of blight. Therefore, the Agency's program of redevelopment will serve as a catalyst to remove blighting conditions and spur the preservation, improvement, creation and maintenance of affordable housing. The following is a detailed description of the projects and programs and relationship to blight elimination. **Table 20: "Proposed Programs and Relationship to Blight Elimination"** outlines in table format the various blighting conditions and which program(s) will address those blighting conditions.

**Table 20: Proposed Programs and Relationship to Blight Elimination**
**13th Amendment to Milpitas Redevelopment Project Area No. 1**
**Milpitas Redevelopment Agency**

| **Blighting Condition** | Transportation and Public Infrastructure Improvement Program | Community Infrastructure Improvements Program | Economic Stimulation Program | Housing Program |
|---|---|---|---|---|
| Serious Code Violations | | | X | X |
| Geological Hazards (flooding) | X | | | |
| Obsolescence | | | X | |
| Lots of Irregular Shape | | | X | |
| Depreciated or Stagnant Property Values | X | X | X | |
| Hazardous Materials Contamination | | | X | |
| Serious Residential Overcrowding | | | | X |
| High Crime Rate | X | X | | |

Prepared by: Keyser Marston Associates, Inc.
Filename: \\la-fs1\Employee\bmescher\My Documents\Milpitas\Tables\Projects and Programs; 11/23/2009; bm

## A. TRANSPORTATION AND PUBLIC INFRASTRUCTURE IMPROVEMENTS PROGRAM

This program provides for the improvement, construction and reconstruction of major public and infrastructure improvements. The goal is to improve the basic infrastructure to entice business development and expansion. Infrastructure improvements such as street lighting will also help to deter crime. A major portion of the proposed infrastructure improvements are related to flood control improvements. The intent of the flood control improvements is to remove all properties from the 100-year floodplain.

In some instances, infrastructure improvements will be specific to a site to assist in a proposed development and in other instances, it will be undertaken on a Project Area wide basis to improve the overall aesthetics of an area and to eliminate a general deficiency that is inhibiting new construction or reinvestment. The construction or installation of infrastructure and circulation improvements will reduce potential costs to property owners and developers and make the Project Area more attractive to investment. This will in turn will further the development of underutilized properties and properties developed with obsolete structures.

Infrastructure improvements program include projects that will assist with the future development of the Project Area including, but not limited to, the following: 1) transportation and circulation improvements which may entail street widening, construction of street medians, land configuration, street maintenance, and improved traffic signalization; 2) water and sewer improvements to alleviate infrastructure inadequacies, meet flow requirements and ensure public safety; 3) storm drain improvements including capacity for existing and new development to ensure proper drainage and on-going street maintenance of Project Area streets as well as major flood control improvement projects; and 4) public infrastructure improvements including sidewalks, curbs and gutters, streetscape improvements, undergrounding wires, telecommunication projects, public transit improvements, creating pedestrian links and developing enhanced parkways and sidewalks, and providing access to the disabled. The following are some of the specific projects that have been identified for the Amendment Areas and Added Area:

<u>Amendment Areas</u>

- BART Extension - Planning and coordination for the BART extension. Estimated funding is $290,000. Status - 60% of design is complete.

- Light Rail Median Landscaping - Completes the landscape of the median that was originally part of the Light Rail construction. Estimated funding is $1,416,000. Status - construction planned for summer 2009.

- North Milpitas Boulevard Soundwall - Renovates the soundwall between Jacklin Road and Escuela Parkway. Estimated funding is $200,000. Status – construction planned for summer 2009.

- In-ground Water Clarifiers - Provides compliance at fire stations with the urban runoff program. Estimated funding is $150,000. Status – defunded.

- Oak Creek Pump Station - Provides for the necessary replacement of aged equipment at the Oak Creek Station per the Storm Drain Master Plan. Estimated funding is $2,200,000. Status – 25% completed.

- Berryessa Pump Station Improvements - Provides for the necessary replacement of aged equipment at the Berryessa Pump Station per the Storm Drain Master Plan. Estimated funding is $1,800,000. Scheduled for completion by 2012.

- Calaveras Boulevard Overcrossing - This project provides for sidewalk safety. Estimated funding is $600,000. Status – construction planned for summer 2009.

- North Main Utility Improvements - Provides for the design and construction of utility relocation works for the North Main Street development area. Estimated cost is $6,024,910. Status - 75% completed.

- North Main Streetscape - Provides for the reconstruction of North Main Street consistent with the Midtown Specific Plan. Estimated cost is $5,150,000. Status - 60% completed.

- Gateway Signs - Provides funding for minor gateway signs as part of Economic Strategic Master Plan. Estimated cost is $30,000. Status – on hold.

- Interchange Projects - Provides for completion of Dixon Landing/I-880 and 237/880 interchanges and includes funding from prior bonds. Estimated cost is $126,000. Status – ongoing.

- Main Sewer Pump Station Site - Provides for the relocation of the Public Works Yard to accommodate the new Library on North Main Street. Estimated cost is $1,000,000. Status – Phase I construction is completed.

- Bellew Pump Station – Improvements include replacement of pumps and replacement of diesel engines with electric motors. Estimated cost is $1,000,000. Status – Planning.

- Berryessa Pump Station and Hidden Lake Improvements – Improvements include replacement of pumps and replacement of diesel engines with electric motors. Scope also includes 100-year flood protection improvements such as increasing pumping capacity, raising all operating equipment and controls above flood level elevations, and other related improvements. Estimated cost is $3,000,000. Status – Planning.

- Oak Creek Pump Station – Improvements include replacement of pumps and replacement of diesel engines with electric motors. Scope also includes raising all operating equipment and controls above flood level elevations and other related improvements to provide reliability. Estimated cost is $1,000,000. Status – Planning.

- Murphy Pump Station – Improvements include replacement of pumps and engines, raising all operating equipment and controls above flood level elevations, and other related improvements to provide reliability. Estimated cost is $1,500,000. Status – Planning.

- Berryessa, Calera and Tularcitos Creek 100-year Flood Improvements – Improvements to this creek include raising the top of the levees to provide for 100-year flood protection. Additional right-of-way is needed for some portions of the creek alignment. Estimated cost is $50,000,000. Status – Planning.

- Town Center Water System Replacement – Replace water system including pipelines, valves, fire hydrants and related appurtenances. Estimated cost is $25,000,000. Status – Planning.

- Oak Creek Business Park Amend 1[39] Water System Pipeline Replacement – Replace water system pipelines in Oak Creek Bus Park Amend 1. Estimated cost is $7,000,000. Status – Planning.

- Great Mall 2001 Water System Replacement – Replace water system including pipes, valves, fire hydrants and related appurtenances, in Great Mall 2001 Amendment Area. Estimated cost is $1,000,000. Status – Planning.

- Water System Seismic Backbone Installation – Install water system backbone along N. Milpitas Boulevard, Jacklin, Hillview, Escuela, Main, Capitol, Montague, Curtis and Abel. Estimated cost is $15,000,000. Status – Planning.

[39] "Amend #" refers to the amendment number to the Redevelopment Plan for Milpitas Project Area No. 1.

- Curtis Well Construction – Construct Curtis Water Supply Well. Install water system backbone pipeline from well to Gibraltar Pump Station. Estimated cost is $2,000,000. Status – Planning.

- PRV Replacement – Construct Curtis Water Supply Well – Install water system backbone pipeline from well to Gibraltar Pump Station. Estimated cost is $200,000. Status – Planning.

- New Santa Clara Valley Water District (SCVWD) Service Area Water Tank and Pump Station 2012-13 - 6.6 million gallon (MG) tank and pump station to serve the SCVWD service area. Estimated cost is $5,000,000. Status – Planning.

- SCVWD Service Area Water Tank and Pump Station Rehabilitation 2033 – Replace major equipment and install new seismic improvements. Estimated cost is $2,500,000. Status – Planning.

- SCVWD Service Area Water Tank and Pump Station Rehabilitation – Replace major equipment and install new seismic improvements (phase 2). Estimated cost is $6,000,000. Status – Planning.

- Gibraltar Tank and Pump Station Rehabilitation 2030 – Replace major equipment and install new seismic improvements in two phases. Estimated cost is $3,000,000. Status – Planning.

- Gibraltar Tank and Pump Station 2050 – Replace major equipment and install new seismic improvements in two phases. Estimated cost is $3,000,000. Status – Planning.

- Calaveras Boulevard Water Line Seismic Retrofit – Remove and replace water pipeline, appurtenances, including seismic joints, and other amenities required for a "backbone water line". Estimated cost is $1,000,000. Status – Planning.

- SCVWD second turnout - Install turnout on SCVWD transmission pipeline. Estimated cost is $800,000. Status – Planning.

- Town Center Sewer System Pipe Replacement – Replace sewer pipe in Town Center. Estimated cost is $17,000,000. Status – Planning.

- Oak Creek Business Park Amend 1 Sewer System Pipe Replacement – Replace sewer pipe in Oak Creek Business Park Amend 1. Estimated cost is $6,500,000. Status – Planning.

- Great Mall 2001 Sewer System Pipe Replacement – Replace sewer pipe in Great Mall Project Area. Estimated cost is $2,500,000. Status – Planning.

- Sewer System Seismic Backbone Installation – Replace and seismically upgrade sewer system. Estimated cost is $8,000,000. Status – Planning.

- Main Sewer Pump Station Rehabilitation 2030 – Replace major equipment and install new improvements. Estimated cost is $5,000,000. Status – Planning.

- Venus Sewer Pump Station Rehabilitation 2030 – Replace major equipment and install new seismic improvements. Estimated cost is $1,000,000. Status – Planning.

- Various Streets – Major street rehabilitation and reconstruction of roadway, sidewalks, Americans with Disabilities Act ("ADA") pedestrian ramps, signage, traffic signals and street lighting. Estimated cost is $50,000,000. Status – Planning.

- Calaveras Boulevard Widening and Bridge Replacement – Widen Calaveras Boulevard and replace bridge over railroad and Main Street, including streetscape, sidewalks, traffic signals and bike lanes. Estimated cost is $78,000,000. Status – Planning.

- Recycled Water Main Extension Town Center – Replace existing recycled water system. Estimated cost is $3,000,000. Status – Planning.

- Recycled Water Main Extension Oak Creek Business Park Amend 1 – Replace existing recycled water system. Estimated cost is $5,000,000. Status – Planning.

- Recycled Water Main Extension Town Center – Replace existing recycled water system. Estimated cost is $1,000,000. Status – Planning.

- Capital Improvement Program (2009-2014) costs allocable to the Amendment Areas. Estimated cost is $10,000,000. Status – Approved.

Estimated transportation and public infrastructure costs identified within the Amendment Areas total $335 Million (current dollars).

Added Areas

- Storm Pipe Replacement (Los Coches Creek Area, East of I-680 – Remove and replace undersized storm drain (SD) pipes and add more SD inlets, to increase capacity and eliminate flooding. Estimated cost is $500,000. Status – Planning.

- Ford and Wrigley Creek Improvements – Capacity improvements may include enlarging existing channel, improving alignment and/or converting portions of the channel to a large pipe to increase capacity, replace culverts and bridges. Estimated cost is $1,000,000. Status – Planning.

- Berryessa Creek Improvements – Improvements to this creek include raising the top of the levees to provide for 100-year flood protection. Additional right-of-way will be required for some portions of the creek alignment. Work will also include new bridges at roadway crossings. Estimated cost is $40,000,000. Status – Planning.

- Storm Pipe and Inlet Improvements, Los Coches Street/Milpitas Boulevard Area – Improvements will include removal and replacement of undersized storm drain pipes and installation of additional SD inlets, to increase capacity and eliminate flooding. Estimated cost is $500,000. Status – Planning.

- Wrigley Pump Station Improvements – Improvements include replacement of pumps and electric motors, PG&E electrical service, and standby power diesel generator. Estimated cost is $2,000,000. Status – Planning.

- Milpitas Boulevard Water Line Seismic Retrofit – Remove and replace water pipeline, and appurtenances, including seismic joints, and amenities required for a “backbone water line”. Estimated cost is $2,500,000. Status – Planning.

- Los Coches Avenue Water Line Seismic Retrofit – Remove and replace water pipeline, and appurtenances, including seismic joints, amenities required for a “backbone water line”. Estimated cost is $1,000,000. Status – Planning.

- Yosemite Drive/Vista Way – Remove and replace water pipeline, and appurtenances, including seismic joints, and other amenities required for a “backbone water line”. Estimated cost is $2,500,000. Status – Planning.

- Calaveras Boulevard Water Line Seismic Retrofit – Remove and replace water pipeline, and appurtenances, including seismic joints, and other amenities required for a “backbone water line”. Estimated cost is $2,500,000. Status – Planning.

- Curtis Well Construction – Construct Curtis Water Supply Well and install water system backbone pipeline from well to Gibraltar Pump Station. Estimated cost is $3,000,000. Status – Planning.

- Gibraltar Area Seismic Pipeline Retrofit – Remove and replace water pipeline, and appurtenances, including seismic joints, and other amenities required for a "backbone water line". Estimated cost is $1,000,000. Status – Planning.

- New SCVWD Service Area Water Tank and Pump Station 2012-13 - Project for land and improvements consisting of a 6.6 MG tank and pump station to serve SCVWD service area. Estimated cost is $40,000,000. Status – Planning.

- SCVWD Service Area Water Tank and Pump Station Rehabilitation 2033 – Replace major equipment and install new seismic improvements. Estimated cost is $2,500,000. Status – Planning.

- SCVWD Service Area Water Tank and Pump Station Rehabilitation 2053 - project to replace major equipment and install new seismic improvements. Estimated cost is $2,500,000. Status – Planning.

- Gibraltar Tank and Pump Station Rehabilitation – Project to replace major equipment and install new seismic improvements. Estimated cost is $6,000,000. Status – Planning.

- Adams Water System Pipeline Replacement – Replace water system pipelines at Adams Street. Estimated cost is $500,000. Status – Planning.

- Dempsey Area Water System Pipeline Replacement – Replace water system pipelines in Dempsey Area. Estimated cost is $2,000,000. Status – Planning.

- Town Center Business Park Water System Pipeline Replacement – Replace water system pipelines in Town Center Business Park. Estimated cost is $15,500,000. Status – Planning.

- SCVWD Second Turnout - Install new 24-inch diameter turnout on SCVWD Transmission pipeline. Estimated cost is $500,000. Status – Planning.

- Adams Lift Zone Sewer System Pipe Replacement – Replace sewer pipe in Adams Lift Zone. Estimated cost is $500,000. Status – Planning.

- Dempsey Area Sewer System Pipe Replacement – Replace sewer pipe in Dempsey Area. Estimated cost is $2,000,000. Status – Planning.

- Town Center Business Park Sewer System Pipe Replacement – Replace sewer pipe in Town Center Business Park. Estimated cost is $12,500,000. Status – Planning.

- Various Streets – Major street rehabilitation and reconstruction of roadway, bridge work, trails, sidewalks, ADA pedestrian ramps, streetscape, signage, traffic signals and street lighting. Estimated cost is $82,000,000. Status – Planning.

- Montague/I-680 Interchange and Montague Widening (Park Victoria to Great Mall Parkway) – Major widening, rehabilitation and reconstruction of interchange and expressway, including sidewalks, ADA pedestrian ramps, signage, traffic signals, landscaping and street lighting. Estimated cost is $100,000,000. Status – Planning.

- Milpitas Boulevard Recycled Water Line Extension - Install recycled water pipe along S. Milpitas Boulevard. Estimated cost is $2,000,000. Status – Planning.

- Ames/Sinclair/Wrigley Recycled Water Extension – Install water pipeline. Estimated cost is $5,000,000. Status – Planning.

- Capital Improvement Program (2009-2014) costs allocable to the Added Areas. Estimated cost is $2,000,000. Status – Approved.

Estimated transportation and public infrastructure costs identified within the Added Areas total $332 million (current dollars). Due to limitations on Agency resources generated within the Added Area, it is estimated that approximately 30% of the identified costs would need to be funded from other sources to the extent available and/or not all projects may be funded. Transportation and public infrastructure costs in the Added Area funded by the Agency are estimated to total $233 million (current dollars).

<u>Midtown</u>

- Oak Creek Business Park Amend 9 Water System Pipeline Replacement – Replace water system pipes in Oak Creek Bus Park Amend 9. Estimated cost is $5,000,000. Status – Planning.

- Oak Creek Business Park Amend 9 Sewer System Pipe Replacement – Replace sewer pipe in Oak Creek Business Park Amend 9. Estimated cost is $8,000,000. Status – Planning.

- Recycled Water Main Extension Oak Creek Business Park Amend 9 – Replace existing recycled water system. Estimated cost is $2,000,000. Status – Planning.

- Capital Improvement Program (2009-2014) costs allocable to Midtown. Estimated cost is $3,000,000. Status – Approved.

Transportation and public infrastructure costs identified within the Midtown area total $18 Million (current dollars). The Agency's review of transportation and public infrastructure costs was focused primarily on the Amendment and Added Areas due to the requirement to make certain findings related to the proposed amendments for these areas. Since Midtown was not a focus of this effort, it is possible that additional costs may be identified.

The following table summarizes the estimated transportation and public infrastructure costs. In incorporating the costs into the financial feasibility analysis, an adjustment for inflation was incorporated given that the projects would be implemented over a long time horizon.

*Summary of Transportation and Public Infrastructure Costs*

| | **Amendment Areas** *$Millions* | **Midtown Project** *$Millions* | **Proposed Added Area** *$Millions* | **Total** *$Millions* |
|---|---|---|---|---|
| Costs - Current Dollars | $335 | $18 | $234 | $587 |
| Adjustment for Inflation | $276 | $13 | $194 | $483 |
| Total Cost with Inflation | $611 | $31 | $428 | $1,070 |

## B. COMMUNITY INFRASTRUCTURE IMPROVEMENTS PROGRAM

This program provides for the repair, rehabilitation, installation, acquisition of land and improvement of parks, open spaces, playgrounds, libraries, community centers, transit facilities and other public buildings and structures that will adequately serve the City's residents.

The Agency may fund separately or in concert with the City, park improvements, development of community and cultural facilities, and development of new open space. This can involve both site acquisition and construction costs. These improvements will assist in improving the overall characteristics of the Project Area thereby attracting businesses, development and patronage and improve the quality of life for the Project Area and the larger City's residents. A major proposed improvement is the development of a conference center. As previously indicated, hotels have been hurt by the downturn in the economy. The Agency is proposing to assist in the construction of a conference center to bring businesses into the City and increase the demand for hotel space.

The following are some near-term community infrastructure projects that are proposed that will benefit the Amendment Areas and Added Areas:

- Conference Center – Renovate two buildings and grounds totaling nearly 100,000 square feet to accommodate meeting and conference center space. Estimated cost is $5,000,000.

- Building and Facility Improvements - Provides for upgrades to a variety of public facilities to bring them into compliance with current code requirements. Aged equipment will be replaced. Estimated cost is $924,000. Status - 75% completed.

- Milpitas Sports Center (MSC) Master Plan Improvements Phase I - Provides matching funds for facility upgrades to comply with FEMA requirements and reconfigures the parking lot and site for better traffic flow. Estimated funding is $1,827,000. Status - defunded.

- Community Center Improvements - Provides funding to bring facility into compliance with current code requirements. Estimated funding is $500,000. Status - 90% completed.

- Public Works Yard Improvements and Facility - Expands the parking facility, updates the security system, and makes improvements that bring the facility into compliance with the Storm Water Pollution Prevention Program. Estimated funding is $510,000. Status - under construction.

- Community Facilities – Various Community Facilities Improvements, workscope to be developed through a work plan. Estimated cost is $49,000,000.

Community infrastructure costs total approximately $58 million in current dollars. With an allowance for inflation to account for the long time horizon over which the projects would be implemented, costs for community infrastructure projects total $107 million.

## C. ECONOMIC STIMULATION PROGRAM

The Agency will encourage rehabilitation, expansion and new commercial, industrial and residential development in the proposed Project Area through the Economic Stimulation Program. Under this program, the Agency may assist with land acquisition, site preparation, off-site improvements, disposition of property and relocation assistance to existing property owners and tenants. The Agency may provide low interest loans for minor and major structural repair and improvements. This could include activities ranging from façade improvements to site preparation for building expansion. These loans may be available to both tenants and property owners. This program will address serious code violations, structural obsolescence and other factors hindering economic viability. For example, the Agency may work with apartment building owners to make repairs funded by low-interest loans to eliminate code violation deficiencies. Loans may also be made to owners and tenants of obsolete industrial space to upgrade to systems, add windows and provide interior improvements to make the space adaptable to contemporary office use. In some instances, the Agency may acquire adjoining properties to provide expansion space or additional parking required by contemporary users.

The Agency also intends to assist in monitoring and removal of toxic materials/contamination from sites in the area. The Agency in order to enhance the visibility of businesses within the City, including the Great Mall and surrounding commercial businesses, may assist in the construction of digital message board signs along the freeway and way finding signs, which will facilitate and increase the economic vitality of these businesses. This assistance includes coordination between the owners and the City on sign design and approval. Through these improvements, new investment will help to reduce vacancies, increase lease rates and improve property values. In addition to project financing, the Agency may assist in marketing the Project Area and in the development of vacant and underutilized sites through developer assistance in processing the necessary permits and issuing request for proposals.

The Agency may also assist owners in obtaining project financing through identification of available grants and preparation of the grant application. For example, the Agency may identify available grants from the Environmental Protection Agency for hazardous waste cleanup and assist in writing the grant application. This program will provide further incentive for businesses to clean up hazardous waste contamination, business expansion and relocation to the Project Area.

Although largely dependent on owner and developer needs based on past Agency activities and expenditures, the cost of this program is estimated at $235 million (current dollars).

## D. HOUSING PROGRAM

As required by State law, 20% of the gross tax increment funds received by the Agency from the Added Area must be deposited into a fund that would be used to assist in the production and preservation of low and moderate income housing. With the adoption of the proposed Thirteenth Amendment, the Agency will spend 30% of its gross tax increment revenues from the Amendment Areas on affordable housing. The Agency may assist in a variety of programs to develop affordable housing both inside the Project Area and Citywide such as the following:

1. Production

The Agency can make loans and grants from the Low and Moderate Income Housing Fund to non-profit and for-profit developers for the new construction or rehabilitation of affordable housing.  Loans can be made on a deferred payment and/or below market interest rate basis.

The Agency can also participate in land acquisition, land cost write-down, developer recruitment, credit enhancement, and other participation to cause affordable housing to be developed.  This is normally accomplished after identification of a housing site, development of a housing concept, and issuance of a Request for Proposals for development of housing.  Such affordable housing could be rental or ownership housing.  The Agency may also acquire land and directly build housing.  In the near-term, the Agency is anticipated to focus its affordable housing efforts on production, specifically, private sector assisted development.  The production of additional units will not only increase affordably but will help to reduce conditions of overcrowding.

2. Preservation

The Agency may offer low-interest or no-interest loans or grants to assist low and moderate income homeowners in making repairs to existing residences.  Such repairs could consist of correcting health and safety violations, re-landscaping, and re-painting.  This preserves the affordability of the housing and extends its lifespan, as well as improving the neighborhood.  Additionally, such programs can be extended to owners of rental properties to make repairs to affordable rental housing.  In either case, covenants must be recorded to keep these properties affordable for the time period required by CRL.  Some of the objectives of the preservation program include:

- Conserve and improve existing housing and residential neighborhoods.  Provide loan and/or grant assistance to eligible households demonstrating inability to maintain the physical condition of their primary residences.

- Preserve the existing affordable housing stock.  Work with existing providers of affordable housing to extend the terms of expiring affordable housing contracts.

- Require that all affordable multi-family and homeowner housing subsidized by RDA funding contains provisions that assure long-term affordability in compliance with Community Redevelopment law.

3. Affordability Assistance

These programs can involve direct subsidies to lower the cost of producing housing or first-time homebuyer programs to assist very-low to moderate income families with mortgage assistance for the purchase of a home.  The latter can take the form of a deferred loan with a low interest rate and equity sharing provisions.  When the home is sold, the loan and equity share would be used to help another first-time homebuyer.  Senior households in the low to moderate income category may also be targeted in such programs.

The above programs will make home ownership housing available to more low and moderate income residents in the Project Area and Citywide. By making more ownership housing available, the tax base for the Project Area and Citywide will increase and in turn provide funding for additional housing and non-housing programs, and market support for community retail, and commercial uses will increase. Providing incentives for landlords and homeowners to rehabilitate their properties, will increase the value of the surrounding properties and provide an incentive for those not qualified for rehabilitation assistance to also improve their properties.

## V. PROPOSED METHOD OF FINANCING, THE PROJECTS AND PROGRAMS WITHIN THE MERGED PROJECT AREA

### A. INTRODUCTION

The Report to the City Council for the Amendments is required to contain a proposed method of financing. The following analysis considers: 1) extending plan effectiveness by 10 years; 2) extending the time period for collection of tax increment / repayment of debt by 10 years; 3) increasing the tax increment limit and excluding the Midtown Added Area from the tax increment limit; 4) increasing the bond debt limit; 5) repealing the debt establishment limit; and 6) adding territory. Economic feasibility, for purposes of this analysis, is defined to be a comparative analysis of anticipated costs for implementation of the Project Area and the resulting revenues expected to be generated. For purposes of the financial analysis, Project Area refers to the Merged Project Area. Economic feasibility is determined through a summarized feasibility cash flow analysis for the Project Area as summarized on **Table 21** at the end of this section.

### B. APPLICABLE SECTIONS OF THE LAW AND REQUIRED FINDINGS

CRL Section 33451.5 (a) - applies to the addition of territory, increases in the dollar limits on collection of tax increment and outstanding bonded indebtedness, and changes to the time limit on the effectiveness of the redevelopment plan. This section requires a description of the proposed method of financing the projects and programs intended to eliminate blight in the Project Area. The description is required to include the amount of tax increment revenue that is projected to be generated as a result of the proposed amendments including the amounts projected to be deposited into the Low and Moderate Income housing fund and amounts to be paid to the affected taxing entities. The description must also include: (a) sources and amounts other than tax increment that are available to finance projects and programs; and (b) reasons remaining blight cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without use of tax increment revenues resulting from the amendments.

33333.11(e)(6) applies to the 10-year extension of plan effectiveness and the period to collect tax increment and repay debt. The proposed method of financing shall include: (a) the amount of tax increment revenues that is projected to be generated during the period of extension; (b) including amounts projected to be deposited into the Low and Moderate Income Housing Fund; and (c) amounts paid to affected taxing agencies. All of the other requirements of 33451.5 (a) also apply. In addition, Section 33333.11(e)(9) requires that the financial analysis include: (a) a description of each bond sold by the agency to finance or refinance the redevelopment project prior to six months before the date of adoption of the project amendment; and (b) listing for each bond the amount of remaining principal, the annual payments, and the date that the bond will be paid in full.

## C. ESTIMATED TOTAL PROJECT COSTS

A determination of economic feasibility requires an identification of the future resources to finance future costs associated with redevelopment of the Project Area and the elimination of remaining blighting conditions. Redevelopment could require significant participation from the Agency in activities to promote and achieve the desired goals and objectives for the Project Area and to address blighting conditions.

The redevelopment program described in Section IV outlines a set of activities to be implemented by the Agency for the purpose of facilitating private reinvestment in the Project Area and eliminating physical and economic blighting influences, and increasing, improving and preserving the community's supply of low and moderate income housing. The estimated costs of potential future redevelopment programs through the debt repayment limits are as follows:

*Total Project Costs ($Millions)*

| | |
|---|---|
| **I. Non-Discretionary Expenses** | |
| Bond Debt Service | $1,941 |
| Existing Obligations - Land Purchases | $173 |
| SERAF Requirement | $2 |
| Operating Expenses | $364 |
| Subtotal Non-Discretionary | $2,480 |
| **II. Housing Programs (required set-aside)** | $1,863 |
| **III. Non-Housing Projects and Programs** | |
| A. Transportation and Public Infrastructure | |
| Approved CIP (2009-2014) | $16 |
| Storm Drainage & Flood Control | $162 |
| Water System Improvements | $255 |
| Sewer Improvements | $122 |
| Street Reconstruction & Rehabilitation | $485 |
| Recycled Water | $30 |
| Subtotal | $1,070 |
| B. Community Infrastructure Improvements | $107 |
| C. Economic Stimulation | $235 |
| Subtotal Non-Housing Programs | $1,412 |
| **IV. Total Project Costs** | **$5,755** |

1. Bond Debt Service

The Agency issued tax allocation bonds in 2003 in a principal amount of $200 million. Annual debt service on the outstanding bonds will be $13.2 million in 2010-11 and is payable primarily from tax increment revenues net of housing set-aside (97%) with approximately 3% payable from the housing fund.

The feasibility cash flow assumes that the Agency will issue additional tax allocation bonds in each year in which tax increment revenues are projected to be sufficient to support $100 million or more in net bond proceeds. Based on this assumption, issuance of tax allocation bonds has been projected for 2014-15, 2017-18, 2021-22, 2026-27, 2030-31, and 2035-36. The combined net bond proceeds projected to be issued by the Agency over this period shown on **Table 21: "Feasibility Cash Flow"** (all finance tables are provided at the end of this section) totals $681 million. The aggregate principal and interest payments over the life of the Projects for these new bond issuances are projected to total approximately $1.7 billion. Including debt service on the 2003 bonds, bond debt service costs total $1.9 billion. Projected future bond debt service assumes a tax-exempt interest rate of seven percent (7%), a coverage ratio equal to the greater of one hundred twenty-five percent (125%) and total subordinate debt and operating expenses, net proceeds factor of twelve percent (12%), and a repayment term equal to the lesser of 30-years and the number of years remaining for receipt of tax increment.

2. Existing Obligations – Land Purchases from the City and County

The Agency has an on-going payment obligation to Santa Clara County in respect to the purchase of property from the County in 2003. The Agency is required to make annual payments to the County, which continue through 2037-38 and are projected to total $142 million. Payment amounts from 2023-24 through 2037-38 are dependent on the amount of sales tax generated within a designated area and are capped at $5 million per year. Payments in these years have been projected based on the $5 million maximum.

In 2004, the Agency purchased property from the City of Milpitas for a total of $20.5 million (amended purchase price pursuant to 2007 amendment to the agreement). The purchase price is to be paid over time and carries an interest rate of 10% per year. The timing for payment of the purchase price is not specified; however, the debt is assumed to be repaid by 2015-16 based on a projected repayment schedule provided by the Agency. Payments are projected to total $30.5 million.

3. Supplemental ERAF ("SERAF")

The Agency is required to make a payment to the "Supplemental Educational Revenue Augmentation Fund" (SERAF) in fiscal year 2010-11 pursuant to CRL 33690 (the projection begins with FY 2010-11, therefore the required payment for 2009-10 is not reflected). The 2010-11 payment is estimated at $2.4 million. Although there may be additional shifts to the ERAF in the future, only the existing requirement is incorporated into the projection.

4. Operating and Administration Expenses

The Agency will incur various operating and administrative costs associated with implementing redevelopment in the Project Area. These will include staff time; special legal and technical assistance; and preparation of planning and other studies. The projected cost to administer the redevelopment program is estimated to be $7.6 million in 2010-11 based on a 3% increase over the 2009-10 budget. Expenses in future years are estimated based on a 3% annual growth rate. Annual operating costs are assumed to be minimal after the Added Area plan effectiveness limit is reached in 2039-40. The total cost to administer the redevelopment program is estimated at $364 million.

5. Future Discretionary Projects and Programs

To the extent future tax increment revenues continue to be allocated to the Agency and exceed pre-existing debt service, pass through obligations, pre-existing contractual obligations and administrative costs, the financial feasibility analysis assumes that the Agency will exercise its discretion in funding other future projects, programs or activities of benefit to the Project Area. Funding for discretionary programs over the anticipated life of the Project Area is projected to total $1.4 billion for non-housing programs as estimated on the attached feasibility cash flow **(Table 21).** The cumulative contribution to the Agency's Housing Fund is projected to be $1.9 billion through the 2055 tax increment receipt limit for the Added Area. The anticipated projects, programs or activities that the Agency may undertake as future resources become available have been presented in Section IV of this Report.

The following table summarizes the anticipated breakdown of non-housing redevelopment program costs between the Amendment Areas, Midtown, and the Proposed Added Area. The breakdown is based on information provided by City staff regarding the anticipated transportation and public infrastructure and community infrastructure improvement needs in each area.

*Non-Housing Redevelopment Project Costs By Area*

| | **Amendment Areas[1]** *$Millions* | **Midtown Project** *$Millions* | **Proposed Added Area** *$Millions* | **Total** *$Millions* |
|---|---|---|---|---|
| Transportation & Public Infrastructure [2] | | | | |
| Approved CIP (2009-2014) | $10 | $3 | $3 | $16 |
| Storm Drainage & Flood Control | $105 | $0 | $57 | $162 |
| Water System Improvements | $141 | $9 | $105 | $255 |
| Sewer Improvements | $87 | $15 | $20 | $122 |
| Street Reconstruction & Rehabilitation | $251 | $0 | $234 | $485 |
| Recycled Water | $17 | $4 | $9 | $30 |
| Subtotal | $611 | $31 | $428 | $1,070 |
| Community Infrastructure [3] | $64 | $22 | $21 | $107 |
| Economic Stimulation [4] | $140 | $49 | $46 | $235 |
| **Total Project Costs (Non-Housing)** | $815 | $102 | $495 | $1,412 |

(1) Amendment Areas defined as the Original Project Area, Amendments No. 1 and No. 2.
(2) Costs provided by City Pubic Works Department. Estimates have been adjusted by KMA to account for inflation. It was necessary to make a downward adjustment to the program identified within the Added Area due to constraints on available revenues.

(3) Estimated cost by City adjusted by KMA to account for inflation. Community infrastructure improvements assumed to be of benefit to all areas and costs have been allocated based on available revenue.
(4) The Agency is assumed to allocate remaining funds after Transportation and Public Infrastructure costs and Community Infrastructure to Economic Stimulation programs. Allocation by area based on available revenue.

The information in the above table has been updated from the Preliminary Report. The changes were due to: 1) incorporating the base year report provided by the County into the projections which increased revenues available for projects and programs by approximately 1%; 2) addition of a few expense items within the Transportation and Public Infrastructure category; and 3) allocation of community infrastructure costs among each of the areas to recognize that the facilities will benefit the entire Project Area.

## D. FINANCING METHODS AVAILABLE TO THE AGENCY

The Agency has the legal authority and flexibility to implement the revitalization of the Project Area utilizing any or all of the following sources: (1) city; (2) state; (3) federal government; (4) tax increment funds in accordance with provisions of the existing CRL; (5) new tax allocation bonds; (6) interest income; (7) loans from private financial institutions; (8) lease or sale of Agency-owned property; (9) donations; (10) developer payments; and (11) any other legally available public or private sources.

Current provisions of the CRL provide authority to the Agency to create indebtedness, issue bonds, borrow funds or obtain advances in implementing and carrying out the specific intents of a redevelopment plan. The Agency is authorized to fund the principal and interest on the indebtedness, bond issues, borrowed funds or advances from tax increment revenue and any other funds available to the Agency. To the extent that it is able to do so, the City may also supply additional assistance through City loans or grants or cooperation agreements for various public facilities or other project costs. The estimated resources available to finance the proposed redevelopment programs are summarized as follows:

*Total Aggregate Resources ($Millions)*

| | |
|---|---|
| Net Tax Increment & Housing Set-Aside | $4,995 |
| Net Bond Proceeds | $681 |
| Interest Earnings | $52 |
| Initial Fund Balance | $27 |
| Total Aggregate Resources | $5,755 |

Note: Initial fund balance rounded up to force totals to add

**Table 21** shows the feasibility cash flow. The projection reflects net tax increment and housing set-aside revenues totaling $5 billion over the term of the cash flow as a result of the proposed Amendment. Of this amount, $1.9 billion would be deposited into the Agency's Low and Moderate Income Housing Fund, resulting in a cumulative net non-housing tax increment revenue amount of $3.1 billion. Although other funds may be available to the Agency, the feasibility cash flow shown on **Table 21** only reflects tax increment revenues and the expenditure line items that are funded from tax increment.

Health and Safety Code Section 33333.6 permits the Agency to receive tax increment revenue for up to an additional 10 years after Plan termination for pre-AB1290 plans and an additional 15 years for post-AB1290 plans (adopted on or after January 1, 1994). Amounts after the plan termination limit are available to be allocated only to the extent that the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years. The projection assumes collection of 100% of tax increment revenue available to be allocated to the Agency after the plan effective limits for each component area of the Project are reached.

1. Tax Increment Revenues and Housing Set-Aside

**Table 21** represents the combined non-housing and housing fund tax increment revenues that have been projected for the Project Area. Reported assessed values for each area provide the basis for the respective tax increment projections (values as reported by the Santa Clara County Auditor-Controller for FY 2009-10). Values for the Added Area are those reported by the County in the base year report. The tax increment projection is summarized on **Table 22: "Tax Increment Revenue Projection"** and is detailed for each component area in **Tables 23 to 27**.

Currently, the Agency is annually required to deposit 20% of gross tax increment revenues generated by the Project Area into the Low and Moderate Income Housing Fund for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing available at an affordable housing cost. Commencing in FY 2010-11 as a result of the Amendment, if approved, to extend the Plan's effectiveness and receipt of tax increment time limits for the Original and Amendment Areas, the Agency would be required to deposit 30% of gross tax increment revenues for the Original and Amendment Areas. The increased housing set-aside would not apply to Midtown or the Added Area. Specific housing-related projects, programs and activities are not delineated in the feasibility cash flow, but assume that as housing set-aside funds become available they are used by the Agency to fund such expenditures.

*Net Tax Increment + Housing Set-aside ($Millions)*

| | *A.* Total Revenues | *B.* Portion Generated as a Result of Proposed Plan Amendment [1] | *C.* Portion Generated Within Amendment Areas During Added Ten Years For TI Receipt |
|---|---|---|---|
| | *Not theTotal of Col. B. and C. (2)* | *Subset of Column A. (2)* | *Subset of Column B. (2)* |
| Gross Tax Increment | $7,023 | $5,130 | $2,377 |
| (Less) Pass Throughs | | | |
| County Admin Fee | ($70) | ($51) | ($24) |
| Statutory Pass throughs | ($1,958) | ($1,536) | ($684) |
| Total Pass Throughs | ($2,028) | ($1,587) | ($707) |
| Net Tax Increment | | | |
| Housing Set-aside | $1,863 | $1,484 | $713 |
| Net Tax Increment | $3,132 | $2,059 | $957 |
| Total Tax Incr. + Hsg | $4,995 | $3,543 | $1,670 |

(1) includes estimate of additional tax increment generated by addition of territory, increase of tax increment dollar limit, and 10-year extension of plan time limits.
(2) ***Column A does not equal the sum of Columns B and C.*** Column A represents the total projected revenue for the Project Area. Columns B and C are subsets of this total which are generated by the amendments. The purpose of columns B. and C. is to satisfy requirements per 33333.11(e) (6) and 33451.5 (a) that these amounts be reported.
Note: Totals do not add due to rounding.

a) *Growth in Assessed Valuation and New Development* - Tax increment revenues are based upon increases in the annual incremental assessed valuation of the Project Area that result from future transfers of property ownership or new construction activities and the two percent (2%) real property annual inflationary increase allowable under Article XIIIA of the California Constitution. For purposes of this analysis, future annual growth in tax increment is projected based on the average growth rate experienced over the past 10 years within each area of the Project summarized in the table below. Assessed values within the Project have trended upward over the past decade; however, there were several years in which values declined which are incorporated into these averages.  Growth in real property within the Added Area is projected at 5% per year.  In addition, the estimated assessed value of anticipated new development identified by Agency staff (as summarized on **Table 30: "New Development Added"**) is included in the estimates of taxable value.

| Annual AV Growth Rate | *Original* | *Amendment No. 1* | *Amendment No. 2* | *Midtown* |
|---|---|---|---|---|
| Time Period: | <<--------past ten years------->> | | | From adoption in 2002-03 |
| Secured Roll | 4.6% | 6.7% | 8.7% | 5.6% |
| Unsecured Roll | 2.5% | 1.4% | 1.3% | -11.5% |

*b)* *Statutory Pass Throughs* - Statutory pass through payments for the Original and Amendment areas were triggered as a result of a prior amendment in 1996 to increase the limit on the cumulative amount of tax increment which may be allocated to the Agency.  These statutory pass through obligations (set forth under Health and Safety Code Section 33607.5) took effect in 2001-02 which is the first year following the fiscal year in which the prior tax increment limit would have been reached.  Pass-throughs are calculated using an adjusted base value equal to the assessed value in 2000-01.  Since none of the taxing agencies have a pass through agreement with the Agency, all taxing agencies are eligible to receive their allocation of the statutory pass-throughs.  Midtown and the Added Area are subject to statutory pass-throughs as post-AB 1290 areas (adopted on or after January 1, 1994).

*c)* *County Admin Fee* - The tax increment revenue projection includes payments to the County for administrative charges allowed under Chapter 466, Statutes of 1990, (SB 2557).

2. Proceeds from Bonds

The Agency may pledge tax increment revenues to secure the principal and interest payments of tax allocation bonds issued to finance anticipated program costs.  The issuance of tax-exempt bonds and the use of said proceeds are subject to federal tax restrictions.  The economic feasibility of the financing plan reflected on **Table 21** is based upon the Agency's issuance of six tax allocation bonds in addition to the outstanding 2003 bonds to generate approximately $681 million in net proceeds.

3. Interest Income

The Agency may receive interest earnings generated from funds on deposit in the bond reserve funds, project operating funds and other special funds established for the Projects. Tax allocation bond issuances are assumed in the **Table 21** cash flow; therefore, interest earnings from monies deposited in a bond reserve fund are anticipated. Interest earnings are projected to total $52 million based upon an assumed three percent (3%) interest rate.

4. Initial Fund Balance

An initial fund balance amount of $26.4 million has been included in the projection based on the estimated balance of unreserved non-housing funds at the end of fiscal year 2009-10.

*Caveat Regarding Projection of Tax Increment and other Agency Resources*

No assurances are provided by KMA as to the certainty of the projected tax increment revenues shown in the attached tables. The projection reflects KMA's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. Any state mandated payments resulting from current or proposed legislation, and incorporated herein, reflects state policies known to KMA at the present time and are subject to future legislative changes that could impact this projection.

While we believe our estimates to be reasonable, actual taxable values will vary from the amounts assumed in the projection. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due. A reasonable attempt has been made to forecast the redevelopment projects, programs and activities that could be undertaken in the Project Area. However, actual funding will be based upon actual revenues available to the Agency in future fiscal years.

## E. PROPOSED FINANCING METHOD, ECONOMIC FEASIBILITY, AND REASONS FOR INCLUDING TAX INCREMENT FINANCING

The anticipated costs to implement a program of revitalization in the Project Area will require significant participation from the Agency as it implements activities that promote and achieve the stated goals and objectives for these areas. Economic feasibility of the Project Area has been determined based upon a comparative cash flow analysis of the anticipated costs for implementation of the proposed redevelopment program to the resulting projected resources expected to be generated over the life of the redevelopment areas.

The financial feasibility cash flow summarized on **Table 21** was created to represent one scenario of economic feasibility for the Project Area. At the discretion of the Agency, other funding sources discussed in Section V. (D) above may also represent viable funding alternatives for economic feasibility of the Amendments. Although the Agency may consider other funding sources permitted in the Plan, not all of the funding sources may be available or be feasible for the Agency to use in financing the anticipated costs and revenue shortfalls. In the event that neither the City nor the private market acting alone could fully bear the costs associated with revitalization of the Project Area, the implementation of a redevelopment program utilizing tax increment revenues must be considered as a viable financing tool.

## F. NEED FOR PROPOSED AMENDMENTS

The proposed non-housing projects and projects and programs described in Section IV are estimated to cost $1.4 billion. As summarized in the table below, without amending the Redevelopment Plan, Project Area No. 1 will generate $359 million in discretionary non-housing revenues (after statutory housing set-aside requirements, debt service repayment, administration, contractual obligations, and payment to taxing agencies are met). This means the Agency anticipates a short fall of approximately $1 billion needed to fund the proposed redevelopment program. This shortfall in funds required for the proposed redevelopment program consists of an estimated $535 million shortfall in the Amendment Areas, a $23 million shortfall in Midtown, and a $495 million shortfall in the proposed Added Area. The proposed 10-year extension of the duration and time period for collection of tax increment, the increase in the dollar limit on collection of tax increment, and the addition of territory combined with the repeal of the debt establishment limit will provide the Agency with the ability to assist projects that will improve the economic viability of the Project Area. The table below summarizes the financial benefits of the Amendments.

*Need For Proposed Amendments*

| | **Amendment Areas**[1] *$Millions* | **Midtown Project** *$Millions* | **Proposed Added Area** *$Millions* | **Total** *$Millions* |
|---|---|---|---|---|
| **Redevelopment Project Costs** [2] *See Table End of Section V. C.* | $815 | $102 | $495 | $1,412 |
| **WITHOUT THE PROPOSED AMENDMENTS** | | | | |
| **Discretionary Funds Available** [2] | $280 | $79 | $0 | $359 |
| **Shortfall to Fund Project Costs** | ($535) | ($23) | ($495) | ($1,053) |
| **WITH PROPOSED AMENDMENTS** | | | | |
| **Discretionary Funds Available** [2] | | | | |
| Generated within Area | $839 | $295 | $278 | $1,412 |
| Re-allocation Based on Need [3] | ($24) | ($193) | $217 | $0 |
| Total Available After Re-allocation | $815 | $102 | $495 | $1,412 |
| **Shortfall to Fund Project Costs** | $0 | $0 | $0 | $0 |

(1) Amendment Areas defined as the Original Project Area, Amendments No. 1 and No. 2.

(2) Non-Housing funds

(3) Funds are permitted to be allocated among the areas based on need.

The proposed 10-year extension of the duration and time period for collection of tax increment and increase in the dollar limit on collection of tax increment will provide the Agency with an estimated $559 million in additional funding within the Amendment Areas. The additional funding is needed to fund redevelopment projects and programs designed to eliminate significant remaining blighting conditions identified in the Amendment Areas. The 10-year extension of Plan time limits also provides additional time necessary to complete the proposed projects and programs. The timing of many of the proposed projects depends upon private sector initiation of the rehabilitation and redevelopment of remaining blighted sites within the Amendment Areas. Without the proposed Thirteenth Amendment, there will be only nine years of Plan effectiveness remaining in the Original Project Area and 12 and 15 years in Amendment Areas No. 1 and No 2, respectively, which is not anticipated to be sufficient for implementation of the proposed projects, particularly given the impact the severe downturn in the economy has had on the timing of private-sector development.

The addition of territory will provide the Agency with the ability to implement the projects and programs identified within the Added Area and is estimated to generate $278 million in additional funding needed for non-housing programs in the Added Area.

Removal of the dollar limit on receipt of tax Increment from the Midtown Area (which is not required to have a tax increment cap) is anticipated to generate an additional $216 million in funding. The majority of this additional funding is projected to be used to fund project and program costs which have been identified in the Added Area.

The following summarizes the methodology applied in determining amended dollar limits required for inclusion in the Plan.

1. Determination of Amended Dollar Limit on Receipt of Tax Increment

The proposed dollar limit on receipt of tax increment, as required by the CRL for inclusion in the Plan, is $6.7 billion, an increase of $4.3 billion over the existing limit of $2.4 billion. The amount of the increase has been determined based on anticipated redevelopment implementation and administrative costs over the remaining life of the Plan necessary to implement the projects and programs of the Agency indicated above. The amount is equivalent to the projected tax increment from the Amendment Areas from 2009-10 through the extended tax increment receipt time limit, a contingency factor of thirty percent (30%), plus the amount of tax increment already received by the Agency through 2008-09 (See **Table 28: "Calculation of Tax Increment Limit Required"**). Consistent with the requirements of the CRL, Midtown and the Added Area are not proposed to be subject to this limit; therefore, tax increment collected in these areas was not included in determining the required increase in the tax increment limit.

Existing Tax Increment Limit: $2.4 billion

Proposed Tax Increment Limit: $6.7 billion

2. Determination of Amended Dollar Limit on Outstanding Bond Indebtedness

The Bonded Indebtedness Limit which limits the principal amount of bonded indebtedness that may be outstanding at any one time will be increased from $498 million to $1.3 billion. This limit applies to all the component areas of the Project Area No. 1 and the Added Area. The Agency requires the ability to issue additional bonds in order to finance the proposed redevelopment program. The accompanying schedule (**Table 29)** indicates that with a 7% average interest rate, representative coverage assumptions, and taking into account the period over which the debt could be amortized, a maximum of about $1.0 billion in outstanding principal could be supported; the $1.3 billion limit incorporates a thirty percent (30%) contingency on that amount. This increase provides the Agency with the flexibility to leverage its bonding capacity to the maximum extent in order to finance redevelopment of the Project Area.

| | |
|---|---|
| Existing Bonded Indebtedness Limit: | $498 million |
| Existing Agency Bonded Indebtedness (2003 Bonds): | $174 million |
| Maximum Amount of Debt that is Supportable: | $1.0 billion |
| Proposed Bonded Indebtedness Limit: | $1.3 billion |

## G. DISCUSSION OF WHY PRIVATE ENTERPRISE ACTING ALONE OR ALTERNATIVE FINANCING IS NOT SUFFICIENT TO ELIMINATE REMAINING BLIGHT WITHIN THE PROJECT AREA

The existing physical and economic blighting conditions within the Amendment Areas and Added Area described in Section II of this Report cannot reasonably be expected to be reversed or alleviated by private enterprise or government action, or both, without the authority of redevelopment because there is little incentive for the private sector to invest in the portions of these identified as blighted or necessary and essential for effective redevelopment. As described in Section II, a major hindrance to redevelopment is the prevalence of obsolete industrial buildings that cannot accommodate contemporary users, particularly older manufacturing uses. Reuse often is difficult due to lack of windows required for office use. Also, because manufacturing buildings are designed to have long uninterrupted spaces, the space is not easily divisible for multiple offices. In addition, land assembly may be required to provide for office tenants. High vacancy rates and low rents further hinder private sector investments. This is exacerbated by costs associated with infrastructure improvements and in some instances hazardous waste remediation. Public sector assistance is needed to fund the gap between the cost for rehabilitation site preparation and assembly, and private sector development.

Large portions of the Amendment Areas are within the 100-year floodplain affecting 298 acres including 825 residential units housing 3,291 people. There are approximately 200 residential units within the Added Area housing 704 residents that are within a 100-year floodplain. The Agency may also assist property owners in flood abatement by raising ground levels for new developments above the 100-year levels. In addition, hotels which are a major revenue generator for the City have had to decrease their room rates and are experiencing high vacancy levels. As a major effort to help reduce vacancy rates in the hotel industry, the Agency proposes to assist in the funding of a convention center.

As indicated above, alternative funds alone and/or cumulatively without redevelopment tax increment are inadequate to accomplish the proposed projects and programs. Other funding sources include community development block grants, economic development administration grants, and SBA loans and loan guarantees, derive from the Federal government. However, the availability of money from these programs, particularly Federal programs, has become less available and more restrictive in recent years. Other financing alternatives, such as enterprise zone funding, State commerce department grants and loans, and employment training grants and loans, derive from State government. While still others, such as industrial development and mortgage backed revenue bonds, private bank CRA financing, assessment district financing, and private/public financing sources, derive from private and “off-budget” governmental sources. This type of funding is difficult to implement because of certain restrictions. As an example, general obligation bonds require a two-thirds vote of the electorate.

Most of the above-described financing alternatives are not under local control. All are subject to their own budgetary constraints, at the Federal or State level, and are further subject to lengthy application or arcane administrative procedures which make immediate application of their benefits to any given real estate transaction, in which “time is of the essence,” problematic at best. Thus, tax increment financing must remain the principal source of financing with consideration given to other methods in appropriate circumstances.

## H. BURDEN ON THE COMMUNITY, INABILITY OF THE PRIVATE SECTOR TO REDEVELOP THE AMENDMENT AREAS AND ADDED AREA WITHOUT REDEVELOPMENT ASSISTANCE, NEED FOR ADDITIONAL TIME TO ESTABLISH DEBT, RECEIVE TAX INCREMENT, REPAY DEBT AND POTENTIAL NEED TO ASSEMBLE SITES THROUGH EMINENT DOMAIN

The Amendment Areas and Added Area are major employment and housing areas for the City. Due to industrial obsolescence and decline in hotel occupancy, the private sector has been unable to eliminate the remaining blighting conditions within the Amendment Areas or Added Area. Also, within the Added Area persistent code violations degrades this important source of affordable housing. The potential for flooding is also a hazard for significant portions of the Amendment Areas and Added Area.

Redevelopment assistance may aid the expansion and modernization of industrial facilities. Sperry Van Ness identified the presence of underutilized properties and the lack of investment in those properties within the Town Center area as deterrent to private sector investment in the area. The underutilization was not only a deterrent to new investment but depressed property values, lease rates and adversely affected employment in the Town Center. Within the remainder of the Added Area there has been a history of neglect and inability of property owners to correct code violations and deter crime. The Agency anticipates that it will increase efforts to curb code violations, deter crime through lighting and graffiti abatement and provide low interest loans to incentivize owners in investing in their properties. There is the potential for additional affordable housing in the Town Center area which can help to alleviate overcrowding in Added Area.

In the Amendment Areas, the hotel industry has also seen a major decrease in transit occupancy. The hotel industry has dropped room rates but this has not been enough to reduce the high vacancy rates. The Agency will work with retail and hotel owners to market Milpitas as a hotel destination. This will in turn increase hotel TOT which has declined dramatically in the past year. SVN identified 12 properties with obsolete conditions which are evidenced by unusually high vacancy rates. The Agency will work with business owners to rehabilitate obsolete buildings for contemporary use and market the Oak Creek area. The Agency will also provide financial assistance, when needed, to help remediate the 11 parcels identified as having moderate to severe hazardous material contamination. As mentioned above, large portions of the Amendment Area are within the 100-year floodplain affecting 298 acres of mostly residential properties. The Agency will continue to fund storm drain improvements to alleviate and minimize the floodplain.

The cost of infrastructure improvements in the Amendment Areas and Added Area are estimated at $1.0 billion. Without increasing the time to collect tax increment, repay debt and eliminate the debt establishment limit the Agency will not have the time, tax increment or bonding ability to complete its redevelopment program. The additional 10 years will also provide needed additional time to fund the programs given the severe economic down turn. Eminent domain authority is required because it may be needed to assist in assembling irregularly shaped and inadequately sized parcels for contemporary development.

## I. DESCRIPTION OF EACH BOND SOLD BY THE AGENCY PRIOR TO SIX MONTHS BEFORE ADOPTION OF THE PROPOSED AMENDMENT

CRL Section 33333.11(e)(9) requires that a description of each bond sold by the Agency to finance or refinance the redevelopment project prior to six months before the date of adoption of the proposed Amendment be included in this Report. This description shall include the amount of remaining principal for each bond sold, the annual payments, and the date that the bond will be paid in full.

There is one outstanding bond issuance for the Project Area as summarized below:

| Bond Issue | Original Issuance Amount | Principal Outstanding as of 12/1/2009 | Date Paid in Full | Annual Payments |
|---|---|---|---|---|
| 2003 Tax Allocation Bonds | $200,000,000 | $174,180,000 | 9-1-2032 | $13,603,000 to $13,401,000 through 2027-28; $8,648,000 - $8,629,000 to 2030-31; $4,684,000 in 2031-32, $4,678,000 in 2032-33 |

No bond issuances have occurred pledging tax increment revenues from the Project Area since the 2003 bonds.

**Table 21**
**Feasibility Cash Flow**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**



| | | Current Dollars [1] | Nominal Total to TI Limit | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | Debt Incurrence Midtown 2022-23 | 2023-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Cash Balance [2] | | | | 26,425 | 17,988 | 3,274 | 1,358 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **I. Revenue** | | | | | | | | | | | | | | | | | |
| Net Tax Increment + Hsg Set Aside [3] | | 2,535,171 | 4,995,066 | 38,751 | 41,605 | 45,173 | 48,780 | 53,256 | 58,637 | 64,090 | 69,705 | 74,622 | 79,721 | 84,834 | 90,191 | 95,509 | 100,044 |
| Future TA Bond Proceeds [4] | | 452,322 | 681,000 | 0 | 0 | 0 | 0 | 124,000 | 0 | 0 | 104,000 | 0 | 0 | 0 | 119,000 | 0 | 0 |
| Interest & Reserve Earnings at 3% | | 24,934 | 51,580 | 793 | 540 | 98 | 41 | 0 | 137 | 260 | 261 | 518 | 518 | 518 | 519 | 865 | 895 |
| Total Revenue | | 3,012,428 | 5,727,646 | 39,543 | 42,144 | 45,271 | 48,821 | 177,256 | 58,774 | 64,350 | 173,965 | 75,140 | 80,239 | 85,352 | 209,709 | 96,374 | 100,939 |
| **II. Non-Discretionary Expenditures** | | | | | | | | | | | | | | | | | |
| Existing TA Bond Debt (Non-Hsg shr) | | 199,044 | 270,251 | 13,215 | 13,206 | 13,182 | 13,152 | 13,149 | 13,141 | 13,132 | 13,112 | 13,107 | 13,100 | 13,093 | 13,074 | 13,074 | 13,073 |
| Future TA Bond Debt Service | | 784,336 | 1,670,287 | 0 | 0 | 0 | 0 | 0 | 4,575 | 8,668 | 8,688 | 17,263 | 17,270 | 17,277 | 17,295 | 28,828 | 29,830 |
| Land Purchase Agreement w/County [5] | | 94,607 | 142,000 | 4,000 | 4,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 5,000 |
| Land Purchase Agreement w/City [6] | | 27,665 | 30,485 | 5,000 | 6,000 | 6,000 | 5,200 | 4,200 | 4,085 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplemental ERAF | | 2,351 | 2,422 | 2,422 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Exp @3% Growth [7] | | 222,793 | 363,915 | 7,649 | 7,879 | 8,115 | 8,359 | 8,609 | 8,868 | 9,134 | 9,408 | 9,690 | 9,981 | 10,280 | 10,588 | 10,906 | 11,233 |
| Housing Programs (Low/Mod) | | 935,131 | 1,862,814 | 12,584 | 13,643 | 14,930 | 16,249 | 17,847 | 19,822 | 21,836 | 23,927 | 25,761 | 27,670 | 29,603 | 31,700 | 33,810 | 35,637 |
| Total Non-Discretionary | | 2,265,928 | 4,342,174 | 44,870 | 44,727 | 46,227 | 47,960 | 48,805 | 55,489 | 57,770 | 60,135 | 71,821 | 74,021 | 76,252 | 78,658 | 92,618 | 94,773 |
| **III. Available for Discretionary Costs** [8] | | | | 21,098 | 15,405 | 2,317 | 2,219 | 128,451 | 3,285 | 6,580 | 113,830 | 3,319 | 6,219 | 9,099 | 131,051 | 3,756 | 6,166 |
| **IV. Discretionary Programs** [8] | | | | | | | | | | | | | | | | | |
| Transportation and Public Infrastructure [9] | | | | | | | | | | | | | | | | | |
| Approved CIP (2009-2014) [10] | 2% | 15,282 | 16,332 | 1,110 | 12,112 | 930 | 2,180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Storm Drainage & Flood Control | 11% | 88,000 | 162,396 | 233 | 2 | 3 | 5 | 14,947 | 382 | 766 | 13,246 | 386 | 724 | 1,059 | 15,250 | 437 | 718 |
| Water System Improvements | 18% | 138,000 | 254,666 | 365 | 3 | 5 | 7 | 23,440 | 599 | 1,201 | 20,772 | 606 | 1,135 | 1,660 | 23,914 | 685 | 1,125 |
| Sewer Improvements | 9% | 66,000 | 121,797 | 175 | 2 | 3 | 3 | 11,210 | 287 | 574 | 9,934 | 290 | 543 | 794 | 11,437 | 328 | 538 |
| Street Reconstruction & Rehab | 34% | 263,000 | 485,341 | 696 | 7 | 10 | 14 | 44,672 | 1,142 | 2,288 | 39,587 | 1,154 | 2,163 | 3,165 | 45,576 | 1,306 | 2,144 |
| Recycled Water | 2% | 16,000 | 29,526 | 42 | 0 | 1 | 1 | 2,718 | 70 | 139 | 2,408 | 70 | 132 | 193 | 2,773 | 79 | 130 |
| Subtotal | 76% | 586,282 | 1,070,058 | 2,620 | 12,126 | 952 | 2,209 | 96,987 | 2,480 | 4,968 | 85,948 | 2,506 | 4,695 | 6,871 | 98,951 | 2,836 | 4,656 |
| Economic Stimulation | 16% | 127,238 | 234,806 | 336 | 3 | 5 | 7 | 21,612 | 553 | 1,107 | 19,152 | 558 | 1,046 | 1,531 | 22,050 | 632 | 1,037 |
| Community Infrastructure Impvmts [9] | 8% | 58,000 | 107,033 | 153 | 1 | 2 | 3 | 9,852 | 252 | 505 | 8,730 | 255 | 477 | 698 | 10,051 | 288 | 473 |
| Total Discretionary Programs [8] | 100% | 771,521 | 1,411,897 | 3,110 | 12,131 | 960 | 2,219 | 128,451 | 3,285 | 6,580 | 113,830 | 3,319 | 6,219 | 9,099 | 131,051 | 3,756 | 6,166 |
| Ending Balance | | | | 17,988 | 3,274 | 1,358 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Notes:

(1) Nominal dollar amounts have been converted to current dollars assuming a 3% rate of inflation.

(2) Estimate of unreserved fund balance for non-housing funds as of the end of FY 2009-10 from Finance Department.

(3) The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. This projection assumes the Agency establishes sufficient debt to collect all annual revenue amounts available to be allocated after the effective life.

(4) Bonds assume a minimum coverage requirement of 125%; 7% non-taxable interest rate; 12% cost of issuance and reserves; term based on remaining years for TI collection in the original area. Bonds assumed whenever $100 million or more in net proceed are projected to be generated.

(5) Additional payments per section 3.3 of the agreement which applies to FY 2023-24 - 2037-38 projected based on maximum payment that may be required.

(6) Payment terms are open, 10% interest rate. Payments from projected repayment schedule provided by City.

(7) Operating expenses projected based on 2009-10 RDA budget for staff, services, supplies, and cost allocation reimbursements plus an assumed 3% growth rate.

(8) Funds projected after the plan effec iveness limit are only available to repay debt. Project and program expenditures after the effectiveness limit are assumed to relate to debt repayment for projects implemented prior to this limit. The Agency has entered into an agreement to reimburse the City for constructing certain public improvements. Reimbursement payments are included in these discretionary spending categories because the purpose is to fund discretionary public infrastructure and community facilities.

(9) Current dollar figures ie to cost estimates provided by the City's Public Work Department.

(10) Includes RDA funded expenses per the CIP and items identified as funded hrough impact fees (RDA may fund if fee revenue is not sufficient).

**Table 21**
**Feasibility Cash Flow**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)** *Page 2 of 3*

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Plan Limit - Original Debt Incurrence - Added Area | | | Plan Limit Amend No. 1 | | | Amend No. 2 & Midtown Plan Limit | | | |
| | | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | 2034-35 | 2035-36 | 2036-37 | 2037-38 | 2038-39 |
| Beginning Cash Balance [2] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **I. Revenue** | | | | | | | | | | | | | | | | |
| Net Tax Increment + Hsg Set Aside [3] | | 104,846 | 109,933 | 115,322 | 121,035 | 127,091 | 133,514 | 140,327 | 146,912 | 153,899 | 161,314 | 169,049 | 177,265 | 185,994 | 195,271 | 205,132 |
| Future TA Bond Proceeds [4] | | 0 | 0 | 122,000 | 0 | 0 | 0 | 104,000 | 0 | 0 | 0 | 0 | 108,000 | 0 | 0 | 0 |
| Interest & Reserve Earnings at 3% | | 895 | 896 | 896 | 1,297 | 1,435 | 1,435 | 1,436 | 1,951 | 1,951 | 2,087 | 2,087 | 2,087 | 2,630 | 2,630 | 2,780 |
| Total Revenue | | 105,741 | 110,828 | 238,219 | 122,331 | 128,526 | 134,949 | 245,763 | 148,863 | 155,850 | 163,401 | 171,136 | 287,352 | 188,624 | 197,901 | 207,912 |
| **II. Non-Discretionary Expenditures** | | | | | | | | | | | | | | | | |
| Existing TA Bond Debt (Non-Hsg shr) | | 13,071 | 13,047 | 13,031 | 13,019 | 8,402 | 8,394 | 8,383 | 4,551 | 4,545 | 0 | 0 | 0 | 0 | 0 | 0 |
| Future TA Bond Debt Service | | 29,832 | 29,855 | 29,871 | 43,222 | 47,839 | 47,847 | 47,858 | 65,021 | 65,027 | 69,572 | 69,572 | 69,572 | 87,661 | 87,661 | 92,661 |
| Land Purchase Agreement w/County [5] | | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 0 |
| Land Purchase Agreement w/City [6] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplemental ERAF | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Exp @3% Growth [7] | | 11,570 | 11,917 | 12,275 | 12,643 | 13,022 | 13,413 | 13,815 | 14,230 | 14,657 | 15,096 | 15,549 | 16,016 | 16,496 | 16,991 | 17,501 |
| Housing Programs (Low/Mod) | | 37,575 | 39,628 | 41,807 | 44,118 | 46,571 | 49,175 | 51,940 | 54,877 | 57,998 | 61,314 | 64,840 | 68,588 | 72,575 | 76,817 | 81,331 |
| Total Non-Discretionary | | 97,047 | 99,448 | 101,984 | 118,002 | 120,834 | 123,829 | 126,996 | 143,679 | 147,226 | 150,982 | 154,960 | 159,176 | 181,733 | 186,469 | 191,493 |
| **III. Available for Discretionary Costs [8]** | | 8,694 | 11,381 | 136,235 | 4,330 | 7,692 | 11,120 | 118,767 | 5,184 | 8,624 | 12,419 | 16,176 | 128,176 | 6,891 | 11,431 | 16,419 |
| **IV. Discretionary Programs [8]** | | | | | | | | | | | | | | | | |
| Transportation and Public Infrastructure [9] | | | | | | | | | | | | | | | | |
| Approved CIP (2009-2014) [10] | 2% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Storm Drainage & Flood Control | 11% | 1,012 | 1,324 | 15,853 | 504 | 895 | 1,294 | 13,820 | 603 | 1,004 | 1,445 | 1,882 | 14,915 | 802 | 1,330 | 1,911 |
| Water System Improvements | 18% | 1,587 | 2,077 | 24,860 | 790 | 1,404 | 2,029 | 21,673 | 946 | 1,574 | 2,266 | 2,952 | 23,390 | 1,258 | 2,086 | 2,996 |
| Sewer Improvements | 9% | 759 | 993 | 11,890 | 378 | 671 | 971 | 10,365 | 452 | 753 | 1,084 | 1,412 | 11,186 | 601 | 998 | 1,433 |
| Street Reconstruction & Rehab | 34% | 3,024 | 3,958 | 47,379 | 1,506 | 2,675 | 3,867 | 41,304 | 1,803 | 2,999 | 4,319 | 5,625 | 44,576 | 2,397 | 3,976 | 5,710 |
| Recycled Water | 2% | 184 | 241 | 2,882 | 92 | 163 | 235 | 2,513 | 110 | 182 | 263 | 342 | 2,712 | 146 | 242 | 347 |
| Subtotal | 76% | 6,565 | 8,593 | 102,864 | 3,269 | 5,808 | 8,397 | 89,675 | 3,914 | 6,511 | 9,377 | 12,213 | 96,780 | 5,203 | 8,631 | 12,397 |
| Economic Stimulation | 16% | 1,463 | 1,915 | 22,922 | 728 | 1,294 | 1,871 | 19,983 | 872 | 1,451 | 2,089 | 2,722 | 21,566 | 1,159 | 1,923 | 2,763 |
| Community Infrastructure Impvmts [9] | 8% | 667 | 873 | 10,449 | 332 | 590 | 853 | 9,109 | 398 | 661 | 952 | 1,241 | 9,831 | 529 | 877 | 1,259 |
| Total Discretionary Programs [8] | 100% | 8,694 | 11,381 | 136,235 | 4,330 | 7,692 | 11,120 | 118,767 | 5,184 | 8,624 | 12,419 | 16,176 | 128,176 | 6,891 | 11,431 | 16,419 |
| Ending Balance | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Notes:

(1) Nominal dollar amounts have been converted to current dollars assuming a 3% rate of inflation.
(2) Estimate of unreserved fund balance for non-housing funds as of the end of FY 2009-10 from Finance Department.
(3) The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. This projection assumes the Agency establishes sufficient debt to collect all annual revenue amounts available to be allocated after the effective life.
(4) Bonds assume a minimum coverage requirement of 125%; 7% non-taxable interest rate; 12% cost of issuance and reserves; term based on remaining years for TI collection in he original area. Bonds assumed whenever $100 million or more in net proceed are projected to be generated.
(5) Additional payments per section 3.3 of the agreement which applies to FY 2023-24 - 2037-38 projected based on maximum payment that may be required.
(6) Payment terms are open, 10% interest rate. Payments from projected repayment schedule provided by City.
(7) Operating expenses projected based on 2009-10 RDA budget for staff, services, supplies, and cost allocation reimbursements plus an assumed 3% growth rate.
(8) Funds projected after the plan effec iveness limit are only available to repay debt. Project and program expenditures after the effectiveness limit are assumed to relate to debt repayment for projects implemented prior to this limit. The Agency has entered into an agreement to reimburse he City for constructing certain public improvements. Reimbursement payments are included in hese discretionary spending categories because the purpose is to fund discretionary public infrastructure
(9) Current dollar figures ie to cost estimates provided by the City's Public Work Department.
(10) Includes RDA funded expenses per the CIP and items identified as funded hrough impact fees (RDA may fund if fee revenue is not sufficient).

**Table 21**
**Feasibility Cash Flow**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)** ***Page 3 of 3***

| | | Plan Add Area | | | TI Limit | | | TI Limit | | | | TI Limit | | | | | TI Limit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | TI Original | | | Amend No. 1 | | | Amend No. 2 | | | | Midtown | | | | | Added Area |
| | | 2039-40 | 2040-41 | 2041-42 | 2042-43 | 2043-44 | 2044-45 | 2045-46 | 2046-47 | 2047-48 | 2048-49 | 2049-50 | 2050-51 | 2051-52 | 2052-53 | 2053-54 | 2054-55 |
| Beginning Cash Balance [2] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **I. Revenue** | | | | | | | | | | | | | | | | | |
| Net Tax Increment + Hsg Set Aside [3] | | 215,618 | 186,949 | 196,966 | 207,652 | 164,028 | 173,450 | 183,531 | 65,736 | 68,442 | 71,272 | 74,234 | 35,963 | 37,448 | 39,001 | 40,628 | 42,330 |
| Future TA Bond Proceeds [4] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest & Reserve Earnings at 3% | | 2,780 | 2,283 | 2,283 | 2,283 | 1,708 | 1,708 | 1,708 | 750 | 750 | 750 | 354 | 354 | 354 | 354 | 354 | 354 |
| Total Revenue | | 218,398 | 189,231 | 199,248 | 209,935 | 165,736 | 175,158 | 185,239 | 66,486 | 69,192 | 72,023 | 74,588 | 36,317 | 37,801 | 39,355 | 40,982 | 42,684 |
| **II. Non-Discretionary Expenditures** | | | | | | | | | | | | | | | | | |
| Existing TA Bond Debt (Non-Hsg shr) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Future TA Bond Debt Service | | 92,661 | 76,095 | 76,095 | 76,095 | 56,932 | 56,932 | 56,932 | 25,008 | 25,008 | 25,008 | 11,793 | 11,793 | 11,793 | 11,793 | 11,793 | 11,793 |
| Land Purchase Agreement w/County [5] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land Purchase Agreement w/City [6] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplemental ERAF | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Exp @3% Growth [7] | | 18,026 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing Programs (Low/Mod) | | 86,136 | 74,624 | 79,250 | 84,190 | 65,723 | 70,025 | 74,635 | 21,196 | 22,194 | 23,238 | 24,330 | 11,471 | 12,019 | 12,593 | 13,194 | 13,822 |
| Total Non-Discretionary | | 196,823 | 150,719 | 155,345 | 160,285 | 122,655 | 126,957 | 131,567 | 46,204 | 47,202 | 48,246 | 36,123 | 23,264 | 23,812 | 24,386 | 24,987 | 25,615 |
| **III. Available for Discretionary Costs [8]** | | 21,575 | 38,513 | 43,904 | 49,650 | 43,081 | 48,201 | 53,672 | 20,282 | 21,990 | 23,777 | 38,464 | 13,053 | 13,989 | 14,969 | 15,995 | 17,069 |
| **IV. Discretionary Programs [8]** | | | | | | | | | | | | | | | | | |
| Transportation and Public Infrastructure [9] | | | | | | | | | | | | | | | | | |
| Approved CIP (2009-2014) [10] | 2% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Storm Drainage & Flood Control | 11% | 2,511 | 4,482 | 5,109 | 5,778 | 5,013 | 5,609 | 6,246 | 2,360 | 2,559 | 2,767 | 4,476 | 1,519 | 1,628 | 1,742 | 1,861 | 1,986 |
| Water System Improvements | 18% | 3,937 | 7,028 | 8,012 | 9,060 | 7,862 | 8,796 | 9,794 | 3,701 | 4,013 | 4,339 | 7,019 | 2,382 | 2,553 | 2,732 | 2,919 | 3,115 |
| Sewer Improvements | 9% | 1,883 | 3,361 | 3,832 | 4,333 | 3,760 | 4,207 | 4,684 | 1,770 | 1,919 | 2,075 | 3,357 | 1,139 | 1,221 | 1,306 | 1,396 | 1,490 |
| Street Reconstruction & Rehab | 34% | 7,503 | 13,394 | 15,269 | 17,267 | 14,982 | 16,763 | 18,666 | 7,053 | 7,647 | 8,269 | 13,377 | 4,540 | 4,865 | 5,206 | 5,563 | 5,936 |
| Recycled Water | 2% | 456 | 815 | 929 | 1,050 | 911 | 1,020 | 1,136 | 429 | 465 | 503 | 814 | 276 | 296 | 317 | 338 | 361 |
| Subtotal | 76% | 16,290 | 29,079 | 33,150 | 37,488 | 32,529 | 36,394 | 40,525 | 15,314 | 16,603 | 17,953 | 29,043 | 9,856 | 10,563 | 11,303 | 12,077 | 12,888 |
| Economic Stimulation | 16% | 3,630 | 6,480 | 7,387 | 8,354 | 7,248 | 8,110 | 9,030 | 3,412 | 3,700 | 4,000 | 6,472 | 2,196 | 2,354 | 2,519 | 2,691 | 2,872 |
| Community Infrastructure Impvmts [9] | 8% | 1,655 | 2,954 | 3,367 | 3,808 | 3,304 | 3,697 | 4,116 | 1,556 | 1,687 | 1,824 | 2,950 | 1,001 | 1,073 | 1,148 | 1,227 | 1,309 |
| Total Discretionary Programs [8] | 100% | 21,575 | 38,513 | 43,904 | 49,650 | 43,081 | 48,201 | 53,672 | 20,282 | 21,990 | 23,777 | 38,464 | 13,053 | 13,989 | 14,969 | 15,995 | 17,069 |
| Ending Balance | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Notes:
(1) Nominal dollar amounts have been converted to current dollars assuming a 3% rate of inflation.
(2) Estimate of unreserved fund balance for non-housing funds as of the end of FY 2009-10 from Finance Department.
(3) The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. This projection assumes the Agency establishes sufficient debt to collect all annual revenue amounts available to be allocated after the effec ive life.
(4) Bonds assume a minimum coverage requirement of 125%; 7% non-taxable interest rate; 12% cost of issuance and reserves; term based on remaining years for TI collection in the original area. Bonds assumed whenever $100 million or more in net proceed are projected to be generated.
(5) Additional payments per section 3.3 of the agreement which applies to FY 2023-24 - 2037-38 projected based on maximum payment that may be required.
(6) Payment terms are open, 10% interest rate. Payments from projected repayment schedule provided by City.
(7) Operating expenses projected based on 2009-10 RDA budget for staff, services, supplies, and cost allocation reimbursements plus an assumed 3% growth rate.
(8) Funds projected after the plan effec iveness limit are only available to repay debt. Project and program expenditures after the effectiveness limit are assumed to relate to debt repayment for projects implemented prior to this limit. The Agency has entered into an agreement to reimburse the City for constructing certain public improvements. Reimbursement payments are included in these discretionary spending categories because the purpose is to fund discretionary public infrastructure and community facilities.
(9) Current dollar figures ie to cost estimates provided by the City's Public Work Department.
(10) Includes RDA funded expenses per the CIP and items identified as funded hrough impact fees (RDA may fund if fee revenue is not sufficient).

**Table 22**
**Tax Increment Revenue Projection - Summary**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Fiscal Year[1] | Total Project Value | Increment Over Base | Gross Tax Incremen Revenue | County Admin Fee 1% | Housing Set Aside | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|
| 2010-11 | 5,725,315 | 4,069,197 | 42,313 | (423) | (12,584) | (3,139) | 26,167 | 38,751 |
| 2011-12 | 6,072,442 | 4,416,324 | 46,280 | (463) | (13,643) | (4,213) | 27,962 | 41,605 |
| 2012-13 | 6,543,069 | 4,886,951 | 51,212 | (512) | (14,930) | (5,527) | 30,243 | 45,173 |
| 2013-14 | 7,020,149 | 5,364,031 | 56,211 | (562) | (16,249) | (6,869) | 32,531 | 48,780 |
| 2014-15 | 7,628,788 | 5,972,670 | 62,590 | (626) | (17,847) | (8,708) | 35,409 | 53,256 |
| 2015-16 | 8,368,259 | 6,712,141 | 70,339 | (703) | (19,822) | (10,998) | 38,815 | 58,637 |
| 2016-17 | 9,114,542 | 7,458,424 | 78,159 | (782) | (21,836) | (13,288) | 42,253 | 64,090 |
| 2017-18 | 9,884,778 | 8,228,660 | 86,231 | (862) | (23,927) | (15,664) | 45,777 | 69,705 |
| 2018-19 | 10,565,668 | 8,909,550 | 93,366 | (934) | (25,761) | (17,810) | 48,861 | 74,622 |
| 2019-20 | 11,270,598 | 9,614,480 | 100,753 | (1,008) | (27,670) | (20,025) | 52,051 | 79,721 |
| 2020-21 | 11,973,891 | 10,317,773 | 108,123 | (1,081) | (29,603) | (22,208) | 55,231 | 84,834 |
| 2021-22 | 12,733,823 | 11,077,705 | 116,087 | (1,161) | (31,700) | (24,735) | 58,490 | 90,191 |
| 2022-23 | 13,484,823 | 11,828,705 | 123,957 | (1,240) | (33,810) | (27,208) | 61,699 | 95,509 |
| 2023-24 | 14,121,812 | 12,465,694 | 130,632 | (1,306) | (35,637) | (29,282) | 64,406 | 100,044 |
| 2024-25 | 14,796,082 | 13,139,964 | 137,698 | (1,377) | (37,575) | (31,475) | 67,272 | 104,846 |
| 2025-26 | 15,510,037 | 13,853,919 | 145,180 | (1,452) | (39,628) | (33,795) | 70,304 | 109,933 |
| 2026-27 | 16,266,243 | 14,610,125 | 153,104 | (1,531) | (41,807) | (36,251) | 73,516 | 115,322 |
| 2027-28 | 17,067,443 | 15,411,325 | 161,500 | (1,615) | (44,118) | (38,850) | 76,917 | 121,035 |
| 2028-29 | 17,916,571 | 16,260,453 | 170,398 | (1,704) | (46,571) | (41,603) | 80,520 | 127,091 |
| 2029-30 | 18,816,759 | 17,160,641 | 179,832 | (1,798) | (49,175) | (44,520) | 84,339 | 133,514 |
| 2030-31 | 19,771,358 | 18,115,240 | 189,835 | (1,898) | (51,940) | (47,610) | 88,387 | 140,327 |
| 2031-32 | 20,783,950 | 19,127,832 | 200,447 | (2,004) | (54,877) | (51,530) | 92,035 | 146,912 |
| 2032-33 | 21,858,366 | 20,202,248 | 211,706 | (2,117) | (57,998) | (55,690) | 95,901 | 153,899 |
| 2033-34 | 22,998,702 | 21,342,585 | 223,656 | (2,237) | (61,314) | (60,105) | 100,000 | 161,314 |
| 2034-35 | 24,209,343 | 22,553,225 | 236,342 | (2,363) | (64,840) | (64,930) | 104,209 | 169,049 |
| 2035-36 | 25,494,978 | 23,838,860 | 249,815 | (2,498) | (68,588) | (70,052) | 108,677 | 177,265 |
| 2036-37 | 26,860,624 | 25,204,506 | 264,126 | (2,641) | (72,575) | (75,491) | 113,419 | 185,994 |
| 2037-38 | 28,311,653 | 26,655,535 | 279,332 | (2,793) | (76,817) | (81,268) | 118,454 | 195,271 |
| 2038-39 | 29,853,813 | 28,197,695 | 295,493 | (2,955) | (81,331) | (87,405) | 123,801 | 205,132 |
| 2039-40 | 31,493,260 | 29,837,142 | 312,673 | (3,127) | (86,136) | (93,928) | 129,482 | 215,618 |
| 2040-41 | 27,939,613 | 26,291,336 | 275,515 | (2,755) | (74,624) | (85,812) | 112,325 | 186,949 |
| 2041-42 | 29,532,517 | 27,884,240 | 292,208 | (2,922) | (79,250) | (92,320) | 117,716 | 196,966 |
| 2042-43 | 31,230,915 | 29,582,638 | 310,006 | (3,100) | (84,190) | (99,254) | 123,462 | 207,652 |
| 2043-44 | 25,483,199 | 23,841,080 | 249,838 | (2,498) | (65,723) | (83,312) | 98,305 | 164,028 |
| 2044-45 | 26,990,384 | 25,348,266 | 265,633 | (2,656) | (70,025) | (89,527) | 103,425 | 173,450 |
| 2045-46 | 28,601,927 | 26,959,808 | 282,520 | (2,825) | (74,635) | (96,164) | 108,897 | 183,531 |
| 2046-47 | 11,750,840 | 10,113,465 | 105,982 | (1,060) | (21,196) | (39,187) | 44,539 | 65,736 |
| 2047-48 | 12,226,982 | 10,589,607 | 110,972 | (1,110) | (22,194) | (41,420) | 46,247 | 68,442 |
| 2048-49 | 12,725,049 | 11,087,675 | 116,191 | (1,162) | (23,238) | (43,757) | 48,034 | 71,272 |
| 2049-50 | 13,246,100 | 11,608,726 | 121,652 | (1,217) | (24,330) | (46,201) | 49,904 | 74,234 |
| 2050-51 | 6,329,450 | 5,473,059 | 57,354 | (574) | (11,471) | (20,817) | 24,492 | 35,963 |
| 2051-52 | 6,591,041 | 5,734,650 | 60,095 | (601) | (12,019) | (22,047) | 25,429 | 37,448 |
| 2052-53 | 6,864,840 | 6,008,449 | 62,964 | (630) | (12,593) | (23,333) | 26,409 | 39,001 |
| 2053-54 | 7,151,441 | 6,295,050 | 65,968 | (660) | (13,194) | (24,680) | 27,434 | 40,628 |
| 2054-55 | 7,451,467 | 6,595,076 | 69,112 | (691) | (13,822) | (26,090) | 28,508 | 42,330 |
| TOTAL | | | 7,023,400 | (70,234) | (1,862,814) | (1,958,100) | 3,132,253 | 4,995,066 |

Notes:
[1] Reflects adopted extensions of plan effectiveness and tax increment receipt limits by a total of three years pursuant to CRL 33333.6 (e) (2) (C), (D), and assumes additional one year extension permitted pursuant to AB 26.

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown after the plan effective limit are available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

**Table 23**
**Tax Increment Revenue Projection - Original Area**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Real Property at [2] 5% | Existing Personal Property at [2] 2% | New Development Value Added at 2% growth[3] | Total Project Value | Increment Over Base $7,841 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -30.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 33 | 2009-10 | 1,141,565 | 32,413 | 0 | 1,173,978 | 1,166,137 | 12,220 | (122) | (2,444) | (880) | 8,774 | 11,218 |
| 34 | 2010-11 | 1,198,643 | 33,061 | 9,507 | 1,241,212 | 1,233,371 | 12,925 | (129) | (3,877) | (893) | 8,025 | 11,902 |
| 35 | 2011-12 | 1,258,576 | 33,722 | 31,881 | 1,324,179 | 1,316,338 | 13,794 | (138) | (4,138) | (1,149) | 8,369 | 12,508 |
| 36 | 2012-13 | 1,321,504 | 34,397 | 32,519 | 1,388,420 | 1,380,579 | 14,468 | (145) | (4,340) | (1,346) | 8,636 | 12,976 |
| 37 | 2013-14 | 1,387,580 | 35,085 | 33,169 | 1,455,834 | 1,447,993 | 15,174 | (152) | (4,552) | (1,554) | 8,916 | 13,468 |
| 38 | 2014-15 | 1,456,959 | 35,787 | 33,833 | 1,526,578 | 1,518,737 | 15,915 | (159) | (4,775) | (1,772) | 9,210 | 13,985 |
| 39 | 2015-16 | 1,529,806 | 36,502 | 34,510 | 1,600,818 | 1,592,977 | 16,693 | (167) | (5,008) | (2,000) | 9,518 | 14,526 |
| 40 | 2016-17 | 1,606,297 | 37,232 | 35,200 | 1,678,729 | 1,670,888 | 17,510 | (175) | (5,253) | (2,240) | 9,842 | 15,095 |
| 41 | 2017-18 | 1,686,612 | 37,977 | 35,904 | 1,760,492 | 1,752,651 | 18,367 | (184) | (5,510) | (2,491) | 10,181 | 15,691 |
| 42 | 2018-19 | 1,770,942 | 38,736 | 36,622 | 1,846,300 | 1,838,459 | 19,266 | (193) | (5,780) | (2,756) | 10,538 | 16,318 |
| 43 | 2019-20 | 1,859,489 | 39,511 | 37,354 | 1,936,355 | 1,928,514 | 20,210 | (202) | (6,063) | (3,033) | 10,912 | 16,975 |
| 44 | 2020-21 | 1,952,464 | 40,301 | 38,101 | 2,030,867 | 2,023,025 | 21,200 | (212) | (6,360) | (3,324) | 11,304 | 17,664 |
| 45 | 2021-22 | 2,050,087 | 41,107 | 38,863 | 2,130,058 | 2,122,217 | 22,239 | (222) | (6,672) | (3,629) | 11,716 | 18,388 |
| 46 | 2022-23 | 2,152,591 | 41,930 | 39,641 | 2,234,162 | 2,226,320 | 23,330 | (233) | (6,999) | (3,949) | 12,149 | 19,148 |
| 47 | 2023-24 | 2,260,221 | 42,768 | 40,433 | 2,343,423 | 2,335,581 | 24,475 | (245) | (7,343) | (4,285) | 12,602 | 19,945 |
| 48 | 2024-25 | 2,373,232 | 43,624 | 41,242 | 2,458,098 | 2,450,256 | 25,677 | (257) | (7,703) | (4,638) | 13,079 | 20,782 |
| 49 | 2025-26 | 2,491,894 | 44,496 | 42,067 | 2,578,457 | 2,570,615 | 26,938 | (269) | (8,081) | (5,009) | 13,579 | 21,660 |
| 50 | 2026-27 | 2,616,488 | 45,386 | 42,908 | 2,704,782 | 2,696,941 | 28,262 | (283) | (8,479) | (5,398) | 14,103 | 22,582 |
| 51 | 2027-28 | 2,747,313 | 46,294 | 43,766 | 2,837,373 | 2,829,532 | 29,652 | (297) | (8,895) | (5,806) | 14,654 | 23,549 |
| 52 | 2028-29 Extended | 2,884,678 | 47,220 | 44,642 | 2,976,540 | 2,968,698 | 31,110 | (311) | (9,333) | (6,234) | 15,232 | 24,565 |
| 53 | 2029-30[1] Plan Limit | 3,028,912 | 48,164 | 45,535 | 3,122,611 | 3,114,769 | 32,641 | (326) | (9,792) | (6,683) | 15,839 | 25,631 |
| 54 | 2030-31 | 3,180,358 | 49,127 | 46,445 | 3,275,930 | 3,268,089 | 34,247 | (342) | (10,274) | (7,155) | 16,475 | 26,750 |
| 55 | 2031-32 | 3,339,376 | 50,110 | 47,374 | 3,436,860 | 3,429,018 | 35,934 | (359) | (10,780) | (7,784) | 17,010 | 27,790 |
| 56 | 2032-33 | 3,506,345 | 51,112 | 48,322 | 3,605,778 | 3,597,937 | 37,704 | (377) | (11,311) | (8,444) | 17,572 | 28,883 |
| 57 | 2033-34 | 3,681,662 | 52,134 | 49,288 | 3,783,084 | 3,775,243 | 39,562 | (396) | (11,869) | (9,137) | 18,161 | 30,030 |
| 58 | 2034-35 | 3,865,745 | 53,177 | 50,274 | 3,969,196 | 3,961,354 | 41,512 | (415) | (12,454) | (9,864) | 18,780 | 31,234 |
| 59 | 2035-36 | 4,059,032 | 54,240 | 51,279 | 4,164,552 | 4,156,711 | 43,559 | (436) | (13,068) | (10,627) | 19,429 | 32,497 |
| 60 | 2036-37 | 4,261,984 | 55,325 | 52,305 | 4,369,614 | 4,361,773 | 45,708 | (457) | (13,713) | (11,428) | 20,111 | 33,823 |
| 61 | 2037-38 | 4,475,083 | 56,432 | 53,351 | 4,584,866 | 4,577,024 | 47,964 | (480) | (14,389) | (12,269) | 20,826 | 35,216 |
| 62 | 2038-39 Extended | 4,698,837 | 57,560 | 54,418 | 4,810,815 | 4,802,974 | 50,332 | (503) | (15,100) | (13,152) | 21,577 | 36,677 |
| 63 | 2039-40[1] Receipt Limi | 4,933,779 | 58,712 | 55,506 | 5,047,997 | 5,040,156 | 52,817 | (528) | (15,845) | (14,078) | 22,366 | 38,211 |
| | TOTAL | | | | | | 871,407 | (8,714) | (260,200) | (173,005) | 429,487 | 689,687 |

Notes:

1 Reflects adopted extensions of plan effectiveness and tax increment receipt limits by a total of three years pursuant to CRL 33333.6 (e) (2) (C), (D), and assumes additional one year extension permitted pursuant to AB 26.

2 Growth in existing valuation projected based on ten year average growth rate.

3 See Table 30

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 43 to 52 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these year

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
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**Table 24**
**Tax Increment Revenue Projection - Amendment Area No. 1**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Real Property at [2] 6% | Existing Personal Property at [2] 1% | New Development Value Added at 2% growth[2] | Total Project Value | Increment Over Base $6,158 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -30.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30 | 2009-10 | 959,830 | 319,259 | 0 | 1,279,090 | 1,272,932 | 13,339 | (133) | (2,668) | (1,121) | 9,417 | 12,085 |
| 31 | 2010-11 | 1,017,420 | 322,452 | 32,084 | 1,371,957 | 1,365,798 | 14,313 | (143) | (4,294) | (1,151) | 8,725 | 13,019 |
| 32 | 2011-12 | 1,078,466 | 325,676 | 51,642 | 1,455,784 | 1,449,625 | 15,191 | (152) | (4,557) | (1,409) | 9,073 | 13,630 |
| 33 | 2012-13 | 1,143,173 | 328,933 | 67,270 | 1,539,376 | 1,533,218 | 16,067 | (161) | (4,820) | (1,666) | 9,420 | 14,240 |
| 34 | 2013-14 | 1,211,764 | 332,223 | 83,648 | 1,627,635 | 1,621,476 | 16,992 | (170) | (5,098) | (1,938) | 9,787 | 14,884 |
| 35 | 2014-15 | 1,284,470 | 335,545 | 85,321 | 1,705,336 | 1,699,178 | 17,806 | (178) | (5,342) | (2,177) | 10,109 | 15,451 |
| 36 | 2015-16 | 1,361,538 | 338,900 | 87,028 | 1,787,466 | 1,781,308 | 18,667 | (187) | (5,600) | (2,430) | 10,450 | 16,051 |
| 37 | 2016-17 | 1,443,230 | 342,289 | 88,768 | 1,874,288 | 1,868,129 | 19,577 | (196) | (5,873) | (2,697) | 10,811 | 16,684 |
| 38 | 2017-18 | 1,529,824 | 345,712 | 90,544 | 1,966,080 | 1,959,921 | 20,539 | (205) | (6,162) | (2,979) | 11,192 | 17,354 |
| 39 | 2018-19 | 1,621,613 | 349,169 | 92,354 | 2,063,137 | 2,056,979 | 21,556 | (216) | (6,467) | (3,278) | 11,595 | 18,062 |
| 40 | 2019-20 | 1,718,910 | 352,661 | 94,201 | 2,165,773 | 2,159,614 | 22,631 | (226) | (6,789) | (3,594) | 12,022 | 18,811 |
| 41 | 2020-21 | 1,822,045 | 356,188 | 96,086 | 2,274,318 | 2,268,160 | 23,769 | (238) | (7,131) | (3,928) | 12,472 | 19,603 |
| 42 | 2021-22 | 1,931,367 | 359,749 | 98,007 | 2,389,124 | 2,382,966 | 24,972 | (250) | (7,492) | (4,281) | 12,949 | 20,441 |
| 43 | 2022-23 | 2,047,250 | 363,347 | 99,967 | 2,510,564 | 2,504,406 | 26,244 | (262) | (7,873) | (4,655) | 13,454 | 21,327 |
| 44 | 2023-24 | 2,170,085 | 366,980 | 101,967 | 2,639,032 | 2,632,873 | 27,591 | (276) | (8,277) | (5,050) | 13,987 | 22,264 |
| 45 | 2024-25 | 2,300,290 | 370,650 | 104,006 | 2,774,946 | 2,768,788 | 29,015 | (290) | (8,705) | (5,469) | 14,552 | 23,256 |
| 46 | 2025-26 | 2,438,307 | 374,357 | 106,086 | 2,918,750 | 2,912,592 | 30,522 | (305) | (9,157) | (5,911) | 15,149 | 24,306 |
| 47 | 2026-27 | 2,584,605 | 378,100 | 108,208 | 3,070,914 | 3,064,755 | 32,117 | (321) | (9,635) | (6,380) | 15,781 | 25,416 |
| 48 | 2027-28 | 2,739,682 | 381,881 | 110,372 | 3,231,935 | 3,225,777 | 33,804 | (338) | (10,141) | (6,875) | 16,450 | 26,591 |
| 49 | 2028-29 | 2,904,063 | 385,700 | 112,579 | 3,402,342 | 3,396,184 | 35,590 | (356) | (10,677) | (7,399) | 17,157 | 27,834 |
| 50 | 2029-30 | 3,078,306 | 389,557 | 114,831 | 3,582,695 | 3,576,536 | 37,480 | (375) | (11,244) | (7,955) | 17,906 | 29,150 |
| 51 | 2030-31 | 3,263,005 | 393,453 | 117,128 | 3,773,585 | 3,767,427 | 39,480 | (395) | (11,844) | (8,542) | 18,699 | 30,543 |
| 52 | 2031-32 Extended | 3,458,785 | 397,387 | 119,470 | 3,975,643 | 3,969,484 | 41,597 | (416) | (12,479) | (9,331) | 19,371 | 31,850 |
| 53 | 2032-33[1] Plan Limit | 3,666,312 | 401,361 | 121,860 | 4,189,533 | 4,183,375 | 43,839 | (438) | (13,152) | (10,167) | 20,082 | 33,234 |

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
\\sf-fs1\employee\ddoezema\bwetmore\Milpitas\2009 amendment\Report to Council\Milpitas RTC

**Table 24**
**Tax Increment Revenue Projection - Amendment Area No. 1**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Real Property at [2] 6% | Existing Personal Property at [2] 1% | New Development Value Added at 2% growth[2] | Total Project Value | Increment Over Base $6,158 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -30.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 54 | 2033-34 | 3,886,291 | 405,375 | 124,297 | 4,415,962 | 4,409,804 | 46,212 | (462) | (13,864) | (11,052) | 20,835 | 34,698 |
| 55 | 2034-35 | 4,119,468 | 409,428 | 126,783 | 4,655,680 | 4,649,521 | 48,724 | (487) | (14,617) | (11,988) | 21,631 | 36,249 |
| 56 | 2035-36 | 4,366,636 | 413,523 | 129,318 | 4,909,478 | 4,903,319 | 51,383 | (514) | (15,415) | (12,980) | 22,475 | 37,890 |
| 57 | 2036-37 | 4,628,635 | 417,658 | 131,905 | 5,178,197 | 5,172,039 | 54,199 | (542) | (16,260) | (14,029) | 23,368 | 39,628 |
| 58 | 2037-38 | 4,906,353 | 421,835 | 134,543 | 5,462,730 | 5,456,572 | 57,181 | (572) | (17,154) | (15,141) | 24,314 | 41,468 |
| 59 | 2038-39 | 5,200,734 | 426,053 | 137,234 | 5,764,020 | 5,757,862 | 60,338 | (603) | (18,102) | (16,318) | 25,316 | 43,417 |
| 60 | 2039-40 | 5,512,778 | 430,313 | 139,978 | 6,083,070 | 6,076,912 | 63,682 | (637) | (19,105) | (17,564) | 26,376 | 45,481 |
| 61 | 2040-41 | 5,843,545 | 434,617 | 142,778 | 6,420,939 | 6,414,781 | 67,223 | (672) | (20,167) | (18,884) | 27,499 | 47,666 |
| 62 | 2041-42 Extended | 6,194,157 | 438,963 | 145,634 | 6,778,753 | 6,772,595 | 70,972 | (710) | (21,292) | (20,282) | 28,689 | 49,980 |
| 63 | 2042-43[1] Receipt Limi | 6,565,807 | 443,352 | 148,546 | 7,157,705 | 7,151,547 | 74,943 | (749) | (22,483) | (21,763) | 29,948 | 52,431 |
| | TOTAL | | | | | | 1,217,555 | (12,176) | (363,933) | (270,383) | 571,064 | 934,997 |

Notes:
[1] Reflects adopted extensions of plan effectiveness and tax increment receipt limits by a total of three years pursuant to CRL 33333.6 (e) (2) (C), (D), and assumes additional one year extension permitted pursuant to AB 26.
[2] Growth in existing valuation projected based on ten year average growth rate.
[3] See Table 30

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 43 to 52 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

**Table 25**
**Tax Increment Revenue Projection - Amendment Area No. 2**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | | Existing Real Property at [2] 8% | Existing Personal Property at [2] 1% | New Development Value Added at 2% growth[3] | Total Project Value | Increment Over Base $4,744 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -30.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 28 | 2009-10 | | 966,946 | 291,393 | 0 | 1,258,340 | 1,253,596 | 13,137 | (131) | (2,627) | (802) | 9,576 | 12,204 |
| 29 | 2010-11 | | 1,044,302 | 294,307 | 0 | 1,338,609 | 1,333,866 | 13,978 | (140) | (4,193) | (849) | 8,796 | 12,989 |
| 30 | 2011-12 | | 1,127,846 | 297,250 | 0 | 1,425,097 | 1,420,353 | 14,884 | (149) | (4,465) | (1,115) | 9,155 | 13,621 |
| 31 | 2012-13 | | 1,218,074 | 300,223 | 45,909 | 1,564,205 | 1,559,462 | 16,342 | (163) | (4,903) | (1,543) | 9,733 | 14,636 |
| 32 | 2013-14 | | 1,315,520 | 303,225 | 94,113 | 1,712,858 | 1,708,114 | 17,900 | (179) | (5,370) | (2,001) | 10,350 | 15,720 |
| 33 | 2014-15 | | 1,420,761 | 306,257 | 144,699 | 1,871,718 | 1,866,974 | 19,565 | (196) | (5,869) | (2,489) | 11,010 | 16,880 |
| 34 | 2015-16 | | 1,534,422 | 309,320 | 277,350 | 2,121,092 | 2,116,349 | 22,178 | (222) | (6,653) | (3,257) | 12,046 | 18,699 |
| 35 | 2016-17 | | 1,657,176 | 312,413 | 416,547 | 2,386,136 | 2,381,392 | 24,955 | (250) | (7,487) | (4,073) | 13,147 | 20,633 |
| 36 | 2017-18 | | 1,789,750 | 315,537 | 562,537 | 2,667,824 | 2,663,080 | 27,907 | (279) | (8,372) | (4,939) | 14,317 | 22,689 |
| 37 | 2018-19 | | 1,932,930 | 318,693 | 621,387 | 2,873,010 | 2,868,266 | 30,057 | (301) | (9,017) | (5,571) | 15,169 | 24,186 |
| 38 | 2019-20 | | 2,087,565 | 321,879 | 682,843 | 3,092,287 | 3,087,543 | 32,355 | (324) | (9,707) | (6,246) | 16,079 | 25,786 |
| 39 | 2020-21 | | 2,254,570 | 325,098 | 746,998 | 3,326,666 | 3,321,923 | 34,811 | (348) | (10,443) | (6,967) | 17,053 | 27,496 |
| 40 | 2021-22 | | 2,434,935 | 328,349 | 831,077 | 3,594,362 | 3,589,618 | 37,617 | (376) | (11,285) | (7,791) | 18,165 | 29,450 |
| 41 | 2022-23 | | 2,629,730 | 331,633 | 918,911 | 3,880,274 | 3,875,530 | 40,613 | (406) | (12,184) | (8,671) | 19,352 | 31,536 |
| 42 | 2023-24 | | 2,840,109 | 334,949 | 937,289 | 4,112,347 | 4,107,603 | 43,045 | (430) | (12,913) | (9,385) | 20,316 | 33,229 |
| 43 | 2024-25 | | 3,067,317 | 338,299 | 956,035 | 4,361,651 | 4,356,907 | 45,657 | (457) | (13,697) | (10,152) | 21,351 | 35,049 |
| 44 | 2025-26 | | 3,312,703 | 341,682 | 975,156 | 4,629,540 | 4,624,796 | 48,465 | (485) | (14,539) | (10,977) | 22,464 | 37,003 |
| 45 | 2026-27 | | 3,577,719 | 345,098 | 994,659 | 4,917,476 | 4,912,733 | 51,482 | (515) | (15,445) | (11,863) | 23,660 | 39,104 |
| 46 | 2027-28 | | 3,863,937 | 348,549 | 1,014,552 | 5,227,038 | 5,222,294 | 54,726 | (547) | (16,418) | (12,816) | 24,945 | 41,363 |
| 47 | 2028-29 | | 4,173,051 | 352,035 | 1,034,843 | 5,559,930 | 5,555,186 | 58,215 | (582) | (17,464) | (13,840) | 26,328 | 43,792 |
| 48 | 2029-30 | | 4,506,896 | 355,555 | 1,055,540 | 5,917,991 | 5,913,247 | 61,967 | (620) | (18,590) | (14,942) | 27,815 | 46,405 |
| 49 | 2030-31 | | 4,867,447 | 359,111 | 1,076,651 | 6,303,209 | 6,298,465 | 66,004 | (660) | (19,801) | (16,127) | 29,415 | 49,216 |
| 50 | 2031-32 | | 5,256,843 | 362,702 | 1,098,184 | 6,717,729 | 6,712,985 | 70,348 | (703) | (21,104) | (17,747) | 30,793 | 51,897 |
| 51 | 2032-33 | | 5,677,390 | 366,329 | 1,120,148 | 7,163,867 | 7,159,123 | 75,023 | (750) | (22,507) | (19,490) | 32,276 | 54,783 |
| 52 | 2033-34 | | 6,131,582 | 369,992 | 1,142,551 | 7,644,124 | 7,639,381 | 80,056 | (801) | (24,017) | (21,366) | 33,872 | 57,889 |
| 53 | 2034-35 | Extended | 6,622,108 | 373,692 | 1,165,402 | 8,161,202 | 8,156,458 | 85,474 | (855) | (25,642) | (23,386) | 35,591 | 61,233 |
| 54 | 2035-36[1] | Plan Limit | 7,151,877 | 377,429 | 1,188,710 | 8,718,015 | 8,713,272 | 91,309 | (913) | (27,393) | (25,561) | 37,442 | 64,835 |

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
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**Table 25**
**Tax Increment Revenue Projection - Amendment Area No. 2**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | | Existing Real Property at [2] 8% | Existing Personal Property at [2] 1% | New Development Value Added at 2% growth[3] | Total Project Value | Increment Over Base $4,744 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -30.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 55 | 2036-37 | | 7,724,027 | 381,203 | 1,212,484 | 9,317,714 | 9,312,970 | 97,594 | (976) | (29,278) | (27,904) | 39,436 | 68,714 |
| 56 | 2037-38 | | 8,341,949 | 385,015 | 1,236,733 | 9,963,698 | 9,958,954 | 104,363 | (1,044) | (31,309) | (30,428) | 41,583 | 72,892 |
| 57 | 2038-39 | | 9,009,305 | 388,865 | 1,261,468 | 10,659,639 | 10,654,895 | 111,656 | (1,117) | (33,497) | (33,146) | 43,896 | 77,393 |
| 58 | 2039-40 | | 9,730,050 | 392,754 | 1,286,698 | 11,409,501 | 11,404,757 | 119,514 | (1,195) | (35,854) | (36,076) | 46,389 | 82,243 |
| 59 | 2040-41 | | 10,508,453 | 396,682 | 1,312,431 | 12,217,567 | 12,212,823 | 127,982 | (1,280) | (38,395) | (39,233) | 49,075 | 87,470 |
| 60 | 2041-42 | | 11,349,130 | 400,648 | 1,338,680 | 13,088,458 | 13,083,715 | 137,108 | (1,371) | (41,133) | (42,635) | 51,970 | 93,102 |
| 61 | 2042-43 | | 12,257,060 | 404,655 | 1,365,454 | 14,027,169 | 14,022,425 | 146,945 | (1,469) | (44,084) | (46,302) | 55,090 | 99,174 |
| 62 | 2043-44 | | 13,237,625 | 408,702 | 1,392,763 | 15,039,089 | 15,034,345 | 157,550 | (1,575) | (47,265) | (50,255) | 58,454 | 105,719 |
| 63 | 2044-45 | Extended | 14,296,635 | 412,789 | 1,420,618 | 16,130,042 | 16,125,298 | 168,982 | (1,690) | (50,695) | (54,517) | 62,080 | 112,775 |
| 64 | 2045-46[1] | Receipt Limit | 15,440,366 | 416,916 | 1,449,030 | 17,306,313 | 17,301,569 | 181,309 | (1,813) | (54,393) | (59,113) | 65,990 | 120,383 |
| | TOTAL | | | | | | | 2,531,073 | (25,311) | (758,008) | (683,574) | 1,064,180 | 1,822,189 |

Notes:

[1] Reflects adopted extensions of plan effectiveness and tax increment receipt limits by a total of three years pursuant to CRL 33333.6 (e) (2) (C), (D), and assumes additional one year extension permitted pursuant to AB 26.

[2] Growth in existing valuation projected based on ten year average growth rate.

[3] See Table 30

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 44 to 53 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

**Table 26**
**Tax Increment Revenue Projection - Midtown Area**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Real Property at [2] 5% | Existing Personal Property at [2] 0% | New Development Value Added at 2% growth[3] | Total Project Value | Increment Over Base $780,984 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -20.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 7 | 2009-10 | 730,323 | 118,845 | 0 | 849,167 | 68,184 | 715 | (7) | (143) | (160) | 404 | 547 |
| 8 | 2010-11 | 766,839 | 118,845 | 0 | 885,683 | 104,700 | 1,097 | (11) | (219) | (246) | 621 | 840 |
| 9 | 2011-12 | 805,181 | 118,845 | 22,467 | 946,492 | 165,509 | 1,734 | (17) | (347) | (389) | 981 | 1,328 |
| 10 | 2012-13 | 845,440 | 118,845 | 88,671 | 1,052,956 | 271,972 | 2,850 | (29) | (570) | (639) | 1,613 | 2,183 |
| 11 | 2013-14 | 887,712 | 118,845 | 111,293 | 1,117,849 | 336,866 | 3,530 | (35) | (706) | (791) | 1,998 | 2,704 |
| 12 | 2014-15 | 932,097 | 118,845 | 198,784 | 1,249,726 | 468,742 | 4,912 | (49) | (982) | (1,286) | 2,595 | 3,577 |
| 13 | 2015-16 | 978,702 | 118,845 | 336,454 | 1,434,000 | 653,017 | 6,843 | (68) | (1,369) | (1,977) | 3,430 | 4,798 |
| 14 | 2016-17 | 1,027,637 | 118,845 | 447,249 | 1,593,731 | 812,747 | 8,517 | (85) | (1,703) | (2,576) | 4,153 | 5,856 |
| 15 | 2017-18 | 1,079,019 | 118,845 | 563,382 | 1,761,246 | 980,263 | 10,272 | (103) | (2,054) | (3,204) | 4,912 | 6,966 |
| 16 | 2018-19 | 1,132,970 | 118,845 | 698,487 | 1,950,302 | 1,169,318 | 12,254 | (123) | (2,451) | (3,913) | 5,768 | 8,219 |
| 17 | 2019-20 | 1,189,619 | 118,845 | 826,173 | 2,134,636 | 1,353,653 | 14,185 | (142) | (2,837) | (4,604) | 6,603 | 9,440 |
| 18 | 2020-21 | 1,249,100 | 118,845 | 918,866 | 2,286,811 | 1,505,827 | 15,780 | (158) | (3,156) | (5,174) | 7,292 | 10,448 |
| 19 | 2021-22 | 1,311,555 | 118,845 | 1,015,699 | 2,446,098 | 1,665,115 | 17,449 | (174) | (3,490) | (5,772) | 8,013 | 11,503 |
| 20 | 2022-23 | 1,377,132 | 118,845 | 1,116,822 | 2,612,799 | 1,831,815 | 19,196 | (192) | (3,839) | (6,397) | 8,768 | 12,607 |
| 21 | 2023-24 | 1,445,989 | 118,845 | 1,139,158 | 2,703,992 | 1,923,008 | 20,152 | (202) | (4,030) | (6,739) | 9,181 | 13,212 |
| 22 | 2024-25 | 1,518,289 | 118,845 | 1,161,941 | 2,799,074 | 2,018,091 | 21,148 | (211) | (4,230) | (7,095) | 9,612 | 13,841 |
| 23 | 2025-26 | 1,594,203 | 118,845 | 1,185,180 | 2,898,228 | 2,117,244 | 22,187 | (222) | (4,437) | (7,467) | 10,061 | 14,498 |
| 24 | 2026-27 | 1,673,913 | 118,845 | 1,208,884 | 3,001,641 | 2,220,658 | 23,271 | (233) | (4,654) | (7,855) | 10,529 | 15,183 |
| 25 | 2027-28 | 1,757,609 | 118,845 | 1,233,061 | 3,109,515 | 2,328,531 | 24,401 | (244) | (4,880) | (8,259) | 11,018 | 15,898 |
| 26 | 2028-29 | 1,845,489 | 118,845 | 1,257,723 | 3,222,056 | 2,441,073 | 25,581 | (256) | (5,116) | (8,681) | 11,527 | 16,644 |
| 27 | 2029-30 | 1,937,764 | 118,845 | 1,282,877 | 3,339,485 | 2,558,502 | 26,811 | (268) | (5,362) | (9,122) | 12,059 | 17,422 |
| 28 | 2030-31 | 2,034,652 | 118,845 | 1,308,535 | 3,462,031 | 2,681,047 | 28,096 | (281) | (5,619) | (9,581) | 12,614 | 18,233 |
| 29 | 2031-32 | 2,136,384 | 118,845 | 1,334,705 | 3,589,934 | 2,808,951 | 29,436 | (294) | (5,887) | (10,061) | 13,194 | 19,081 |
| 30 | 2032-33 | 2,243,204 | 118,845 | 1,361,399 | 3,723,448 | 2,942,464 | 30,835 | (308) | (6,167) | (10,561) | 13,798 | 19,965 |
| 31 | 2033-34 | 2,355,364 | 118,845 | 1,388,627 | 3,862,836 | 3,081,852 | 32,296 | (323) | (6,459) | (11,084) | 14,430 | 20,889 |
| 32 | 2034-35[1] Plan Limit | 2,473,132 | 118,845 | 1,416,400 | 4,008,377 | 3,227,393 | 33,821 | (338) | (6,764) | (11,766) | 14,953 | 21,717 |

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
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**Table 26**
**Tax Increment Revenue Projection - Midtown Area**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Real Property at [2] 5% | Existing Personal Property at [2] 0% | New Development Value Added at 2% growth[3] | Total Project Value | Increment Over Base $780,984 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -20.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 33 | 2035-36 | 2,596,789 | 118,845 | 1,444,728 | 4,160,361 | 3,379,378 | 35,414 | (354) | (7,083) | (12,478) | 15,499 | 22,582 |
| 34 | 2036-37 | 2,726,628 | 118,845 | 1,473,623 | 4,319,095 | 3,538,112 | 37,077 | (371) | (7,415) | (13,221) | 16,070 | 23,485 |
| 35 | 2037-38 | 2,862,959 | 118,845 | 1,503,095 | 4,484,899 | 3,703,915 | 38,815 | (388) | (7,763) | (13,998) | 16,666 | 24,429 |
| 36 | 2038-39 | 3,006,107 | 118,845 | 1,533,157 | 4,658,109 | 3,877,125 | 40,630 | (406) | (8,126) | (14,809) | 17,288 | 25,414 |
| 37 | 2039-40 | 3,156,413 | 118,845 | 1,563,820 | 4,839,077 | 4,058,094 | 42,526 | (425) | (8,505) | (15,657) | 17,939 | 26,444 |
| 38 | 2040-41 | 3,314,233 | 118,845 | 1,595,096 | 5,028,174 | 4,247,191 | 44,508 | (445) | (8,902) | (16,542) | 18,619 | 27,520 |
| 39 | 2041-42 | 3,479,945 | 118,845 | 1,626,998 | 5,225,788 | 4,444,804 | 46,579 | (466) | (9,316) | (17,468) | 19,329 | 28,645 |
| 40 | 2042-43 | 3,653,942 | 118,845 | 1,659,538 | 5,432,325 | 4,651,342 | 48,743 | (487) | (9,749) | (18,435) | 20,071 | 29,820 |
| 41 | 2043-44 | 3,836,640 | 118,845 | 1,692,729 | 5,648,213 | 4,867,230 | 51,005 | (510) | (10,201) | (19,447) | 20,847 | 31,049 |
| 42 | 2044-45 | 4,028,472 | 118,845 | 1,726,584 | 5,873,900 | 5,092,916 | 53,370 | (534) | (10,674) | (20,504) | 21,659 | 32,333 |
| 43 | 2045-46 | 4,229,895 | 118,845 | 1,761,115 | 6,109,855 | 5,328,871 | 55,843 | (558) | (11,169) | (21,609) | 22,507 | 33,676 |
| 44 | 2046-47 | 4,441,390 | 118,845 | 1,796,338 | 6,356,572 | 5,575,588 | 58,428 | (584) | (11,686) | (22,765) | 23,394 | 35,080 |
| 45 | 2047-48 | 4,663,459 | 118,845 | 1,832,264 | 6,614,568 | 5,833,585 | 61,132 | (611) | (12,226) | (23,973) | 24,321 | 36,548 |
| 46 | 2048-49 | 4,896,632 | 118,845 | 1,868,910 | 6,884,387 | 6,103,403 | 63,960 | (640) | (12,792) | (25,237) | 25,291 | 38,083 |
| 47 | 2049-50[1] Receipt Limi | 5,141,464 | 118,845 | 1,906,288 | 7,166,596 | 6,385,613 | 66,917 | (669) | (13,383) | (26,559) | 26,306 | 39,689 |
| | TOTAL | | | | | | 1,182,316 | (11,823) | (236,463) | (428,098) | 505,932 | 742,395 |

Notes:

[1] The Agency has extended plan effectiveness and tax increment receipt limits by 1 year pursuant to CRL 33333.6 (e) (2) (C). Assumes additional one year extension permitted pursuant to AB 26

[2] Growth in existing valuation projected based on average growth rate since the base year for the Midtown Area in FY 2002-03.

[3] See Table 30

Note:
The CRL permits the Agency to receive tax increment beyond the 30 year effective life of the Plan in order to repay indebtedness. The amounts shown in Years 32 to 46 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

**Table 27**
**Tax Increment Revenue Projection - Proposed 13th Amendment Added Area**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Secured Property at 5% | Existing Unsecured Property at 0% | New Development Value Added at 2% growth[1] | Total Project Value | Increment Over Base $856,391 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -20.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | 2009-10 | 629,258 | 227,133 | 0 | 856,391 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1 | 2010-11 | 660,721 | 227,133 | 0 | 887,854 | 31,463 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | 2011-12 | 693,757 | 227,133 | 0 | 920,890 | 64,499 | 676 | (7) | (135) | (151) | 382 | 518 |
| 3 | 2012-13 | 728,445 | 227,133 | 42,533 | 998,111 | 141,720 | 1,485 | (15) | (297) | (333) | 840 | 1,137 |
| 4 | 2013-14 | 764,867 | 227,133 | 113,973 | 1,105,973 | 249,582 | 2,615 | (26) | (523) | (586) | 1,480 | 2,003 |
| 5 | 2014-15 | 803,110 | 227,133 | 245,188 | 1,275,431 | 419,040 | 4,391 | (44) | (878) | (984) | 2,485 | 3,363 |
| 6 | 2015-16 | 843,266 | 227,133 | 354,483 | 1,424,882 | 568,491 | 5,957 | (60) | (1,191) | (1,335) | 3,371 | 4,563 |
| 7 | 2016-17 | 885,429 | 227,133 | 469,096 | 1,581,659 | 725,268 | 7,600 | (76) | (1,520) | (1,703) | 4,301 | 5,821 |
| 8 | 2017-18 | 929,700 | 227,133 | 572,302 | 1,729,136 | 872,745 | 9,146 | (91) | (1,829) | (2,050) | 5,176 | 7,005 |
| 9 | 2018-19 | 976,185 | 227,133 | 629,600 | 1,832,919 | 976,528 | 10,233 | (102) | (2,047) | (2,293) | 5,791 | 7,838 |
| 10 | 2019-20 | 1,024,995 | 227,133 | 689,419 | 1,941,547 | 1,085,156 | 11,372 | (114) | (2,274) | (2,548) | 6,435 | 8,710 |
| 11 | 2020-21 | 1,076,245 | 227,133 | 751,851 | 2,055,229 | 1,198,838 | 12,563 | (126) | (2,513) | (2,815) | 7,109 | 9,622 |
| 12 | 2021-22 | 1,130,057 | 227,133 | 816,992 | 2,174,182 | 1,317,791 | 13,810 | (138) | (2,762) | (3,263) | 7,647 | 10,409 |
| 13 | 2022-23 | 1,186,560 | 227,133 | 833,332 | 2,247,024 | 1,390,633 | 14,573 | (146) | (2,915) | (3,536) | 7,976 | 10,891 |
| 14 | 2023-24 | 1,245,888 | 227,133 | 849,998 | 2,323,019 | 1,466,628 | 15,369 | (154) | (3,074) | (3,822) | 8,320 | 11,393 |
| 15 | 2024-25 | 1,308,182 | 227,133 | 866,998 | 2,402,313 | 1,545,922 | 16,200 | (162) | (3,240) | (4,120) | 8,678 | 11,918 |
| 16 | 2025-26 | 1,373,591 | 227,133 | 884,338 | 2,485,062 | 1,628,671 | 17,067 | (171) | (3,413) | (4,431) | 9,052 | 12,465 |
| 17 | 2026-27 | 1,442,271 | 227,133 | 902,025 | 2,571,429 | 1,715,038 | 17,972 | (180) | (3,594) | (4,756) | 9,442 | 13,037 |
| 18 | 2027-28 | 1,514,384 | 227,133 | 920,065 | 2,661,583 | 1,805,192 | 18,917 | (189) | (3,783) | (5,095) | 9,850 | 13,633 |
| 19 | 2028-29 | 1,590,103 | 227,133 | 938,467 | 2,755,703 | 1,899,312 | 19,903 | (199) | (3,981) | (5,449) | 10,275 | 14,256 |
| 20 | 2029-30 | 1,669,608 | 227,133 | 957,236 | 2,853,978 | 1,997,587 | 20,933 | (209) | (4,187) | (5,818) | 10,719 | 14,906 |
| 21 | 2030-31 | 1,753,089 | 227,133 | 976,381 | 2,956,603 | 2,100,212 | 22,009 | (220) | (4,402) | (6,204) | 11,183 | 15,585 |
| 22 | 2031-32 | 1,840,743 | 227,133 | 995,908 | 3,063,785 | 2,207,394 | 23,132 | (231) | (4,626) | (6,607) | 11,667 | 16,294 |
| 23 | 2032-33 | 1,932,781 | 227,133 | 1,015,826 | 3,175,740 | 2,319,349 | 24,305 | (243) | (4,861) | (7,028) | 12,173 | 17,034 |
| 24 | 2033-34 | 2,029,420 | 227,133 | 1,036,143 | 3,292,696 | 2,436,305 | 25,531 | (255) | (5,106) | (7,467) | 12,702 | 17,808 |
| 25 | 2034-35 | 2,130,891 | 227,133 | 1,056,866 | 3,414,890 | 2,558,499 | 26,811 | (268) | (5,362) | (7,927) | 13,254 | 18,617 |
| 26 | 2035-36 | 2,237,435 | 227,133 | 1,078,003 | 3,542,571 | 2,686,180 | 28,149 | (281) | (5,630) | (8,407) | 13,831 | 19,461 |
| 27 | 2036-37 | 2,349,307 | 227,133 | 1,099,563 | 3,676,003 | 2,819,612 | 29,548 | (295) | (5,910) | (8,908) | 14,434 | 20,344 |
| 28 | 2037-38 | 2,466,772 | 227,133 | 1,121,555 | 3,815,460 | 2,959,069 | 31,009 | (310) | (6,202) | (9,433) | 15,065 | 21,266 |
| 29 | 2038-39 | 2,590,111 | 227,133 | 1,143,986 | 3,961,230 | 3,104,838 | 32,537 | (325) | (6,507) | (9,980) | 15,723 | 22,231 |
| 30 | 2039-40 Plan Limit | 2,719,616 | 227,133 | 1,166,865 | 4,113,615 | 3,257,224 | 34,133 | (341) | (6,827) | (10,553) | 16,412 | 23,239 |

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
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**Table 27**
**Tax Increment Revenue Projection - Proposed 13th Amendment Added Area**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Plan Year | Fiscal Year | Existing Secured Property at 5% | Existing Unsecured Property at 0% | New Development Value Added at 2% growth[1] | Total Project Value | Increment Over Base $856,391 | Gross Increment Revenue at 1.048% | County Admin Fee 1% | Housing Set Aside -20.00% | Statutory Pass Through | Net Tax Revenue | Net Non-Housing and Housing TI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 | 2040-41 | 2,855,597 | 227,133 | 1,190,203 | 4,272,933 | 3,416,542 | 35,803 | (358) | (7,161) | (11,152) | 17,132 | 24,293 |
| 32 | 2041-42 | 2,998,377 | 227,133 | 1,214,007 | 4,439,517 | 3,583,126 | 37,549 | (375) | (7,510) | (11,935) | 17,728 | 25,238 |
| 33 | 2042-43 | 3,148,296 | 227,133 | 1,238,287 | 4,613,716 | 3,757,325 | 39,374 | (394) | (7,875) | (12,754) | 18,352 | 26,227 |
| 34 | 2043-44 | 3,305,711 | 227,133 | 1,263,053 | 4,795,896 | 3,939,505 | 41,283 | (413) | (8,257) | (13,610) | 19,004 | 27,260 |
| 35 | 2044-45 | 3,470,996 | 227,133 | 1,288,314 | 4,986,443 | 4,130,052 | 43,280 | (433) | (8,656) | (14,506) | 19,686 | 28,342 |
| 36 | 2045-46 | 3,644,546 | 227,133 | 1,314,080 | 5,185,759 | 4,329,368 | 45,369 | (454) | (9,074) | (15,442) | 20,399 | 29,473 |
| 37 | 2046-47 | 3,826,773 | 227,133 | 1,340,361 | 5,394,268 | 4,537,877 | 47,554 | (476) | (9,511) | (16,422) | 21,145 | 30,656 |
| 38 | 2047-48 | 4,018,112 | 227,133 | 1,367,169 | 5,612,414 | 4,756,023 | 49,840 | (498) | (9,968) | (17,447) | 21,926 | 31,894 |
| 39 | 2048-49 | 4,219,017 | 227,133 | 1,394,512 | 5,840,663 | 4,984,272 | 52,232 | (522) | (10,446) | (18,520) | 22,743 | 33,189 |
| 40 | 2049-50 | 4,429,968 | 227,133 | 1,422,402 | 6,079,504 | 5,223,113 | 54,735 | (547) | (10,947) | (19,643) | 23,598 | 34,545 |
| 41 | 2050-51 | 4,651,467 | 227,133 | 1,450,850 | 6,329,450 | 5,473,059 | 57,354 | (574) | (11,471) | (20,817) | 24,492 | 35,963 |
| 42 | 2051-52 | 4,884,040 | 227,133 | 1,479,867 | 6,591,041 | 5,734,650 | 60,095 | (601) | (12,019) | (22,047) | 25,429 | 37,448 |
| 43 | 2052-53 | 5,128,242 | 227,133 | 1,509,465 | 6,864,840 | 6,008,449 | 62,964 | (630) | (12,593) | (23,333) | 26,409 | 39,001 |
| 44 | 2053-54 | 5,384,654 | 227,133 | 1,539,654 | 7,151,441 | 6,295,050 | 65,968 | (660) | (13,194) | (24,680) | 27,434 | 40,628 |
| 45 | 2054-55 Receipt Limit | 5,653,887 | 227,133 | 1,570,447 | 7,451,467 | 6,595,076 | 69,112 | (691) | (13,822) | (26,090) | 28,508 | 42,330 |
| | TOTAL | | | | | | 1,260,461 | (12,605) | (252,092) | (406,003) | 589,762 | 841,854 |

Notes:
[1] See Table 30

Notes:
The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 31 to 45 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

**Table 28**
**Calculation of Tax Increment Limit Required**
**Redevelopment Project No. 1**
**Milpitas, CA**
**(000's Omitted)**

| Year | Annual Gross TI Pre-1994 Areas [2] | Cumulative |
|---|---|---|
| Through 2008-09 [1] | | $510,311 |
| 2009-10 | 38,697 | 549,008 |
| 2010-11 | 41,216 | 590,223 |
| 2011-12 | 43,870 | 634,093 |
| 2012-13 | 46,877 | 680,970 |
| 2013-14 | 50,066 | 731,035 |
| 2014-15 | 53,286 | 784,322 |
| 2015-16 | 57,538 | 841,860 |
| 2016-17 | 62,042 | 903,902 |
| 2017-18 | 66,813 | 970,714 |
| 2018-19 | 70,879 | 1,041,593 |
| 2019-20 | 75,196 | 1,116,789 |
| 2020-21 | 79,780 | 1,196,569 |
| 2021-22 | 84,828 | 1,281,397 |
| 2022-23 | 90,188 | 1,371,585 |
| 2023-24 | 95,111 | 1,466,696 |
| 2024-25 | 100,349 | 1,567,046 |
| 2025-26 | 105,925 | 1,672,971 |
| 2026-27 | 111,861 | 1,784,831 |
| 2027-28 | 118,182 | 1,903,013 |
| 2028-29 | 124,914 | 2,027,927 |
| 2029-30 | 132,087 | 2,160,014 |
| 2030-31 | 139,731 | 2,299,745 |
| 2031-32 | 147,879 | 2,447,624 |
| 2032-33 | 156,566 | 2,604,190 |
| 2033-34 | 165,829 | 2,770,019 |
| 2034-35 | 175,710 | 2,945,729 |
| 2035-36 | 186,252 | 3,131,981 |
| 2036-37 | 197,501 | 3,329,483 |
| 2037-38 | 209,508 | 3,538,991 |
| 2038-39 | 222,326 | 3,761,318 |
| 2039-40 | 236,013 | 3,997,331 |
| 2040-41 | 195,205 | 4,192,536 |
| 2041-42 | 208,081 | 4,400,616 |
| 2042-43 | 221,889 | 4,622,505 |
| 2043-44 | 157,550 | 4,780,055 |
| 2044-45 | 168,982 | 4,949,037 |
| 2045-46 | 181,309 | 5,130,346 |
| **Projected Gross Tax Increment** | | **5,130,346** |
| Contingency at (30%) [3] | | $1,569,654 |
| **TOTAL TI Cap Needed Including a 30% Contingency** | | **$6,700,000** |

Notes
[1] Based on Milpitas Redevelopment Agency records.
[2] The proposed tax increment cap applies to Pre-1994 portions of the Project Area which are required to have a dollar limit on tax increment
[3] 30% contingency plus residual due to rounding proposed limit.

**Table 29**
**Bond Debt Limit Analysis**
**Redevelopment Project No. 1**
**Milpitas, CA**
**(000's Omitted)**



| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Maximum Bond Debt Supported** | | | | | | | | | | | | | |
| ***Original*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | $11,902 | 12,508 | 12,976 | 13,468 | 13,985 | 14,526 | 15,095 | 15,691 | 16,318 | 16,975 | 17,664 | 18,388 | 19,148 |
| Avail With 125% Coverage | 9,522 | 10,006 | 10,381 | 10,775 | 11,188 | 11,621 | 12,076 | 12,553 | 13,054 | 13,580 | 14,131 | 14,711 | 15,318 |
| Maximum Term | 29 | 28 | 27 | 26 | 25 | 24 | 23 | 22 | 21 | 20 | 19 | 18 | 17 |
| Bond Debt Supported ($Millions) [1] | $117 M | $121 M | $124 M | $127 M | $130 M | $133 M | $136 M | $139 M | $141 M | $144 M | $146 M | $148 M | $150 M |
| ***Amendment No. 1*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | $13,019 | 13,630 | 14,240 | 14,884 | 15,451 | 16,051 | 16,684 | 17,354 | 18,062 | 18,811 | 19,603 | 20,441 | 21,327 |
| Avail With 125% Coverage | 10,415 | 10,904 | 11,392 | 11,907 | 12,361 | 12,840 | 13,347 | 13,883 | 14,450 | 15,049 | 15,682 | 16,353 | 17,062 |
| Maximum Term | 30 | 30 | 30 | 29 | 28 | 27 | 26 | 25 | 24 | 23 | 22 | 21 | 20 |
| Bond Debt Supported ($Millions) [1] | $129 M | $135 M | $141 M | $146 M | $150 M | $154 M | $158 M | $162 M | $166 M | $170 M | $173 M | $177 M | $181 M |
| ***Amendment No. 2*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | $12,989 | 13,621 | 14,636 | 15,720 | 16,880 | 18,699 | 20,633 | 22,689 | 24,186 | 25,786 | 27,496 | 29,450 | 31,536 |
| Avail With 125% Coverage | 10,392 | 10,896 | 11,709 | 12,576 | 13,504 | 14,959 | 16,507 | 18,151 | 19,349 | 20,629 | 21,997 | 23,560 | 25,229 |
| Maximum Term | 30 | 30 | 30 | 30 | 30 | 30 | 29 | 28 | 27 | 26 | 25 | 24 | 23 |
| Bond Debt Supported ($Millions) [1] | $129 M | $135 M | $145 M | $156 M | $168 M | $186 M | $203 M | $220 M | $232 M | $244 M | $256 M | $270 M | $284 M |
| ***Midtown*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | $840 | 1,328 | 2,183 | 2,704 | 3,577 | 4,798 | 5,856 | 6,966 | 8,219 | 9,440 | 10,448 | 11,503 | 12,607 |
| Avail With 125% Coverage | 672 | 1,063 | 1,746 | 2,163 | 2,862 | 3,839 | 4,685 | 5,573 | 6,575 | 7,552 | 8,358 | 9,202 | 10,086 |
| Maximum Term | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 29 | 28 | 27 | 26 |
| Bond Debt Supported ($Millions) [1] | $8 M | $13 M | $22 M | $27 M | $36 M | $48 M | $58 M | $69 M | $82 M | $93 M | $101 M | $110 M | $119 M |
| ***Added Area*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | $0 | 518 | 1,137 | 2,003 | 3,363 | 4,563 | 5,821 | 7,005 | 7,838 | 8,710 | 9,622 | 10,409 | 10,891 |
| Avail With 125% Coverage | 0 | 414 | 910 | 1,603 | 2,691 | 3,650 | 4,657 | 5,604 | 6,270 | 6,968 | 7,698 | 8,327 | 8,713 |
| Maximum Term | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Bond Debt Supported ($Millions) [1] | $0 M | $5 M | $11 M | $20 M | $33 M | $45 M | $58 M | $70 M | $78 M | $86 M | $96 M | $103 M | $108 M |
| Total Bond Debt Supported ($Millions) [1] | $383 M | $410 M | $444 M | $476 M | $517 M | $566 M | $613 M | $660 M | $698 M | $737 M | $773 M | $809 M | $842 M |
| Max Bond Debt Supported in any Year | $983 M | | | | | | | | | | | | |
| Estimate of Maximum Bonding Capacity Supported with 30% contingency ($Millions) inclusive of housing and non-housing bonds | **$1,300 M** | | | | | | | | | | | | |

Notes:
[1] Assumes a 7% average tax exempt rate for purposes of cap analysis.

**Table 29**
**Bond Debt Limit Analysis**
**Redevelopment Project No. 1**
**Milpitas, CA**
**(000's Omitted)**



| | | | | | | | | | | | Plan Limit Amend No. 2 & Midtown | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | 2034-35 | 2035-36 |
| **Maximum Bond Debt Supported** | | | | | | | | | | | | | |
| ***Original*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | 19,945 | 20,782 | 21,660 | 22,582 | 23,549 | 24,565 | 25,631 | 26,750 | 27,790 | 28,883 | 30,030 | 31,234 | 32,497 |
| Avail With 125% Coverage | 15,956 | 16,625 | 17,328 | 18,066 | 18,840 | 19,652 | 20,505 | 21,400 | 22,232 | 23,106 | 24,024 | 24,987 | 25,998 |
| Maximum Term | 16 | 15 | 14 | 13 | 12 | 11 | 10 | 9 | 8 | 7 | 6 | 5 | 4 |
| Bond Debt Supported ($Millions) [1] | $151 M | $151 M | $152 M | $151 M | $150 M | $147 M | $144 M | $139 M | $133 M | $125 M | $115 M | $102 M | $88 M |
| ***Amendment No. 1*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | 22,264 | 23,256 | 24,306 | 25,416 | 26,591 | 27,834 | 29,150 | 30,543 | 31,850 | 33,234 | 34,698 | 36,249 | 37,890 |
| Avail With 125% Coverage | 17,812 | 18,605 | 19,444 | 20,333 | 21,273 | 22,267 | 23,320 | 24,435 | 25,480 | 26,587 | 27,758 | 28,999 | 30,312 |
| Maximum Term | 19 | 18 | 17 | 16 | 15 | 14 | 13 | 12 | 11 | 10 | 9 | 8 | 7 |
| Bond Debt Supported ($Millions) [1] | $184 M | $187 M | $190 M | $192 M | $194 M | $195 M | $195 M | $194 M | $191 M | $187 M | $181 M | $173 M | $163 M |
| ***Amendment No. 2*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | 33,229 | 35,049 | 37,003 | 39,104 | 41,363 | 43,792 | 46,405 | 49,216 | 51,897 | 54,783 | 57,889 | 61,233 | 64,835 |
| Avail With 125% Coverage | 26,584 | 28,039 | 29,603 | 31,284 | 33,091 | 35,034 | 37,124 | 39,373 | 41,518 | 43,826 | 46,311 | 48,987 | 51,868 |
| Maximum Term | 22 | 21 | 20 | 19 | 18 | 17 | 16 | 15 | 14 | 13 | 12 | 11 | 10 |
| Bond Debt Supported ($Millions) [1] | $294 M | $304 M | $314 M | $323 M | $333 M | $342 M | $351 M | $359 M | $363 M | $366 M | $368 M | $367 M | $364 M |
| ***Midtown*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | 13,212 | 13,841 | 14,498 | 15,183 | 15,898 | 16,644 | 17,422 | 18,233 | 19,081 | 19,965 | 20,889 | 21,717 | 22,582 |
| Avail With 125% Coverage | 10,569 | 11,073 | 11,599 | 12,147 | 12,718 | 13,315 | 13,937 | 14,587 | 15,265 | 15,972 | 16,711 | 17,373 | 18,065 |
| Maximum Term | 25 | 24 | 23 | 22 | 21 | 20 | 19 | 18 | 17 | 16 | 15 | 14 | 13 |
| Bond Debt Supported ($Millions) [1] | $123 M | $127 M | $131 M | $134 M | $138 M | $141 M | $144 M | $147 M | $149 M | $151 M | $152 M | $152 M | $151 M |
| ***Added Area*** | | | | | | | | | | | | | |
| Net TI + Hsg Set Aside | 11,393 | 11,918 | 12,465 | 13,037 | 13,633 | 14,256 | 14,906 | 15,585 | 16,294 | 17,034 | 17,808 | 18,617 | 19,461 |
| Avail With 125% Coverage | 9,115 | 9,534 | 9,972 | 10,429 | 10,907 | 11,405 | 11,925 | 12,468 | 13,035 | 13,628 | 14,247 | 14,893 | 15,569 |
| Maximum Term | 30 | 30 | 29 | 28 | 27 | 26 | 25 | 24 | 23 | 22 | 21 | 20 | 19 |
| Bond Debt Supported ($Millions) [1] | $113 M | $118 M | $122 M | $127 M | $131 M | $135 M | $139 M | $143 M | $147 M | $151 M | $154 M | $158 M | $161 M |
| Total Bond Debt Supported ($Millions) [1] | $865 M | $888 M | $908 M | $927 M | $945 M | $960 M | $973 M | $982 M | $983 M | $979 M | $970 M | $953 M | $928 M |
| Max Bond Debt Supported in any Year | | | | | | | | | | | | | |
| Estimate of Maximum Bonding Capacity Supported with 30% contingency ($Millions) inclusive of housing and non-housing bonds | | | | | | | | | | | | | |

Notes:
[1] Assumes a 7% average tax exempt rate for purposes of cap analysis.

**Table 30**
**New Development Value Added**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Approved and Proposed Projects | Unit | | $/Unit [1] | Total AV | less existing value [2] | Value Added | *Calendar Year of Development* 2009 / *Fiscal Year Value Added to Secured Tax Roll* *1* / 2010-11 | 2010 / 2 / 2011-12 | 2011 / 3 / 2012-13 | 2012 / 4 / 2013-14 | 2013 / 5 / 2014-15 | 2014 / 6 / 2015-16 | 2015 / 7 / 2016-17 | 2016 / 8 / 2017-18 | 2017 / 9 / 2018-19 | 2018 / 10 / 2019-20 | 2019 / 11 / 2020-21 | 2020 / 12 / 2021-22 | 2021 / 13 / 2022-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Page 1 of 3* | | | | | | | *Based on preliminary assumptions about project timing / phasing for purposes of projection only* | | | | | | | | | | | | |
| **Midtown Area** | | | | | | | | | | | | | | | | | | | |
| Paragon condos (sales began in 2009) | | | | | | | | | | | | | | | | | | | |
| Market Rate Units | 118 | Units | 400,000 | 47,200 | (8,566) | 38,634 | 0 | 19,317 | 19,317 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Very Low-Income Units | 9 | Units | 100,000 | 900 | incl. above | 900 | 0 | 450 | 450 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-Income Units | 20 | Units | 270,000 | 5,400 | incl. above | 5,400 | 0 | 2,700 | 2,700 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 147 | Units | | 53,500 | | 44,934 | | | | | | | | | | | | | |
| Senior Lifestyles (approved) | | | | | | | | | phase I | | | phase II | | | | | | | |
| Market Rate Units | 324 | Units | 345,000 | 111,880 | (14,492) | 97,388 | 0 | 0 | 35,168 | 0 | 0 | 62,220 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Very Low-Income Units | 37 | Units | 100,000 | 3,700 | incl. above | 3,700 | 0 | 0 | 3,700 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Low-Income Units | 26 | Units | 170,000 | 4,420 | incl. above | 4,420 | 0 | 0 | 4,420 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 387 | | | 120,000 | | 105,508 | | | | | | | | | | | | | |
| Warmington (prior proposal) | 389 | Units | 400,000 | 155,600 | (26,271) | 129,329 | 0 | 0 | 0 | 0 | 0 | 0 | 32,332 | 32,332 | 32,332 | 32,332 | 0 | 0 | 0 |
| Apton Plaza Condos (aff.) | 93 | Units | exempt | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Integral (proposed) | | | | | | | | | | | | | | | | | | | |
| Market Rate | 1,337 | Units | 400,000 | 534,800 | (33,756) | 501,044 | 0 | 0 | 0 | 0 | 55,672 | 55,672 | 55,672 | 55,672 | 55,672 | 55,672 | 55,672 | 55,672 | 55,672 |
| Affordable (assume low) | 236 | Units | 170,000 | 40,120 | incl. above | 40,120 | 0 | 0 | 0 | 0 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 |
| | 1,573 | Units | | | | | | | | | | | | | | | | | |
| Commercial | 75,000 | SF | 150 | 11,250 | incl. above | 11,250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,250 | 0 | 0 | 0 | 0 |
| | | | | 586,170 | | 552,414 | | | | | | | | | | | | | |
| So. Main / Matteson (Approved) | | | | | | | | | | | | | | | | | | | |
| Market Rate Units | 107 | Units | 400,000 | 42,800 | (7,348) | 35,452 | 0 | 0 | 0 | 17,726 | 17,726 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Low-Income Units | 4 | Units | 170,000 | 680 | incl. above | 680 | 0 | 0 | 0 | 340 | 340 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-Income Units | 15 | Units | 270,000 | 4,050 | incl. above | 4,050 | 0 | 0 | 0 | 2,025 | 2,025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 126 | Units | | | | | | | | | | | | | | | | | |
| Commercial | 2,000 | SF | 150 | 300 | incl. above | 300 | 0 | 0 | 0 | 150 | 150 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | 47,830 | | 40,482 | | | | | | | | | | | | | |
| Total Real Property Value | 2,715 | Units | | | | 872,667 | 0 | 22,467 | 65,755 | 20,241 | 80,370 | 122,349 | 92,462 | 92,462 | 103,712 | 92,462 | 60,129 | 60,129 | 60,129 |
| Total Real Property Value (Inflated) [3] | | | | | | 3.00% | 0 | 22,467 | 65,755 | 20,848 | 85,265 | 133,694 | 104,066 | 107,188 | 123,837 | 113,716 | 76,170 | 78,455 | 80,809 |
| Cumulative Value with Prop 13 Increases | | | | | | 102.00% | 0 | 22,467 | 88,671 | 111,293 | 198,784 | 336,454 | 447,249 | 563,382 | 698,487 | 826,173 | 918,866 | 1,015,699 | 1,116,822 |

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
\\sf-fs1\employee\ddoezema\bwetmore\Milpitas\2009 amendment\Report to Council\Milpitas RTC

**Table 30**
**New Development Value Added**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| | | | | | | | *Calendar Year of Development* 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | *Fiscal Year Value Added to Secured Tax Roll* *1* | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| Approved and Proposed Projects | Unit | | $/Unit [1] | Total AV | less existing value [2] | Value Added | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| *Page 2 of 3* | | | | | | | *Based on preliminary assumptions about project timing / phasing for purposes of projection only* | | | | | | | | | | | | |
| **Amendment No. 1** | | | | | | | | | | | | | | | | | | | |
| Centria East (complete) | 137 | Units | on tax rolls | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lyons Apts - approved | 327 | Units | 200,000 | 65,400 | (21,614) | 43,786 | 0 | 14,595 | 14,595 | 14,595 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| KB homes (selling units) | | | | | | | | | | | | | | | | | | | |
| Sales Prior to 2009 (on roll | 501 | Units | 460,600 | 230,761 | (230,761) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2009 Sales through Sept. | 122 | Units | 382,137 | 46,621 | (30,727) | 15,893 | 15,893 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsold Units | 60 | Units | 400,000 | 24,000 | (9,599) | 14,401 | 10,081 | 4,320 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 683 | Units | | 301,382 | (271,087) | 30,295 | | | | | | | | | | | | | |
| South Bay Honda [4] (complete | 47,000 | SF | $130 /SF | $6,110 | 0 | 6,110 | 6,110 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Total Real Property Value | 1,147 | Units | | | | 80,190 | 32,084 | 18,916 | 14,595 | 14,595 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Real Property Value (Inflated) [3] | | | | | | 3.00% | 32,084 | 18,916 | 14,595 | 15,033 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative Value with Prop 13 Increases | | | | | | 102.00% | 32,084 | 51,642 | 67,270 | 83,648 | 85,321 | 87,028 | 88,768 | 90,544 | 92,354 | 94,201 | 96,086 | 98,007 | 99,967 |
| **Proposed Added Area** | | | | | | | | | | | | | | | | | | | |
| Citation (Approved) | 638 | Units | 400,000 | 255,200 | N/A | 255,200 | 0 | 0 | 42,533 | 42,533 | 42,533 | 42,533 | 42,533 | 42,533 | 0 | 0 | 0 | 0 | 0 |
| Milpitas Station (Proposed) | 318 | Units | 500,000 | 159,000 | N/A | 159,000 | 0 | 0 | 0 | 0 | 53,000 | 53,000 | 53,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Piper Towers (Proposed) | 480 | Units | 400,000 | 192,000 | N/A | 192,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38,400 | 38,400 | 38,400 | 38,400 | 38,400 | 0 |
| Sinclair (SFD, Proposed) | 80 | Units | 650,000 | 52,000 | N/A | 52,000 | 0 | 0 | 0 | 26,000 | 26,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Real Property Value | 1,516 | Units | | | | 658,200 | 0 | 0 | 42,533 | 68,533 | 121,533 | 95,533 | 95,533 | 80,933 | 38,400 | 38,400 | 38,400 | 38,400 | 0 |
| Total Real Property Value (Inflated) [3] | | | | | | 3.00% | 0 | 0 | 42,533 | 70,589 | 128,935 | 104,392 | 107,524 | 93,824 | 45,852 | 47,227 | 48,644 | 50,103 | 0 |
| Cumulative Value with Prop 13 Increases | | | | | | 102.00% | 0 | 0 | 42,533 | 113,973 | 245,188 | 354,483 | 469,096 | 572,302 | 629,600 | 689,419 | 751,851 | 816,992 | 833,332 |
| **Original Area** | | | | | | | | | | | | | | | | | | | |
| Town Center Villas (selling units) | | | | | | | | | | | | | | | | | | | |
| Market Rate Units | 49 | Units | 550,000 | 26,950 | (1,179) | 25,771 | 7,731 | 18,040 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-Income Units | 16 | Units | 370,000 | 5,920 | incl. above | 5,920 | 1,776 | 4,144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Real Property Value | 65 | Units | | | | 31,691 | 9,507 | 22,184 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Real Property Value (Inflated) [3] | | | | | | 3.00% | 9,507 | 22,184 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative Value with Prop 13 Increases | | | | | | 102.00% | 9,507 | 31,881 | 32,519 | 33,169 | 33,833 | 34,510 | 35,200 | 35,904 | 36,622 | 37,354 | 38,101 | 38,863 | 39,641 |

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
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**Table 30**
**New Development Value Added**
**Redevelopment Project No. 1**
**Milpitas, CA**
**($000's Omitted)**

| Approved and Proposed Projects | Unit | | $/Unit [1] | Total AV | less existing value [2] | Value Added | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | *Calendar Year of Development* | | | | | | | | | | | | |
| | | | | | | | *Fiscal Year Value Added to Secured Tax Roll* | | | | | | | | | | | | |
| | | | | | | | *1* | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | | | | | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| *Page 3 of 3* | | | | | | | *Based on preliminary assumptions about project timing / phasing for purposes of projection only* | | | | | | | | | | | | |
| **Amendment No. 2** | | | | | | | | | | | | | | | | | | | |
| Fairfield Murphy Ranch (approved) | | | | | | | | | | | | | | | | | | | |
| For Sale | | | | | | | | | | | | | | | | | | | |
| Market Rate Units | 241 | Units | 400,000 | 96,400 | (26,082) | 70,318 | 0 | 0 | 23,439 | 23,439 | 23,439 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Low-Income Units | 7 | Units | 170,000 | 1,190 | incl. above | 1,190 | 0 | 0 | 397 | 397 | 397 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-Income Units | 37 | Units | 270,000 | 9,990 | incl. above | 9,990 | 0 | 0 | 3,330 | 3,330 | 3,330 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 285 | Units | | 107,580 | | 81,498 | | | | | | | | | | | | | |
| Rental | | | | | | | | | | | | | | | | | | | |
| Market Rate Units | 286 | Units | 200,000 | 57,200 | (13,972) | 43,228 | 0 | 0 | 14,409 | 14,409 | 14,409 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Very Low-Income Units | 20 | Units | 90,000 | 1,800 | incl. above | 1,800 | 0 | 0 | 600 | 600 | 600 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Low-Income Units | 30 | Units | 120,000 | 3,600 | incl. above | 3,600 | 0 | 0 | 1,200 | 1,200 | 1,200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-Income Units | 38 | Units | 200,000 | 7,600 | incl. above | 7,600 | 0 | 0 | 2,533 | 2,533 | 2,533 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 374 | Units | | 70,200 | | 56,228 | | | | | | | | | | | | | |
| Milpitas Square (proposed) | | | | | | | | | | | | | | | | | | | |
| Residen ial | 900 | Units | 400,000 | 360,000 | (41,088) | 318,912 | 0 | 0 | 0 | 0 | 0 | 39,864 | 39,864 | 39,864 | 39,864 | 39,864 | 39,864 | 39,864 | 39,864 |
| Commercial | 175,000 | SF | 150 | 26,250 | incl. above | 26,250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,125 | 13,125 |
| | | | | 386,250 | | 345,162 | | | | | | | | | | | | | |
| Landmark Towers (18 story high rise - approved) | | | | | | | | | | | | | | | | | | | |
| Residen ial | 375 | Units | 600,000 | 225,000 | (11,864) | 213,136 | 0 | 0 | 0 | 0 | 0 | 71,045 | 71,045 | 71,045 | 0 | 0 | 0 | 0 | 0 |
| Office | 37,000 | SF | 230 | 8,510 | incl. above | 8,510 | 0 | 0 | 0 | 0 | 0 | 2,837 | 2,837 | 2,837 | 0 | 0 | 0 | 0 | 0 |
| Retail | 100,000 | SF | 150 | 15,000 | incl. above | 15,000 | 0 | 0 | 0 | 0 | 0 | 5,000 | 5,000 | 5,000 | 0 | 0 | 0 | 0 | 0 |
| | | | | 248,510 | | 236,646 | | | | | | | | | | | | | |
| Total Real Property Value | 1,934 | Units | | | | 719,534 | 0 | 0 | 45,909 | 45,909 | 45,909 | 118,746 | 118,746 | 118,746 | 39,864 | 39,864 | 39,864 | 52,989 | 52,989 |
| Total Real Property Value (Inflated) [3] | | | | | | 3.00% | 0 | 0 | 45,909 | 47,286 | 48,704 | 129,757 | 133,650 | 137,659 | 47,600 | 49,028 | 50,499 | 69,139 | 71,213 |
| Cumulative Value with Prop 13 Increases | | | | | | 102.00% | 0 | 0 | 45,909 | 94,113 | 144,699 | 277,350 | 416,547 | 562,537 | 621,387 | 682,843 | 746,998 | 831,077 | 918,911 |

Notes:
1 Estimate of unit values based on estimated price ranges provided by City staff. Values for affordable units are preliminary estimates by KMA for purposes of estimating assessed value. Moderate units estimated at 90% AMI assuming deeper affordability may be necessary to be competitive with market rate units. Not in 000s.
2 Current AV (2009-10) based on data from realquest. Projects for which existing AV could not be determined based on description provided by City listed as NA. Current AV generally attributed to market rate component of each project.
3 Assumes home prices remain flat for next three years and then grow at 3% per year thereafter.
4 Land value is on tax rolls, represents addition of improvement value.

Sources: City of Milpitas, Realquest, Metroscan

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts contained in this projection.
Keyser Marston Associates, Inc.
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## VI. IMPLEMENTATION PLAN AMENDMENT

Section 33333.11(e)(7) of the CRL requires an amendment to the Agency's Implementation Plan that includes, but is not limited to, the Agency's housing responsibilities pursuant to CRL Section 33490. The Implementation Plan is a five-year plan that describes the Agency's near-term specific goals and objectives and specific proposed projects including a program of actions and expenditures, a description of how these projects will improve or alleviate the blighting conditions in the project area, and show how the requirements of low and moderate income housing in the community will be met. The Agency has one Implementation Plan that governs the Agency's two Redevelopment Projects. The Implementation Plan is divided into two primary sections, a Redevelopment Component and a Housing Component. The current Implementation Plan for the Project Areas is for the five-year period between fiscal year 2005/06 through 2009/10.

The following describes the proposed revisions to the Redevelopment Component and Housing Component sections of the Implementation Plan as a result of the adoption of the proposed Amendments. These amendments will be incorporated in the next implementation plan that will be adopted for 2010-11 through 2014-15.

### A. AMENDED REDEVELOPMENT COMPONENT

The goals and objectives and projects and programs outlined within the current Implementation Plan are divided among the Midtown Added Area, the balance of Project Area No. 1 and the Great Mall. These goals and objectives for the Midtown Added Area and the balance of Project Area No. 1 have been combined and simplified into one set of goals and objectives that are applicable to Project Area No. 1 as amended to include the Added Area and are incorporated in the Amended and Restated Redevelopment Plan for Project No. 1. The amended goals and objectives are:

1. Eliminate and prevent the spread of blighting influences including vacant and under-utilized land and deteriorating buildings, inadequate transportation, sewer, water and drainage, and other physical and economic and environmental deficiencies.

2. Provide for the mitigation of hazardous materials and the productive reuse of brownfields.

3. Replan, redesign, rehabilitate and redevelop areas that are stagnant or improperly utilized.

4. Encourage a compatible mix of residential, retail, office, service-oriented commercial, public facilities and industrial uses.

5. Provide for a land use mix that supports major transit facilities.

6. Develop a transportation system integrated with the pattern of living, working and shopping areas to provide safe, convenient and efficient movement within the Project Area and connections to the City.

7. Develop adequate civic, recreational, cultural centers in locations for the best service to the residents and employees of the Project Area and in ways that will promote community beauty and growth.

8. Acquire and maintain open space sufficient to provide for parks and recreational facilities.

9. Provide urban open spaces (i.e., plazas, squares) that serve multiple purposes and can be used for special events.

10. Improve the viability of the pedestrian, bicycle and transit systems.

11. Develop mass transportation facilities.

12. Provide opportunities for participation by owners in the revitalization of their properties.

13. Provide for a variety of residential types consistent with the CRL to serve the varying needs of individuals and families while retaining existing structural standards.

14. Stimulate commercial and industrial development and the creation of employment opportunities.

15. Encourage economic pursuits to strengthen and promote development through stability and balance.

The Agency has identified revenues that will be allocated to the Agency's four redevelopment programs that will be administered in the Project Areas based on the greatest need. The programs are primarily implemented in response to owner and developer requests; therefore the potential allocation of revenues among the Project Areas cannot be allocated until opportunities arrive. Milpitas Redevelopment Project Area No. 1 Plan effectiveness limit and limit to receive tax increment and repay debt for the Original Project Area will not be reached until September 2019 and September 2029, respectively. Therefore, the 10-year extension of these limits will not affect any portion of the Project or financing during the current Implementation Plan period. Increment from the Added Area will not be received until 2011 and will be reflected in the next Implementation Plan cycle.

## B. AMENDED HOUSING COMPONENT

The proposed Amendments will increase the affordable housing obligation in the Amendment Areas and require 20% affordable housing set-aside in the Added Area. The Midtown Added Area and the Great Mall Redevelopment Project which are not included in the Thirteenth Amendment will not be changed or the affordable housing obligations or expenditures modified.

As mentioned above, the 10-year extension of the Amendment Areas plan effectiveness and receipt of tax increment/repayment of debt will trigger the set-aside of 30% of the gross tax increment (rather than 20%) beginning in Fiscal Year 2010-11 (the first fiscal year following adoption of the Thirteenth Amendment). Therefore, the affordable housing set-aside increase of 10% will not occur during the current Implementation Plan cycle. The increases in affordable housing set-aside will be reflected in the new 2010/11-2014/15 Implementation Plan that will be adopted in June of 2010 following the anticipated Amendment adoption schedule of April/May of 2010.

As described in the Implementation Plan the Agency anticipates using the majority of these funds to support two general affordable housing themes:

- Expand affordable housing opportunities through assisting projects that meet the Agency's targeting requirements and the community's needs.

- Preserve the existing affordable housing stock through rehabilitation of units for qualified low income homeowners and rental properties.

The status of the projects described in the Implementation Plan are discussed in detail in the Section IV of this Report "Proposed Projects and Programs."

## VII. NEIGHBORHOOD IMPACT REPORT AS WARRANTED BY THE PROPOSED AMENDMENT

Section 33451.5 (c) of the CRL requires that when territory is proposed to added to a project area that a report be prepared that includes a new neighborhood impact report if required pursuant to CRL Section 33352. CRL Section 33352 references the Agency's Report to the City Council and requires the preparation of a neighborhood impact report if the redevelopment project (Added Area) contains low or moderate income housing. The Added Area contains low or moderate income housing and therefore a neighborhood impact report is required for the Added Area. In addition, Section 33333.11(e)(8) requires a new neighborhood impact report per subdivision (m) of CRL Section 33352 when the Agency proposes to extend plan duration and the time to receive tax increment/repay debt by 10 years. The Amendment Areas contain low and moderate income housing units therefore a neighborhood impact report is required for the Amendment Areas. This neighborhood impact report applies to both the Added Area and Amendment Areas.

The purpose of the neighborhood impact report is to describe in detail the impact of the proposed actions upon the residents of the Amendment Areas, Added Area and surrounding areas in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood.

### A. IMPACT ON RESIDENTS IN THE AMENDMENT AREAS, ADDED AREA AND SURROUNDING AREAS

#### 1. Relocation

As previously stated, the purpose of the proposed Thirteenth Amendment is to extend the duration and the time limit to repay debt/collect tax increment for the Amendment Areas, repeal the debt establishment limit, add certain public improvement projects, add territory and make certain technical corrections to the Redevelopment Plan. Adoption of the Thirteenth Amendment alone will not cause displacement or relocation. The Amendment Areas and Added Area contain residential dwelling units, a portion of which are presumed to be occupied by low or moderate income persons or families. The Agency will not have residential eminent domain authority. Therefore, any voluntary displacement which occurs as a result of Agency redevelopment activities will be mitigated by providing relocation assistance including financial payments, advisory assistance, and replacement housing plan provisions of State law relating to Agency-assisted developments.

It is anticipated that existing non-residential, underutilized and vacant parcels will be selected as first development sites. However, from time to time throughout the remaining life of the redevelopment areas, residential displacement and relocation may occur in conjunction with voluntarily negotiated acquisitions. Displacement and relocation resulting from redevelopment activity are generally dependent upon the following factors:

- Market demand for various types of development;
- Availability of funds to finance redevelopment activities; and
- Agency's ability to meet applicable relocation and housing replacement requirements under the CRL for low and moderate income families.

Residents will not be displaced unless and until there are suitable relocation facilities available and comparable replacement housing, as defined by applicable Federal and State statutes and regulations. The Agency will assist residents in finding comparable replacement housing that is decent, safe and sanitary, within their financial means, in reasonably convenient locations and otherwise suitable to their needs. As previously stated, any displacement which occurs as a direct result of Agency redevelopment programs or projects will be mitigated by relocation assistance and benefits provided pursuant to applicable provisions of State or Federal law.

Additionally, it is possible that implementation of the proposed Thirteenth Amendment may require the temporary or permanent displacement and relocation of non-residential occupants within the Amendment Areas or Added Area. In every case, the Agency will diligently use reasonable and necessary efforts to attempt to find relocation sites meeting the required needs of the individual business displaced by the Agency activity as required by law. Furthermore, the Agency will work with property owners to provide an opportunity for them to participate in the rehabilitation or redevelopment of their own properties and/or other properties in the Project Area No. 1. The Agency will additionally offer re-entry opportunities where feasible to existing business owners and tenants on a reasonable preference basis.

2. Traffic Circulation

The proposed Amendments are not in and of themselves growth inducing. The Amendments will facilitate development as anticipated in the General Plan. This may add additional traffic that could exceed City significance thresholds on local street segments and intersections that are already experiencing congestion, and currently congested freeway segments. In the Added Area, new development is not anticipated in the Adams and Selwyn/Shirley areas. These are anticipated to be primarily rehabilitation areas with some potential for infill. New development is anticipated in the Town Center area. The buildout of units in the Town Center area was identified in the 2009 Housing Element for the Midtown Specific Plan and Transit Area Specific Plan areas, both encompassed within the Existing Project Area. Combined, these two areas are estimated to provide 3,481 additional units, or over 90% of the anticipated new residential development in the City through the year 2014. As of March 2009, 681 units are under construction, another 2,310 units have been approved, and 3,283 units are in the planning process. Specifically within the Added Area up to 1,896 units are projected for development. Future Agency-related development projects will be reviewed at the time of submittal to the City for potential traffic and circulation impacts and appropriate mitigation.

3. Environmental Quality

The proposed Amendments will improve the quality of the environment. The Amendments will provide financing to fund infrastructure projects to improve the streetscape, reduce the potential for flooding, and provide for improved recreation areas. The programs to be funded by the Agency will assist in eliminating code violations, rehabilitating and modernizing obsolete industrial facilities and providing affordable housing. In addition, numerous infrastructure improvements and public facilities are proposed which would improve the environment and livability of the Project Area No. 1. However, as described in the Draft EIR prepared for the Amendments, in addition to potential traffic impacts, implementation of the Amendments could facilitate development that could be large enough to generate greenhouse gas emissions that exceed air district thresholds and contribute to global climate change.

4. Community Facilities and Services

No new development impacts are anticipated with adoption of the Amendments that were not already anticipated with the buildout of Midtown Added Area and transit areas which overlap the existing Project Area and Added Area. As a result, there will be no new impacts to community services or public utilities including fire protection, police protection, schools and parks. The Amendments are intended to assist in funding the upgrading and installation of public improvements and facilities, which may include community centers, parks, sidewalks, lighting improvements to traffic, water, sewer, and drainage systems. The adoption of the proposed Amendment will provide the Agency with the additional time necessary to implement the projects and programs described in Section IV of this Report.

5. School Population and Quality of Education

Public education services within the Amendment Areas and Added Area are provided by the Milpitas Unified School District, Santa Clara Office of Education, Barryessa Union School District, East Side Union School District and San Jose/Evergreen Community College District. The impacts to these school districts from potential development in the Project Area and Added Area were analyzed in environmental impact reports prepared for Midtown Specific Plan and Transit Area Specific Plan. No new impacts to the schools are anticipated as a result of the Amendment. In total, 411 net new students are anticipated to be generated from residential development in the Added Area.

6. Property Assessment and Taxes

The proposed Amendment will not cause the property taxes paid by owners to increase. In general, taxable valuations of property within and adjoining the Amendment Areas (and Added Area) should increase as development of that property occurs. New development within the Amendment Areas and Added Area will be assessed at market value, as determined by the Assessor. Regardless of whether property is in the Amendment Areas and Added Area or not, the Assessor may increase property valuations for existing properties at the maximum rate of 2% per year allowed under Proposition 13. In cases where property changes hands, the Assessor will re-assess the added value to the property and in cases where improvements are made, the Assessor will re-assess due to any new development or rehabilitation, which occurs.

## B. RELOCATION AND LOW AND MODERATE INCOME HOUSING

1. Housing Units to be Destroyed or Removed

No new or extended residential eminent domain authority is proposed for the Amendment Areas or the proposed Added Area. Should the Agency, through voluntary or negotiated sales, acquire and remove dwelling units occupied by person or families of low and moderate incomes, the Agency will be required to construct, develop or rehabilitate, or cause the construction, development or rehabilitation of, low and moderate income dwelling units equal or greater in number to those destroyed or removed. These "replacement housing units" must be constructed within four years of their destruction or removal, and must be available at affordable housing cost to, and occupied by, persons in the same or a lower income category (extremely low, very low-, low or moderate) as the persons displaced from those destroyed or removed units. These units must remain affordable for the longest feasible time, but not less than 55-years for rental units and 45-years for owner-occupied units as set forth in the CRL Section 33413.

2. Projected Residential Displacement

As mentioned above, the Agency does not have any specific plans that would involve the removal of low and moderate income housing units or displacement of low and moderate income residents. Should such displacement be contemplated, the Agency will conduct individual household surveys to determine the exact number, type and location of comparable replacement housing units and the required number of referrals thereto prior to displacement of any person of low or moderate income.

3. Number and Location of Replacement Housing Units

The existing residential units in the Added Area are located in the Adams and Selwyn/Shirley areas. These areas are considered built out and it is not anticipated that the residential units in this area will be destroyed. Within the balance of the Added Area up to 1,896 residential units are anticipated (within the Town Center area). The residential units are planned for existing commercial and industrial sites therefore, no residential displacement is anticipated. Similarly, the sites anticipated for residential development in the Amendment Areas will not result in residential displacement. Should in the future housing units be destroyed or removed from the low and moderate income housing market by the Agency, the Agency will identify suitable replacement housing locations within the Amendment Areas, Added Area, the Midtown Added Area or other areas of the City as identified in the City's General Plan as residential infill areas.

The City Council and the Agency will make findings as may be necessary to provide such replacement housing. When the Agency acquires property, enters into a disposition and development agreement, participation agreement or other agreement, or undertakes any other activities requiring or causing the destruction or removal of housing units from the low and moderate income housing market, the Agency will provide replacement housing required pursuant to Section 33413 of the CRL and replacement housing plan pursuant to CRL Section 33413.5.

4. Number and Location of Low and Moderate Income Housing Units Planned other than Replacement Housing

The Agency plans to assist in the construction, rehabilitation and preservation of low and moderate income housing available at affordable housing costs in the Amendment Areas and Added Area under its housing program including the implementation of the Affordable Housing Strategy. These housing programs are described in the 2005/06 through 2009/10 Implementation Plan for the Merged Project Area. The Implementation Plan estimates that 500 affordable housing units will be developed in the Merged Project Area over the current Five-Year Implementation Plan period. Within the Added Area it is projected that over the life of the Plan an additional 1,896 units may be built. The Agency will continue to expend the housing funds in order to increase, improve and preserve the supply of affordable housing available at affordable housing costs and meet any future inclusionary housing requirements.

5. Financing Method for Replacement Housing Requirements

The Agency will continue to employ, as necessary, the method outlined in this Report to meet replacement housing requirements and other obligations under the Community Redevelopment Law. As discussed in this Report, CRL Section 33333.10(g)(1) requires that not less than 30% of all taxes which may be allocated to the Agency pursuant to CRL Section 33670 for the Amendment Areas. The Agency will continue to deposit 20% in the affordable housing fund for the Midtown Added Area and 20% of the tax increment from proposed Added Area will also be allocated to affordable housing. The affordable housing funds will be used for purposes of increasing, improving and preserving the supply of housing at affordable housing cost to persons and families of moderate, low, very low, or extremely low income. This source of funding is expected to be utilized for replacement housing should the Agency be required to create such housing.

6. Timetable for Provision of Replacement and Relocation Housing

If replacement housing is to be provided pursuant to Section 33413 of the CRL, the Agency shall take necessary steps to cause the construction, rehabilitation or development of such housing in accordance with the time limits prescribed by law.

The relocation plan(s) prepared by the Agency for a particular development activity shall contain schedules to ensure that comparable replacement housing is available in accordance with the requirements of the CRL, California Relocation Assistance and State Relocation Guidelines, and federal requirements, if applicable.

## C. OTHER MATTERS AFFECTING THE PHYSICAL AND SOCIAL QUALITY OF THE ENVIRONMENT

Implementation of the proposed Amendment is necessary to continue implementing the Agency's redevelopment program. By assisting in the implementation of the Agency's activities, the Amendment will provide the Agency the necessary time to help to alleviate blight and will encourage economic growth and development within the Amendment Areas and Added Area, making these areas more attractive, which in turn should stimulate on-going reinvestment.

## VIII. METHOD OR PLAN FOR RELOCATION

Section 33352(f) of the CRL requires that the Agency's Report to the City Council contain a "Method or Plan" for the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the project area, which shall include the provision required by Section 33411.1.

Section 33411 of the CRL requires the Agency to prepare a feasible "method or plan" for relocation of families or persons to be temporarily or permanently displaced from housing facilities in the Amendment Areas and Added Area, and for non-profit local community institutions to be temporarily or permanently displaced from facilities actually used for institutional purposes in the Amendment Areas and Added Area. Section 33411.1 requires the legislative body to insure that "...such method or plan of the agency...shall provide that no persons or families of low and moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by such displaced person or family at rents comparable to those at the time of their displacement. Such housing units shall be suitable to the needs of such displaced persons or families and must be decent, safe, sanitary, and otherwise standard dwelling. The agency shall not displace such person or family until such housing units are available and ready for occupancy."

This Method or Plan for Relocation is not intended to be a "Relocation Plan" within the meaning of Section 6038 of the "Relocation Assistance and Real Property Acquisition Guidelines" promulgated by the California Department of Housing and Community Development (California Code of Regulations, Division 1 of Title 25, commonly called the "State Guidelines"). As described below, a Section 6038 Relocation Plan is not prepared until the Agency initiates negotiations for the acquisition of real property and prior to proceeding with any phase of a public improvement or facility project or other implementation activity that would result in any displacement other than an insignificant amount of non-residential displacement.

### A. AGENCY DISPLACEMENT

The Agency anticipates that its programs of land assembly and upgrading and installation of public improvements and facilities needed within the Amendment Areas and Added Area will provide an incentive for future owners and the private sector to develop or redevelop vacant, underutilized and blighted properties and to achieve the goals and objectives for the redevelopment of the Project Area. To the extent that the Agency acquires occupied property through voluntary sale or through eminent domain over properties not occupied as a residence for land assembly or other purposes in the future, or enters into agreements with future owners, developers, or others under which occupants will be required to move, the Agency will cause or will be responsible, to the extent provided by law, for causing such displacement of occupants. The Agency is not responsible for any displacement, which may occur as a result of private development activities not directly assisted by the Agency under a disposition and development, participation, or other such agreement.

## B. RELOCATION IN THE EVENT OF AGENCY DISPLACEMENT

Displacement of businesses or tenants may occur voluntarily or by eminent domain for uses not occupied as a residence under Agency programs and activities over the remaining life of the Amendment Areas and the 30-year life of the Added Area. Should such displacement occur, the Agency will provide persons, families, business owners and tenants displaced by Agency activities with monetary and advisory relocation assistance consistent with the California Relocation Assistance Law (State Government Code, Section 7260 et seq.), the State Guidelines adopted and promulgated pursuant thereto, and the provisions of the Amended and Restated Redevelopment Plan for Milpitas Redevelopment Project Area No. 1.

The Agency will pay all relocation payments required by State and Federal law. The following portions of this Method or Plan for Relocation outline the general relocation rules and procedures, which must be adhered to by the Agency in activities requiring the relocation of persons and businesses. Also identified below are the Agency determinations and assurances, which must be made prior to undertaking relocation activities. The Agency's functions in providing relocation assistance and benefits are also summarized.

## C. RULES AND REGULATIONS

In connection with the preparation of a Relocation Plan adopted pursuant to Section 6038 of the State Guidelines, the Agency shall adopt rules and regulations that: (1) implement the requirements of California Relocation Assistance Law (Government Code, Chapter 16 of Division 7 of Title 1, commencing with Section 7260) (the "Act"); (2) are in accordance with the provisions of the State Guidelines; (3) meet the requirements of the CRL and the provisions of the Amended and Restated Redevelopment Plan; and (4) are appropriate to the particular activities of the Agency and not inconsistent with the Act or the State Guidelines.

## D. AGENCY DETERMINATIONS AND ASSURANCES

1. The Agency may not proceed with any phase of a project or other activity which will result in the displacement of any person or business until it makes the following determinations:

   a. Fair and reasonable relocation payments will be provided to eligible persons as required by State and Federal law, the State Guidelines, and Agency rules and regulations adopted pursuant thereto.

   b. A relocation assistance advisory program offering the services described in the State Guidelines will be established.

c. Eligible persons will be adequately informed of the assistance, benefits, policies, practices and procedures, including grievance procedures, provided for in the State Guidelines.

d. Based upon recent survey and analysis of both the housing needs of persons who will be displaced and available replacement housing, and considering competing demands for that housing, comparable replacement dwellings will be available, or provided, if necessary, within a reasonable period of time prior to displacement sufficient in number, size and cost for the eligible persons who require them.

e. Adequate provisions have been made to provide orderly, timely and efficient relocation of eligible persons to comparable replacement housing available without regard to race, color, religion, sex, marital status, or national origin with minimum hardship to those affected.

f. A Relocation Plan meeting the requirements of State law and the State Guidelines has been prepared.

2. No person shall be displaced until the Agency has fulfilled the obligations imposed by State and Federal law, the CRL, the Amended and Restated Redevelopment Plan, the State Guidelines and the Agency rules and regulations.

3. No persons or families of low and moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by such displaced person or family at rents comparable to those at the time of their displacement. Such housing units shall be suitable to the needs of such displaced persons or families and must be decent, safe, sanitary and an otherwise standard dwelling. The Agency shall not displace such persons or families until such housing units are available and ready for occupancy.

4. If any portion of the Project Area (Project Area No. 1 and proposed Added Area) is developed by the Agency with low or moderate income housing units, the Agency shall require by contract or other appropriate means that such housing be made available for rent or purchase to the persons and families of low and moderate income displaced by Agency activities. Such persons and families shall be given priority in renting or buying such housing; provided, however, that failure to give such priority shall not affect the validity of title to real property.

5. If suitable housing units are not sufficiently available in the community for low and moderate income persons and families to be displaced by the Agency from the Project Area, the City Council shall assure that sufficient land is made available for suitable housing for rental or purchase by low and moderate income persons and families. If suitable housing units are not sufficiently available for

use by such persons and families of low and moderate income displaced by Agency activities within the Project Area, the Agency may, to the extent of that deficiency, direct or cause the development, rehabilitation, or construction of housing units within the City.

6. Permanent housing facilities shall be made available within three years from the time occupants are displaced by the City, and pending the development of such facilities there will be available to such displaced occupants adequate temporary housing facilities at rents comparable to those in the City at the time of their displacement.

## E. RELOCATION ASSISTANCE ADVISORY PROGRAM AND ASSURANCE OF COMPARABLE REPLACEMENT HOUSING

The Agency shall implement a relocation assistance advisory program, which satisfies the requirements of the State law and Article 2 of the State Guidelines and the Civil Rights Act. Such program shall be administered so as to provide advisory services which offer maximum assistance to minimize the hardship of displacement and to ensure that: (a) all persons and families displaced from their dwellings are relocated into housing meeting the criteria for comparable replacement housing contained in the State Guidelines; and (b) all persons displaced from their places of business are assisted in reestablishing with a minimum of delay and loss of earnings. No eligible person shall be required to move from his/her dwelling unless adequate replacement dwelling is available to such person.

The following outlines the general functions of the Agency in providing relocation assistance advisory services. Nothing in this section is intended to permit the Agency to displace persons other than in a manner prescribed by law, the State Guidelines, and the adopted Agency rules and regulations prescribing the Agency's relocation responsibilities.

## F. ADMINISTRATIVE ORGANIZATION

1. Responsible Entity

The Agency is responsible for providing relocation payments and assistance to site occupants (persons, families, business owners and tenants) displaced by the Agency from the Project Area, and the Agency will meet its relocation responsibilities through the use of its staff and consultants, supplemented by assistance from local realtors and civic organizations.

2. Functions

The Agency's staff and/or consultants will perform the following functions:

1. Prepare a Relocation Plan as soon as possible following the initiation of negotiations for acquisition of real property by the Agency and prior to proceeding with any phase of a public improvement or facility project or other implementation activity that will result in any displacement other than an insignificant amount of non-residential displacement. Such Relocation Plan shall conform to the requirements of the Section 6038 of the State Guidelines. The Agency shall interview all eligible persons, business concerns, including non-profit organizations, to obtain information upon which to plan for housing and other accommodations, as well as to provide counseling and assistance needs.

2. Provide such measures, facilities or services as needed in order to:

    a. Fully inform persons eligible for a parcel of land as to the availability of relocation benefits and assistance and the eligibility requirements therefore, as well as the procedures for obtaining such benefits and assistance, in accordance with the requirements of Section 6046 of the State Guidelines.

    b. Determine the extent of the need of each such eligible person for relocation assistance in accordance with the requirements of Section 6048 of the State Guidelines.

    c. Assure eligible persons that within a reasonable period of time prior to displacement there will be available comparable replacement housing meeting the criteria described in Section 6008(c) of the State Guidelines, sufficient in number and kind for and available to such eligible persons.

    d. Provide current and continuing information on the availability, prices and rentals of comparable sales and rental housing, and of comparable commercial properties and locations, and as to security deposits, closing costs, typical down payments, interest rates, and terms for residential property in the area.

    e. Assist each eligible person to complete applications for payments and benefits.

    f. Assist each eligible, displaced person to obtain and move to a comparable replacement dwelling.

g. Assist each eligible person displaced from his/her business in obtaining and becoming established in a suitable replacement location.

h. Provide any services required to insure that the relocation process does not result in different or separate treatment on account of race, color, religion, national origin, sex, sexual orientation, marital status or other arbitrary circumstances.

i. Supply to such eligible persons information concerning federal and state housing programs, disaster loan and other programs administered by the Small Business Administration, and other federal or state programs offering assistance to displaced persons.

j. Provide other advisory assistance to eligible persons in order to minimize their hardships. As needed, such assistance may include counseling and referrals with regard to housing, financing, employment, training, health and welfare, as well as the assistance.

k. Inform all persons who are expected to be displaced about the eviction policies to be pursued in carrying out the Project, which policies shall be in accordance with the provisions of Section 6058 of the State Guidelines.

l. Notify in writing each individual tenant and owner-occupant to be displaced at least 90 days in advance prior to requiring a person to move from a dwelling or to move a business.

m. Coordinate the Agency's relocation assistance program with the project work necessitating the displacement and with other planned or proposed activities of other public entities in the community or other nearby areas which may affect the implementation of its relocation assistance program.

3. Information Program

The Agency shall establish and maintain an information program that provides for the following:

a. Within 60 days following the initiation of negotiations and not less than 90 days in advance of displacement, except for those situations described in subsection 6042(e) of the State Guidelines, the Agency shall prepare and distribute informational materials (in the language most easily understood by the recipients) to persons eligible for Agency relocation benefits and assistance.

b. Conducting personal interviews and maintaining personal contacts with occupants of the property to the maximum extent practicable.

c. Utilizing meetings, newsletters and other mechanisms, including local media available to all persons, for keeping occupants of the property informed on a continuing basis.

d. Providing each person written notification as soon as his/her eligibility status has been determined.

e. Explaining to persons interviewed the purpose of relocation needs survey, the nature of relocation payments and assistance to be made available, and encouraging them to visit the relocation office for information and assistance.

4. Relocation Record

The Agency shall prepare and maintain an accurate relocation record for each person to be displaced as required by the State of California.

5. Relocation Resources Survey

The Agency shall conduct a survey of available relocation resources in accordance with Section 6052 of the State Guidelines.

6. Relocation Payments

The Agency shall make relocation payments to or on behalf of eligible displaced persons in accordance with and to the extent required by State and Federal law.

a. Temporary Moves

Temporary moves would be required only if adequate resources for permanent relocation sites are not available. Staff shall make every effort to assist the site occupant in obtaining permanent relocation resources prior to initiation of a temporary move, and then only after it is determined that Agency activities in the Project Area will be seriously impeded if such move is not performed.

b. Last Resort Housing

The Agency shall follow State law and the criteria and procedures set forth in Article 4 of the State Guidelines for assuring that if the Agency action results, or will result in displacement, and comparable replacement housing will not be available as needed, the Agency shall use its funds or fund authorized for the Project to provide such housing.

c. Eviction Policy

Eviction for cause is permissible only as a last resort and must conform to state and local law. If a person is evicted for cause on or after the effective date of an issued notice of displacement, displaced persons retain the right to the relocation payments and other assistance for which they may be eligible.

d. Grievance Procedures

The Agency may adopt grievance procedures to implement the provisions of the State law and Article 5 of the State Guidelines. The purpose of the grievance procedures is to provide Agency requirements for processing appeals from Agency determinations as to the eligibility for, and the amount of a relocation payment, and for processing appeals from persons aggrieved by the Agency's failure to refer them to comparable permanent or adequate temporary replacement housing. Potential displaced persons will be informed by the Agency of their right to appeal regarding relocation payment claims or other decisions made affecting their relocation.

e. Relocation Appeals Board

Any person who disagrees with a determination regarding eligibility for, or amount of, a relocation payment, may have his/her claim received and reconsidered. Should it be found that relocation activities are necessary, the Relocation Appeals Board will, after a public hearing, transmit its findings and recommendations to the Agency.

## IX. ANALYSIS OF THE PRELIMINARY PLAN

A preliminary plan is a generalized planning document required by the CRL as one of the first steps in consideration of a proposed redevelopment plan amendment to add territory. The primary purpose of the preliminary plan is the designation of boundaries of the added area which, following substantial documentation and analysis, are approved by the planning commission and adopted by the legislative body.

The Preliminary Plan describes the boundaries of the Added Area, contains general statements of land use, layout of principal streets, population densities, building intensities and building standards proposed as the basis of redevelopment of the Added Area. The Preliminary Plan also shows how the purposes of the CRL would be attained through the redevelopment of the area, and states that it conforms to the City of Milpitas General Plan. The Preliminary Plan also describes the general impact of redevelopment upon the residents of the surrounding neighborhoods.

On August 4, 2009, by Resolution No. 7909, the City Council designated a redevelopment survey area and directed the Planning Commission of the City of Milpitas ("Planning Commission" or "Commission") to select the proposed Added Area from within the boundaries of the redevelopment survey area and formulate a Preliminary Plan for the redevelopment of the selected project area **(Appendix F)**. On September 9, 2009, by Resolution No. 09-043, the Planning Commission selected and designated the boundaries of the Added Area, approved a Preliminary Plan and submitted said Preliminary Plan to the Agency **(Appendix G).** Finally, on October 6, 2009, the Agency by Resolution No. RA346, accepted the Preliminary Plan and directed preparation of the Preliminary Report and consultations with taxing officials **(Appendix H).** These actions initiated the process of adopting the Thirteenth Amendment and established the boundaries of the Added Area. The proposed Amended and Restated Redevelopment Plan conforms to the standards and provisions of the Preliminary Plan. The Added Area boundaries remain the same and include the same principal streets, the same land uses, building intensities and building standards described in the Preliminary Plan. The sole exception is the additional freeway sign that is currently in the Great Mall Redevelopment Project. The sign is not on a separate parcel, but part of a parcel proposed to be included in the Added Area and deleted from the Great Mall Project.

## X. REPORT AND RECOMMENDATION OF THE PLANNING COMMISSION

Sections 33352(h) and 33333.11(h)(2) of the CRL require that the Agency's Report to the City Council contain the report and recommendations of the Planning Commission on the proposed Amendments. Section 33352 (j) of the CRL requires that the Agency's Report to the City Council contain the report required by Section 65402 of the Government Code. Section 65402(c) states among other things, that no real property should be acquired by dedication or otherwise for public purposes, no real property shall be disposed of, no street shall be vacated or abandoned and no public building or structure shall be constructed or authorized until such activities have been submitted to and reported upon by the local planning agency as to conformity with the jurisdiction's adopted general plan.

On December 1, 2009, the Agency, by Resolution No. RA350 authorized transmittal of the Amendments to the Planning Commission **(Appendix I).** On December 9, 2009, the Planning Commission, by Resolution No. 09-056, adopted their report regarding the consistency of the proposed Amendments with the City's General Plan and recommended that the Agency and City Council adopt the proposed Amendments. The Planning Commission's report regarding the consistency of the proposed Amendments with the City's General Plan and the recommendations on the proposed Amendments is included within this Report as **Appendix J.**

## XI. SUMMARY OF COMMUNITY CONSULTATIONS

Sections 33352(i) and 33333.11(h)(3) of the CRL require that the Agency's Report to the City Council contain the summary referred to in Section 33387. Section 33387 of the CRL refers to the consultations with the Project Area Committee ("PAC") and the record of information exchanged between the PAC and the Agency. A PAC is required to be formed when: (1) a substantial number of low income person or moderate income persons, or both, reside within the Project Area, and the Redevelopment Plan as adopted will contain authority for the Agency to acquire, by eminent domain property on which any persons reside; and (2) the Redevelopment Plan as adopted contains one or more public projects that will displace a substantial number of low income or moderate income persons or both.

The proposed Amendments and Restated Redevelopment Plan do not include eminent domain authority over properties which are occupied as a residence. On December 1, 2009, the City Council adopted Resolution No. 7942 finding and determining that, because neither the proposed Thirteenth Amendment or Sixth Amendment contain authority for the Agency to use eminent domain to acquire properties occupied as a residence, a Project Area Committee need not be formed in connection with the proposed Amendments. The City Council directed that the proposed Amendments be provided to residents, property owners, business owners, and existing civic and business organizations and that Agency staff consult with and obtain the advice of such persons and organizations concerning policy matters affecting the residents of the Project Areas.

Per CRL Sections 33349, 33452 and 33333.11, the Agency will send a first class mailing containing the required notice of joint public hearing of the Agency and City Council on the proposed adoption of the Amendments (joint public hearing) to the last known assessee (the "property owner") of each parcel of land and to all tenants and business owners within the existing Project Areas and proposed Added Area. This notice will contain a letter explaining the purpose of the joint public hearing and other pertinent information such as the meeting date, time and location. The notice of joint public hearing will also be published in a newspaper of record for five (5) consecutive weeks, in compliance with CRL Sections 33349 and 33361. The Agency plans to include, with the notice of the joint public hearing, an invitation to attend a community information meeting prior to the hearing to provide a causal forum in which persons can ask City staff and consultants questions and comments on the proposed Amendments.

## XII. ENVIRONMENTAL COMPLIANCE (ENVIRONMENTAL IMPACT REPORT)

Sections 33352 (k) and 33333.11(h)(3) of the CRL require that the Agency's Report to the City Council contain the report required by Section 21151 of the Public Resources Code ("Environmental Impact Report"). The Draft Environmental Impact Report ("Draft EIR") is included under a separate cover and is an attachment to this Report and is incorporated herein by this reference. The Draft EIR contains the existing conditions, impacts and mitigation measures and other contents required by the California Environmental Quality Act Guidelines (Title 14 California Code of Regulations, Section 15000 *et seq*.). The following is a summary of the issues and impacts identified in the Notice of Preparation/Initial Study ("NOP") and the Draft EIR.

### NOP

The NOP prepared for the Draft EIR identified the following issues as having effects that were found not to be significant and, therefore, no further analysis within the Draft EIR was determined necessary:

- Aesthetics
- Agricultural Resources
- Biological Resources
- Geology and Soils
- Hydrology and Water Quality
- Land Use and Planning
- Mineral Resources
- Population and Housing
- Recreation

The NOP identified the following issues as having potential impacts as a result of the implementation of the proposed Amendments, which required the preparation of a Draft EIR and included the existing conditions, analysis of the impacts, and, as necessary, mitigation measures to reduce those impacts to a less-than-significant level:

- Air Quality
- Cultural Resources
- Hazards and Hazardous Materials
- Noise
- Public Services
- Transportation/Traffic
- Utilities and Service Systems

The NOP was circulated by the Agency on September 9, 2009, for review by responsible agencies. The Agency received three comment letters including the Governor's Office of Planning and Research, the County of Santa Clara Roads and Airport Department, and the Santa Clara Valley Transportation Authority. These letters are included in an appendix to the Draft EIR.

The letter from the Governor's Office of Planning and Research was a copy of the letter sent to reviewing agencies notifying the agencies of the comment period for the NOP. The County of Santa Clara Road and Airport Department commented that the Draft EIR traffic impact analysis ("TIA") include but not be limited to Montague Expressway, San Thomas Expressway and Lawrence Expressway and provide mitigation measures. The Santa Clara Valley Transportation Authority had three comments: (1) clarify which tracks the plan may realign or remove within the project area and possible stakeholders; (2) change the reference for the Added Area boundary from I-880 to I-680; and (3) clarify which plans, policies, or programs will be affected as a result of the adoption of the amendment.

**Draft EIR**

The Draft EIR prepared for the Amendments included an analysis of the potential impacts that could result from the implementation of the time and financial amendments, eminent domain for non-residential uses, and the addition of territory. It was the conclusion of the Draft EIR that the Amendments would encourage development that could result in potential environmental impacts that may be significant and unavoidable even with mitigation measures. These impacts may include greenhouse gas emissions that exceed air district thresholds and contribute to global climate change, further reductions in traffic levels of service within the Amendment Areas and proposed Added Area at currently impacted intersections and street segments, and further reductions in levels of service on currently impacted freeway segments.

The Draft EIR, incorporated by reference, was circulated to the affected taxing entities and responsible environmental agencies for review for not less than 45 days. The Agency received two comment letters on the Draft EIR from the Department of Toxic Substances Control and the Department of Transportation. The Department of Toxic Substances Control noted that there were 411 sites on various state and federal environmental databases within the Project Area and offered assistance in overseeing characterization and cleanup activities. The Department of Transportation suggested that the Draft EIR: 1) include maps showing impacted roadway and freeway segments and intersections; 2) identify improvement projects for the Great Mall Parkway listed in the 2035 Valley Transportation Plan; and 3) provide additional congestion management measures. In addition, the Department of Transportation advised that an encroachment permit would be required for any improvements in the "State Right of Way." The Final EIR will include copies of the letters referenced above and detailed responses to the letters. The Final EIR, including a Mitigation Monitoring Program, will be presented to the Agency and City Council prior to their consideration for adoption of the proposed Amendments.

## XIII. THE REPORT OF THE COUNTY FISCAL OFFICER AND THE AGENCY'S ANALYSIS THEREOF, INCLUDING A SUMMARY OF CONSULTATIONS WITH AFFECTED TAXING ENTITIES

Section 33328 of the CRL requires the county officials charged with the responsibility of allocating taxes under Sections 33670 and 33670.5 to prepare and deliver a report to the Agency (the "Fiscal Officer's Report" or "base year report"). This report shall include the following:

1. The total assessed valuation of all taxable property within the Added Area as shown on the base year assessment roll;

2. The identification of each taxing agency levying property taxes in the Added Area;

3. The amount of tax revenue to be derived by each taxing agency from the base value assessment roll for the Added Area, including state subventions for homeowners, business inventory, and similar subventions;

4. For each taxing agency, its total ad valorem tax revenues from all property within its boundaries, whether inside or outside of the Added Area;

5. The estimated first year taxes available to the Agency, if any, based upon information submitted by the Agency, broken down by taxing agencies, and;

6. The assessed valuation of the Added Area for the preceding year, or, if requested by the Agency, for the preceding five years, except for state assessed property on the State Board of Equalization ("SBE") roll.

On Friday September 11, 2009, the Agency transmitted notice pursuant to Sections 33327 and 33328 of the California Health and Safety Code, of the Agency's intent to amend the Redevelopment Plan for Project Area No. 1 to among other things add territory to the County Finance Department and Assessor of Santa Clara County, the SBE and all other affected taxing entities. The Agency identified the 2009-10 tax roll as the base year assessment roll for the allocation of taxes pursuant to Section 33670 of the Health and Safety Code. The SBE acknowledged receipt on Monday September 14, 2009.

The County of Santa Clara transmitted the base year report to the Agency in a letter dated October 21, 2009 **(Appendix K).** The information contained in the base year report was based upon 2009-10 as the base year. The base year report contained the total assessed valuation of all taxable property within the Added Area.

Pursuant to Sections 33352(n)(1) and 33333.11(h)(4) of the CRL, the Report to the City Council must include an analysis of the base year report and must include a summary of the consultations of the Agency, or attempts to consult by the Agency, with each of the affected taxing agencies. If any of the affected taxing agencies have expressed written objections or concerns with the proposed Amendments as part of the consultations, the Agency shall include a response to these concerns, if any, and, at the discretion of the Agency, proposed or adopted mitigation measures. The following is the analysis of the base year report.

## A. ANALYSIS OF THE REPORT OF THE COUNTY FISCAL OFFICER (BASE YEAR REPORT)

Section 33670 of the CRL states that the base year assessment roll for calculation of tax increment revenues is the roll last equalized prior to the effective date of the ordinance adopting the amendment to the Redevelopment Plan. Tax rolls are equalized on August 20th of each year. It is anticipated that the ordinance adopting the Thirteenth Amendment including adding area will occur in April 2010, resulting in a 2009-2010 assessment roll as the base year roll for the Added Area.

### 1. Total Assessed Valuation of All Taxable Property Within the Added Area as Shown on the Base Year Assessment Roll

Based upon the 2009-10 base year report, the total value for properties within the Added Area was $856,391,095. Of this amount, secured values represent $629,257,876 or 73% of the total value and unsecured values account for $227,133,219 or 27% of the total value. There are no State owned utilities in the Added Area (non-operating and non-unitary assessed values). It should be noted that $28,000 in homeowner's exemptions was included in the secured values. There were also non-taxable exemptions totaling $53,686,070 that were deducted from the gross assessed values.

### 2. Identification of Each Taxing Agency Levying Taxes in the Added Area

The 2009-2010 base year report identifies the following eleven (11) taxing agencies receiving ad valorem property tax revenues from the Added Area:

- Santa Clara County
- Santa Clara County Library
- City of Milpitas
- Milpitas Unified School District
- San Jose Evergreen Community College
- County School Service (County Office of Education)
- Santa Clara Valley Water District East Zone 1
- Santa Clara Valley Water District
- Bay Area Quality Management District
- Santa Clara County Importation Water-Misc District
- Santa Clara Valley Water District West Zone 4

It should be noted that the Santa Clara Valley Water District East Zone 1, Santa Clara County Importation Water-Misc District, and Santa Clara Valley Water District West Zone 4 are part of the Santa Clara Valley Water District and, therefore, there are only eight distinct taxing agencies.

3. Amount of Tax Revenue to be Derived by Each Taxing Agency from the Base Year Assessment Roll from the Project Area, Including State Subventions

Using the 2009-10 base year report, the amount of tax revenue derived by each taxing entity from the base year value assessment roll, can be determined. As shown in **Table 31: "Base Year Revenue by Taxing Agency"** below, the Milpitas Unified School District receives 40% of the taxes from the Added Area, which is the largest proportion. The next largest recipients of revenues are Santa Clara County and the City of Milpitas, receiving 24% and 19% of the revenues, respectively. The San Jose Evergreen Community College receives 7%. The remaining entities each receive 4% or less of the property tax revenue within the Added Area. It should be noted that the respective taxing entities will continue to receive these base year property tax revenues over the life of the Added Area, in addition to statutory pass through allocations required under Health and Safety Code Section 33607.5.

**Table 31: Base Year Revenue by Taxing Agency**

| TAXING AGENCY | BASE YEAR REVENUE (Secured, Unsecured and Utility, in Dollars) | PERCENT OF TOTAL |
|---|---|---|
| **Santa Clara County** | **2,042,551** | **23.85%** |
| **Santa Clara County Library** | **367,071** | **4.29%** |
| **Milpitas** | **1,649,994** | **19.27%** |
| **Milpitas Unified** | **3,432,809** | **40.08%** |
| **San Jose Evergreen Community College** | **556,617** | **6.50%** |
| -Santa Clara Valley Water District East Zone 1 | 155,978 | 1.82% |
| - Santa Clara Valley Water District | 15,224 | 0.18% |
| -Santa Clara County Importation Water-Misc District | 45,302 | 0.53% |
| -Santa Clara Valley Water District West Zone 4 | 11,677 | 0.14% |
| **Subtotal all Water Agency** | **228,181** | **2.66%** |
| **County School Service** | **270,912** | **3.16%** |
| **Bay Area Air Quality Mgmt** | **15,775** | **0.18%** |
| **TOTAL GENERATED** | **8,563,911** | **100%** |

Note: Percentages do not add to 100% due to rounding.

4. Total Ad Valorem Tax Revenue for Each Taxing Agency from All Property Within Its Boundaries, Whether Inside or Outside of the Added Area

The base year report provides the total countywide revenues of the taxing jurisdictions (Ad Valorem Tax Revenue). These values and the percent of the countywide revenue are reported below. As shown in **Table 32: "Added Area Revenues as a Percentage of the Total Revenue"**, the City of Milpitas derives the largest portion of its taxes from the Added Area at 14%. Milpitas Unified School District receives 10.4%. All other entities receive less than 2% of their revenues from the Added Area.

**Table 32: Added Area Revenues as a Percentage of Total Revenue**

| TAXING AGENCY | ADDED AREA REVENUE (Dollars) | TOTAL REVENUE (Dollars) | ADDED AREA AS A PERCENT OF TOTAL REVENUE |
|---|---|---|---|
| **Santa Clara County** | **2,042,551** | **362,078,204** | **0.56%** |
| **Santa Clara County Library** | **367,071** | **19,201,733** | **1.91%** |
| **Milpitas** | **1,649,994** | **11,818,603** | **13.96%** |
| **Milpitas Unified** | **3,432,809** | **33,119,863** | **10.36%** |
| **San Jose Evergreen Community College** | **556,617** | **63,522,630** | **0.88%** |
| -Santa Clara Valley Water District East Zone 1 | 155,978 | 9,536,283 | 1.64% |
| - Santa Clara Valley Water District | 15,224 | 5,211,541 | 0.29% |
| -Santa Clara County Importation Water-Misc District | 45,302 | 14,229,325 | 0.32% |
| -Santa Clara Valley Water District West Zone 4 | 11,677 | 3,370,841 | 0.35% |
| **Subtotal all Water Agency** | **228,181** | **86,334,337** | **0.26%** |
| **County School Service** | **270,912** | **94,576,575** | **0.29%** |
| **Bay Area Air Quality Mgmt** | **15,775** | **5,448,081** | **0.29%** |
| **TOTAL GENERATED** | **8,563,911** | **622,113,679** | **0.35%** |

Note: Percentages above may not add to 100% due to rounding of numbers.

5. Estimated First Year Taxes Available to the Agency

The base year report did not provide an estimate of the first year of tax increment to be received from the Added Area. According to KMA's estimate, the Added Area will generate $676,000 in tax increment in 2011-12 (the first year tax increment would be received). This estimate is based on a 5% growth over base. As shown in **Table 27, Section V** of this Report, it is anticipated that of this amount, $151,000 will be payments for statutory pass throughs to the taxing entities, $7,000 will be charged by the County to administer the allocation of the tax increment and $135,000 will be deposited into the Agency's affordable housing fund. The remaining $382,000 will be the net tax increment revenue available to the Agency for redevelopment activities.

6. Assessed Valuation of the Project Area for the Preceding Year, Except for State Assessed Property on the Board Roll

The Base Year Report submitted to the Agency identified the 2008-09 secured, utility and unsecured assessed valuation for the Project Area as $825,212,262, which compared with the 2009-10 base year values of $856,391,095 is a difference of $31,178,833 or 4%. The homeowners' exemption value of $21,000 is included in the secured value. There were non-taxable exemptions of $35,667,983 that have been deducted from the gross assessed values.

## B. SUMMARY OF CONSULTATIONS WITH AFFECTED TAXING AGENCIES

Per Sections 33328, 33344.5, 33344.6, 33451.5(c) and 33333.11(e) prior to publication of the notice of the joint public hearing on the proposed Amendments, the Agency is required to provide certain information to and consult with each affected taxing agency with respect to the Amendments and the allocation of tax increment revenues.

**On September 2, 2009**, the Agency transmitted a letter to each school district, the county office of education and community college district within the Added Area notifying the entities that the Agency is in the process of preparing the Thirteenth Amendment, which among other things would add certain territory. The letter stated that as required by Section 33328.1(b)(2) of the CRL, the Agency is required to provide the DOF with a report which includes a projection by each school district, county office of education, and community college district within the proposed Added Area any change in the need for school facilities within the proposed Added Area for the duration of the proposed Added Area. To assist the school entities in identifying any change in the need for the facilities the Agency provided the following: (1) gross acreage of the Added Area; (2) net acreage of the Added Area; (3) anticipated Amendment adoption date; (4) duration date for the Added Area; (5) existing land use map; (6) General Plan land use map; (7) current number of dwelling units in the Added Area; (8) current estimated number of school age children in the Added Area; (9) estimated possible increase in the number of housing units; and (10) estimated student growth (net new students) based on the buildout assumptions.

**On September 11, 2009**, the Agency sent a notice of intent to amend the redevelopment plan to among other things add territory to each of the affected taxing agencies as well as to the SBE, County Finance Director and County Tax Assessor. The letters to the taxing entities included a statement of preparation indicating the Agency's intent to use the 2009-10 as the based year, legal description and map of the Added Area. The letter offered to discuss any aspects of the Amendment and provided a telephone contact.

**On September 16, 2009**, the Santa Clara Water District sent a letter to the Agency acknowledging receipt of the notice of intent to amend the Redevelopment Plan**. (Appendix L)**

**On September 16, 2009**, the Milpitas Unified School District ("MUSD") sent a letter to the Agency requesting clarification on two points: (1) why the Agency's density projection for the Transit Area Specific Plan ("TASP") was less than the mid-point of the allowable density which was used to calculate unit build out; and (2) why the Agency was not applying the 20% affordable housing multiplier to the projected new housing units. **(Appendix M)**

**On October 7, 2009,** the County Department of Planning and Development sent a letter to the Agency acknowledging receipt of the notice of intent to amend the Redevelopment Plan. **(Appendix N)**

**On October 19, 2009**, the Agency sent a letter responding to the MUSD clarifying the areas anticipated for residential rehabilitation and those planned for new development including projected unit affordability. The Agency re-calculated the student projection based on an updated multiplier provided by the school district. In addition, the Agency addressed the school districts' questions: (1) The Agency's density projection for the TASP was less than the mid-point of the allowable density because the Agency used the projected unit count for proposed or approved projects. For the 10.1-acre Boulevard Mixed Use area for which there is no proposed or approved projects, the Agency used the mid-point build out calculation and applied the affordable housing multiplier for student projection as provided by the District; and (2) The Agency did not apply the 20% affordable housing multiplier to the approved or proposed projects because the development plans are for market rate units. For the Boulevard Mixed Use area, which does not have a proposed or approved project, the 20% affordable housing multiplier was used in calculating the student generation. The Agency did not receive response from any other school district.

**On October 30, 2009,** letters were sent to the SBE, County Finance Director and County Tax Assessor and affected taxing agencies notifying the entities that the Agency is proposing to make a minor modification to the boundary of the Added Area to include a freeway sign that is currently with the Great Mall Redevelopment Project. The notice explained the land area on which the sign is located is approximately 500 square feet. Also, that the proposed Added Area surrounds the freeway sign and the intent is to delete the sign from the Great Mall Redevelopment Project and include it within the proposed Added Area. Finally, it was noted the sign is not its own parcel, therefore the number of parcels in the Added Area does not change.

**On December 4, 2009,** pursuant to Health and Safety Code Sections 33344.5 and 33333.11 (c) and (e), the Preliminary Report as well as the Amended and Restated Redevelopment Plan and Sixth Amendment were sent to the affected taxing agencies**.** The transmittal included an offer to meet with a representative of the affected taxing agencies for the purpose of discussing the effect of the proposed Amendments upon the taxing agencies. The taxing agencies were informed that any written comments from the taxing agencies would be included in the final Report to the City Council on the proposed Amendments. The taxing agencies were also informed that the Agency and City Council planned to hold a joint public hearing on the adoption of the Amendments on April 6, 2010, or as soon as possible thereafter.

Finally, in accordance with CRL Sections 33349(d), 33333.11(g) and 33451.5(c), the Agency will be sending to all of the affected taxing entities this Report to the City Council with a notice of joint public hearing on the proposed Amendments certified mailed, return receipt requested.

# Appendix A

## Code Violation Types and Definitions

Code Violation Types and Descriptions

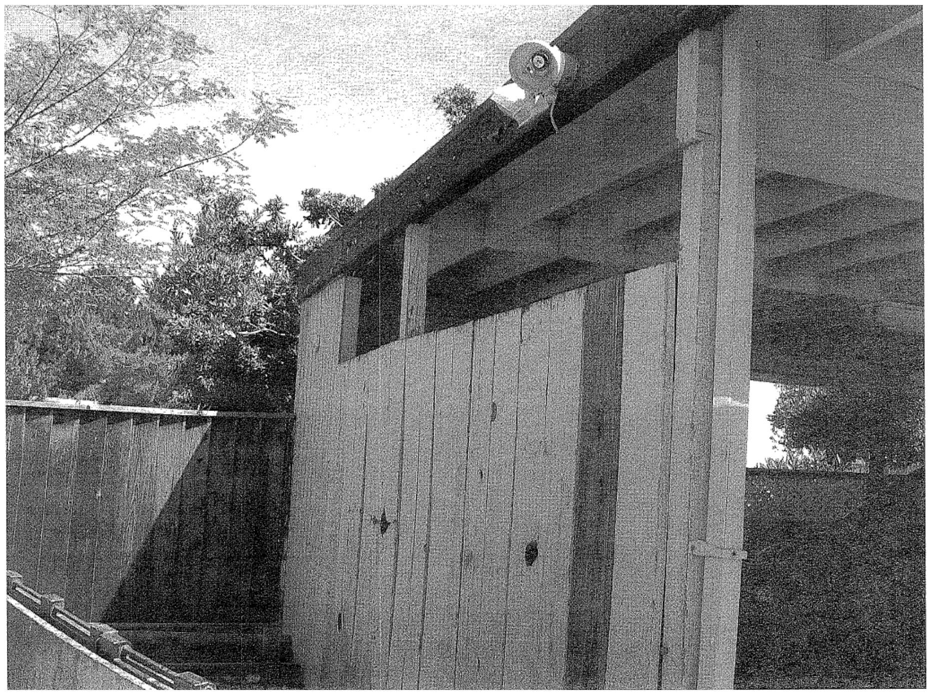
| No. | Cited for Adams 2002 and 2003 | Cited for Selwyn/Shirley 2002 and 2003 | Cited for Selwyn/Shirley 5/6/04-5/6/09 | Cited for Adams 5/6/04-5/6/09 | Description of Violation | Degree of Violation |
|---|---|---|---|---|---|---|
| Structural Hazards | | | | | | |
| 1 | Building Exterior | Building Exterior Issues | | | Includes a variety of violations visible from the exterior including damaged or missing lighting, faulty exterior electrical wiring, deteriorated exterior building materials | Serious health and safety violation |
| 2 | Building/Structure | Building or Structural Issues | | | Any substantial deterioration that is compromising the integrity of the building, missing or damaged structural component and unpermitted construction. | Serious health and safety violation |
| 3 | | Garage Enclosure Issues | | | Deteriorated, damaged or substandard garage or carport that poses a safety hazard | Serious health and safety violation |
| 4 | Fences/Gates | Fences/Gates | Fences/Gates (Unsafe fences) | | Damaged or deteriorated fencing that is hazard. | Serious health and safety violation |
| Vehicle Violations | | | | | | |
| 5 | Abandoned Vehicles | Abandoned Vehicles | Junk Cars/Inoperable | Junk Cars/Inoperable | Includes any inoperable vehicle. Besides being a visual blight inoperable vehicles may leak oil and other fluids that result in ground contamination. | Contributing factor to blighting conditions |
| 6 | Lawn Parking | Lawn Parking | Vehicle Yard/Lawn Parking | | Parking on unpaved surfaces. Contributes to visual blight and exposes ground to contamination from oil and other car fluids | Contributing factor to blighting conditions |
| 7 | Vehicle Repair | Vehicle Repair | | | Includes major vehicle repairs by non-owners. Typically illegal automotive repair business operated from residential property. This use is incompatible with residential use and the vehicles being repaired often interfere with automobile circulation and occupy off-street parking to be utilized by tenants. | Contributing factor to blighting conditions |
| Pedestrian Hazards | | | | | | |
| 8 | ROW obstruction | ROW obstruction | | Obstruction of sidewalks/ Public ways | Primarily landscaping encroach on sidewalks requiring pedestrians to walk in street. | Contributing factor to blighting conditions |
| 9 | | Vehicle Blocking Driveway | | | Vehicle blocking driveway causing pedestrians to walk in street. | Contributing factor to blighting conditions |
| 10 | | Sidewalk Trip Hazard | | | Broken or cracked sidewalk that is a pedestrian hazard | Contributing factor to blighting conditions |
| 11 | | Planting Strip Tripping Hazard | | | Any obstacle in the parkway such as a tree stump that is a pedestrian hazard. | Contributing factor to blighting conditions |
| | | | | | | |
| 12 | Graffiti | Graffiti | Graffiti | | Graffiti tags associated with known gangs constitute a hazard due to tier attraction to rival gangs or others for criminal activity. | Contributing factor to blighting conditions |

| No. | Cited for Adams 2002 and 2003 | Cited for Selwyn 2002 and 2003 | Cited for Selwyn 5/6/04-5/6/09 | Cited for Adams 5/6/04-5/6/09 | Description of Violation | Degree of Violation |
|---|---|---|---|---|---|---|
| Waste and Debris Violations | | | | | | |
| 13 | Solid Waste | Solid Waste Issues | Solid Waste (trash containers & accumulation) | Solid Waste (trash containers) | Includes a variety of waste violations including accumulation of trash and junk and may include unenclosed trash areas for multiple family buildings. Uncontained waste is an attraction and food source for vectors and potentially a fire hazard. | Serious health and safety violations |
| 14 | Outdoor Storage | Outdoor Storage | Outdoor Storage (discard objects & dirt, sand, etc.) | Outdoor Storage | Primarily includes accumulation of discarded objects and junk. Can result in harborage for vectors and be an attractive nuisance. | Serious health and safety violation |
| 15 | | Hazardous Material | | | Storage of hazardous materials or hazardous materials spills such as improperly discarded motor oil. | Serious health and safety violation |
| Landscape Violations | | | | | | |
| 16 | Overgrown landscaping | Overgrown Landscaping | Landscaping/Vegetation (overgrown lawn) | Landscaping/Vegetation (overgrown lawn) | Includes all unmaintained landscaping. May create a harborage for vectors, fire hazard and detract for neighboring properties. | Contributing factor to blighting conditions |
| 17 | | No Front Yard Landscaping | | | No front yard landscaping that contributes to the appearance of neglect and visual blight. | Contributing factor to blighting conditions |
| 18 | | Planting Strip Landscaping Needed | | | Unlandscaped parkway that contributes to appearance of neglect and visual blight. | Contributing factor to blighting conditions |
| 19 | | Street Repair | | | Deteriorated street segment requiring repair | Contributing factor to blighting conditions |
| Health and Safety Hazards | | | | | | |
| 20 | | Extinguisher Not Serviced | | | Multiple family building that does not have fire extinguishers that have been regularly serviced. | Serious health and safety violation |
| 21 | | Fire Extinguisher Not Present | | | Multiple family dwelling without the required fire extinguishers | Serious health and safety violation |
| 22 | | | Housing Code (Apartment/Homes) | Housing Code (Apartment/Homes) | Includes tenant complaints regarding substandard conditions. | Serious health and safety violation |
| 23 | | Over Crowding | | | Evidence of overcrowding including vehicles in excess of permitted parking, overflowing and numerous trashcans etc. | Serious health and safety violation |
| 24 | | | Miscellaneous (health, safety and welfare) | Miscellaneous (health, safety and welfare) | Any miscellaneous health and safety hazards | Serious health and safety violation |
| Other Violations | | | | | | |
| 25 | | Light Pole Repair | | | Broken or damaged street lighting | Contributing factor to blighting conditions |
| 26 | | Signage Issues | | | Illegal signage. Includes excessive and deteriorated signs that creates a visual blight. | Contributing factor to blighting conditions |
| 27 | | | Nonpoint Pollution (Other Waterway) | | Standing water that is vector hazard | Contributing factor to blighting conditions |
| 28 | | | Animals (Roaming dog) | | Unsecured pet | Contributing factor to blighting conditions |

# Appendix B

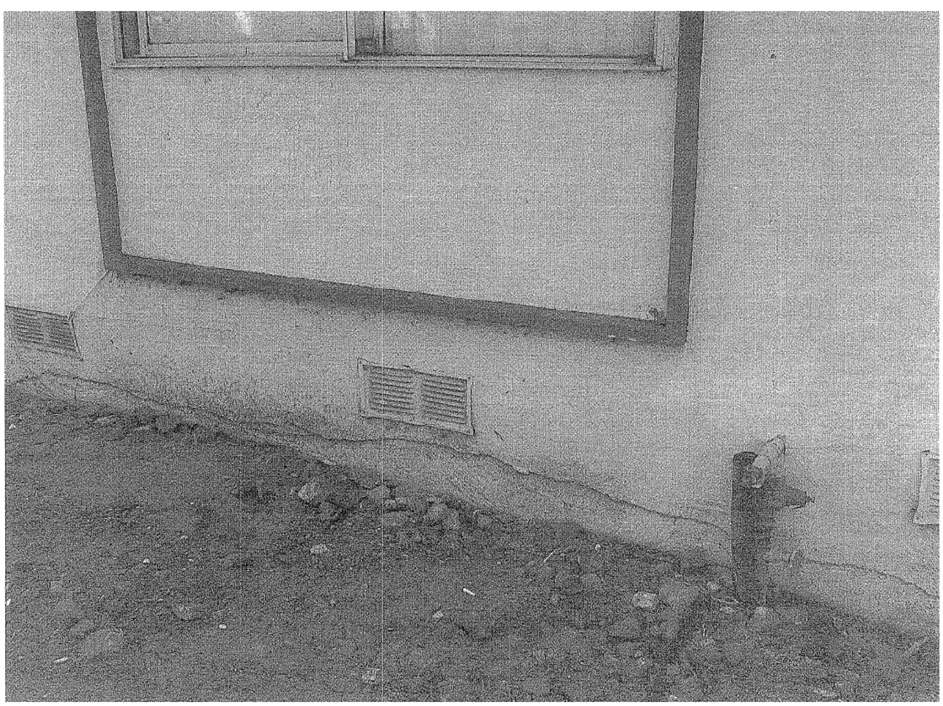
## Photographs of Deteriorated and Substandard Conditions

## Adams Area

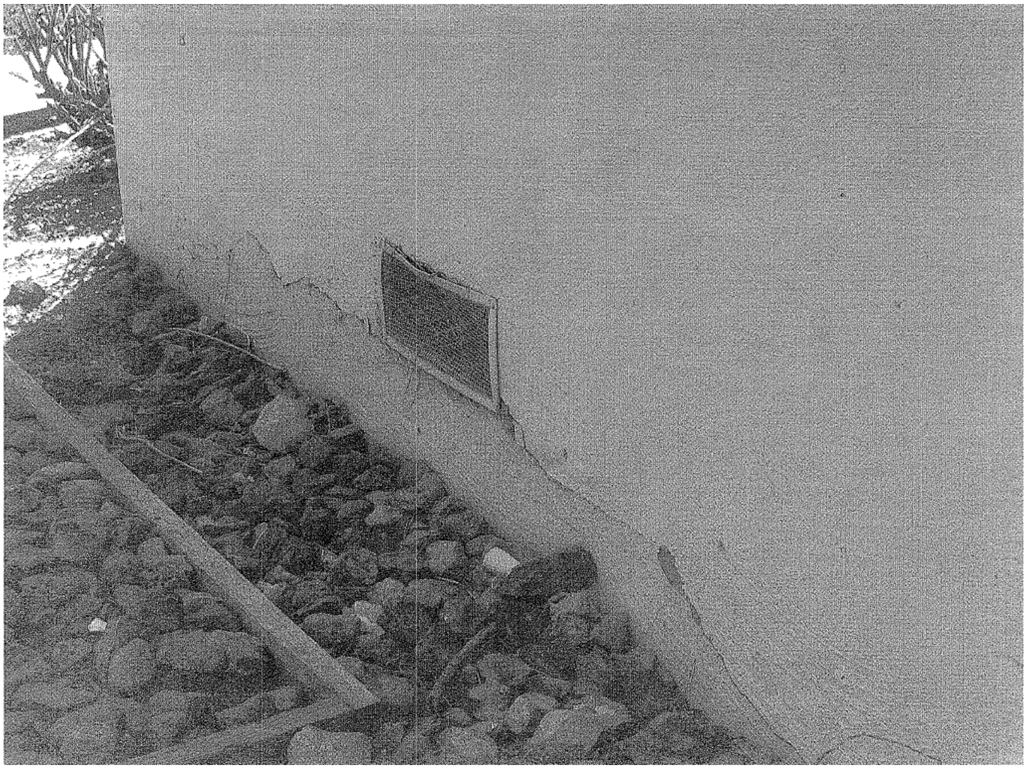


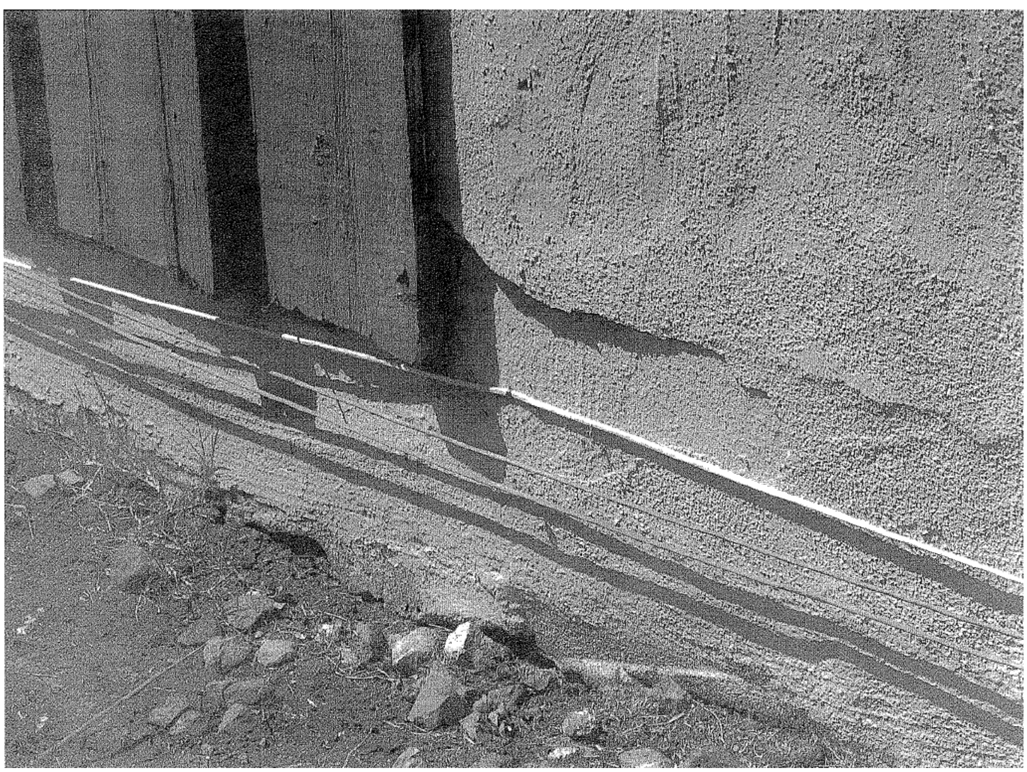
Views of deteriorated and substandard carports including detailed view of sill plate with missing anchor bolt.

View of deteriorated vertical support of carport where it intersects with sill plate.

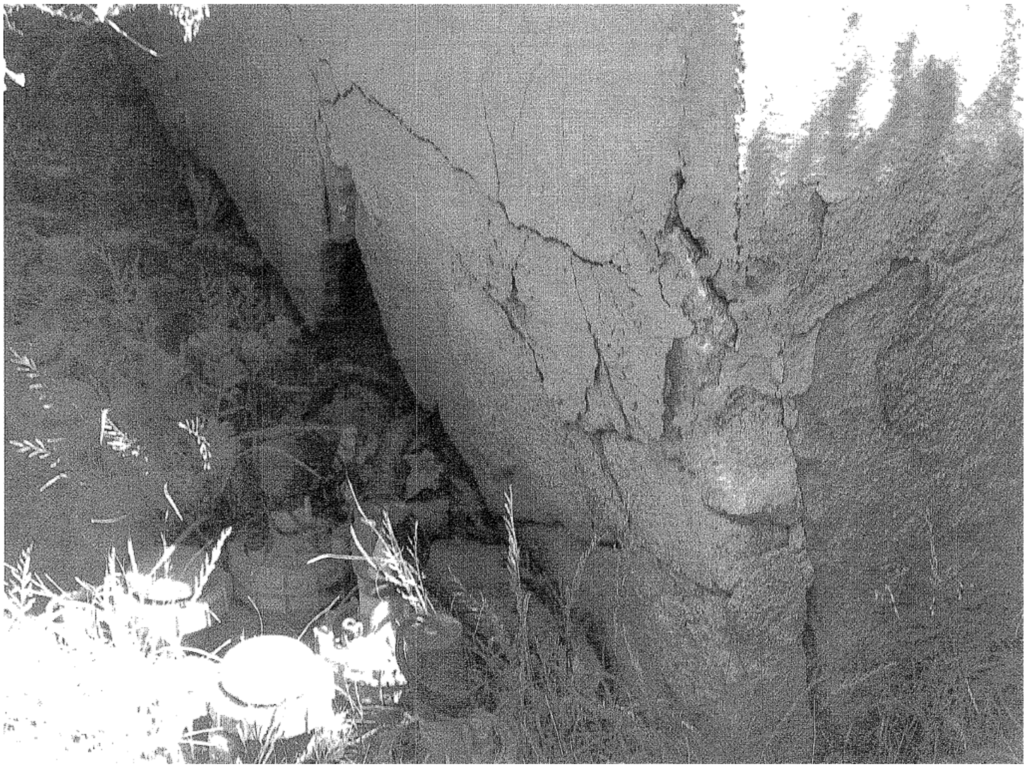


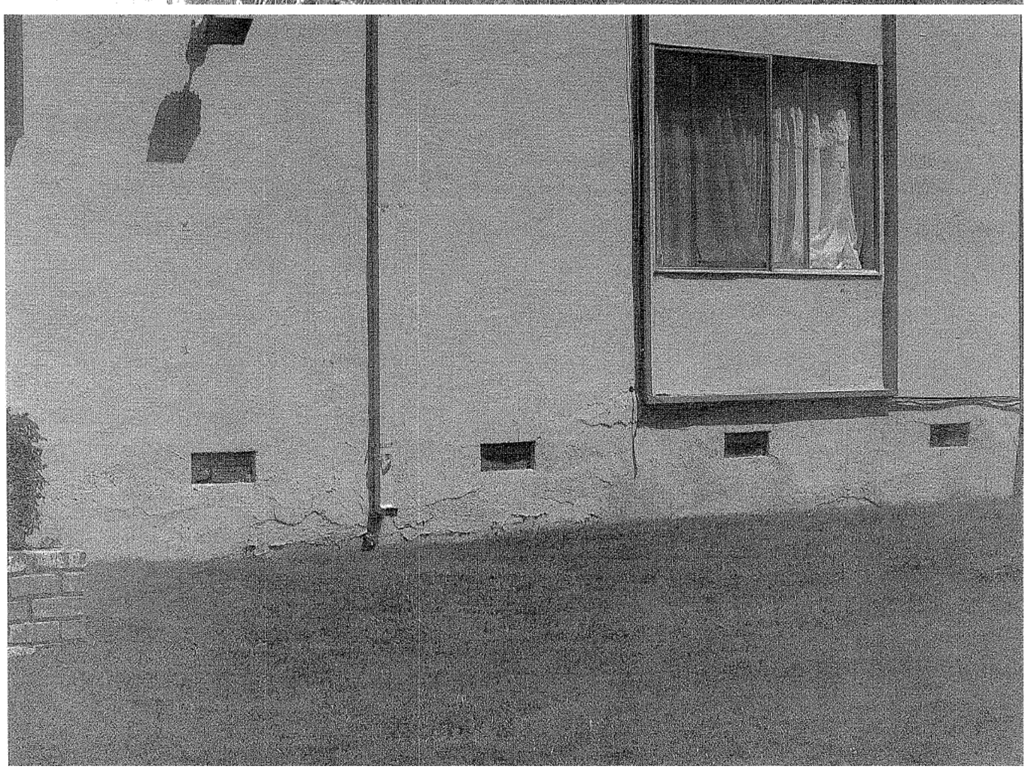
Example of cracking along foundation resulting from water penetration below stucco siding.





Detailed views of cracked and broken stucco at foundation





Views of cracked and broken stucco at foundation



Views of inadequate yard maintenance

Substandard window replacement above air conditioning unit

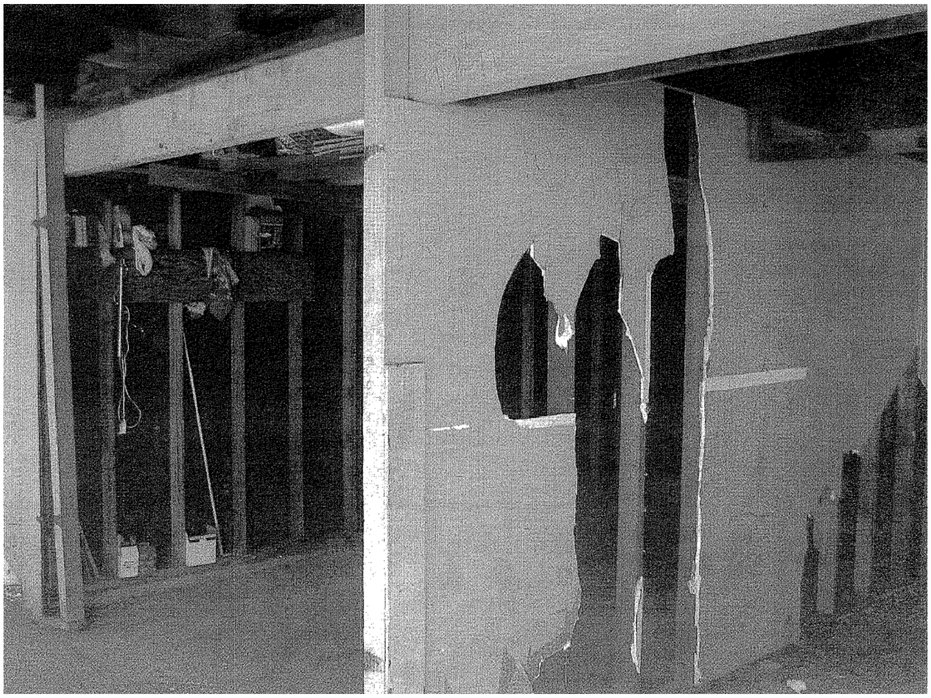

Deteriorated siding along carport and unpermitted parking on un-paved area

Deteriorated upper floor siding

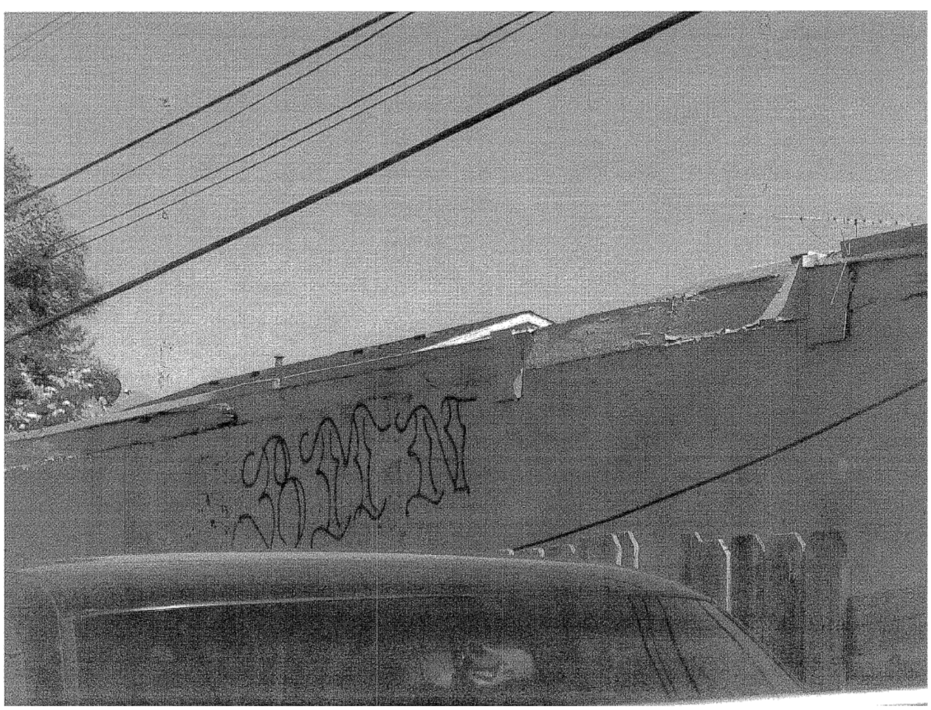
## Selwyn/Shirley Area

Deteriorated siding and faulty exterior wiring

Deteriorated roof joists



Deteriorated and damaged carport partition



Graffiti

Deteriorated and damaged carport ceiling

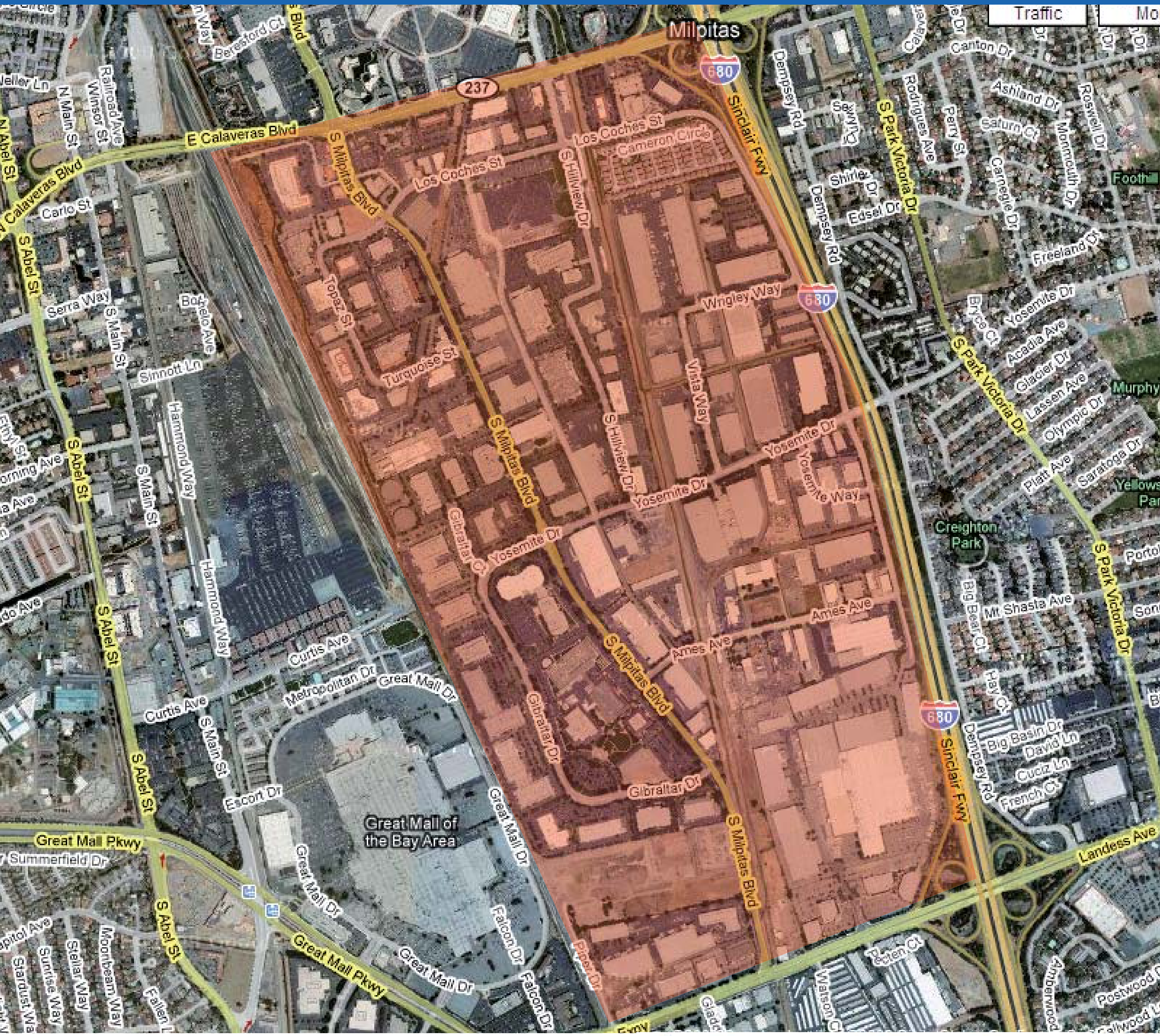
Unpermitted parking on unpaved area

Unfinished stair reconstruction and lack of yard maintenance

Appendix C

Sperry Van Ness Obsolescence Report – Added Area

# City of Milpitas Town Center Study Area Obsolescence Report

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# I. GLOSSARY

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# Glossary

## GLOSSARY OF GENERAL TERMS AND INDUSTRY STANDARDS

***Commercial building space classifications, also known as "product types":*** Warehouse, Manufacturing, R&D, Office, and Retail building types. For purposes of this report – as is often the case in our industry – Warehouse and Manufacturing building space has been combined into one category known as Industrial product.

***Building Base Inventory:*** The total square footage area of existing product space contained in a specified geographic area, whether available or unavailable for lease.

***Available Space:*** That portion of the Building Base Inventory that is currently available for lease, sublease, or sale to a user in a given marketplace, including both vacant and occupied available space.

***Vacant Space:*** That portion of Available Space that is vacant within a building or a marketplace.

***Product Absorption:*** The measurement of square footage area leased or removed from a marketplace within a given time period. Gross absorption comprises total transactional volume during a given time period and is always a positive number, while Net absorption comprises the net change in product occupancy within a given marketplace and time period. Net absorption may be either positive or negative.

***Rentable Building Area or RBA:*** The rentable square footage within a building or group of buildings in a particular marketplace.

***Floor Area Ratio or FAR:*** The ratio of total existing RBA to a given land parcel or to a larger business park site. The FAR is often stated as "building-to-site coverage" ratio, or simply as the "building coverage" ratio. These terms relate to physical site utilization.

***Competitive/Comparable Building or Marketplaces***: Available space or RBA within individual buildings and/or marketplaces will normally compete against other available buildings and marketplaces offering similar product types, sizes, and building space features within the same demand area in attempt to capture that absorption demand.

***Existing Building Space Functionality as Relates to Competitiveness:*** Apart from location desirability, the degree of functionality and modernity of particular building space features will generally impact the value, demand, absorption, and competitiveness of that building space. Generally, the more functionally deficient and uncompetitive, the more obsolescence that building space possesses.

***Normal Functionality Standards for Silicon Valley Building or Product Types:***
**Warehouse** – Building space offers at least 22' minimum clear height (typically 24'-28'), multiple dock high truck doors (minimum 1 dock door /10,000 RBA), minimum ordinary hazard fire suppression system (fire sprinkler density calculations of at least .33gpm /3,000 sf of hydraulically most remote area of building), normally 1.5/1,000 sf parking ratio with minimum 1/1,000 ratio, a truck turnaround or staging area of at least 110' from the edge of dock, suitable column spacing of at least 24' x 60', and 5-10% HVAC office area improvements.

**Manufacturing** – Generally contains 20' or less minimum clear height, 2-3/1,000 parking ratios, comparatively greater electrical amperage capacity (from several hundred amps to several thousand amps depending upon building or space size evaluated) @ 277/480 volts, requisite grade level truck door loading facilities, insulated production area with extensive dropped lighting and power plugs, 15-40% typical HVAC office areas.

**R&D** – Generally 3.33/1,000 or greater parking ratio, 20' or less minimum clear height, 30%-90% HVAC with 10'-14' dropped acoustical ceiling areas with various combinations of carpeted office areas and tile floor R&D/engineering/ light assembly/ testing with extensive window line to allow office expansion and/or employee appeal. Typical R&D users are image conscious to varying degrees, and prefer not to locate in a neighborhood where blighted warehouse or manufacturing buildings are visible.

**Office** – Generally 4/1,000 or greater parking ratio, fully improved HVAC office areas, 1 or more stories with elevator, extensive glass line and landscaping appeal, with subject building space in proximity to other commercial/retail services. Typical office users are highly image conscious, seeking multiple business amenities and no neighborhood blight at all.

***Construction Type:*** R&D, Manufacturing, and Warehouse buildings in Silicon Valley are commonly of concrete masonry panel tilt-up construction with reinforced roofing systems. Office buildings may be of masonry, wood frame, a combination of both, or steel framed multistory structures. In general terms, most product types constructed and maintained within the last 25 years can be functionally competitive instead of obsolete. Nearly every Office, R&D, and Warehouse user, and most Manufacturing users are distinctly opposed to metal building construction for multiple reasons including: very low image, unacceptably low security-both perceived and actual, absence of dock high loading, deficient clear height, inability to support modern roof mounted HVAC mechanical systems, unsuitability to meet Title 24 government regulations for heating and cooling system insulation, etc. Metal buildings are typically 35 years old or older.

***Utilization and Underutilization:*** The following product types normally have the following FAR or building-to-site coverage ratios resulting from regulatory requirements for parking, landscaping, and building setbacks – Retail 25-28%, Office 30-33%, R&D 32-35%, Manufacturing 35-45%, and Warehouse 45-50%. Substantially deficient or excessive FAR ratios are usually found in buildings constructed 30 or more years ago, and typically suffering obsolescence to varying degrees. Physically underutilized sites identified in the TC Study Area produced both physical and economic blight: physical blight due to obsolescent structures and undesirable outside material storage; and economic blight due to the substandard FAR and RBA resulting in reduced overall rental income stream and rental rates for the subject property, and reduced economic revenues for other property owners (and for the City) in the blighted neighborhood.

The aforementioned Industry Standards are derived from:

- Actual building features and specifications of properties in the TC Study Area;
- Acceptable industry standards and practices developed over the author's 27+ years of Industrial sales and leasing expertise in Silicon Valley;
- The author's lease/sale of 11.3 million square feet of commercial space in several hundred Silicon Valley transactions including 5+ million square feet in Milpitas.

# II. EXECUTIVE SUMMARY

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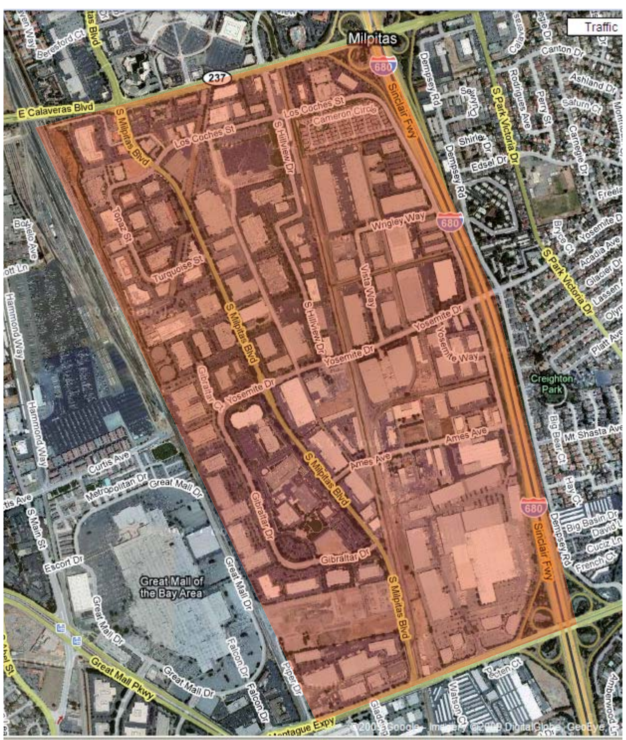
# Executive Summary

SV Advisors of Sperry Van Ness Commercial Real Estate was engaged by the City of Milpitas to facilitate the City's investigation and that of a related consultant known as Keyser Marston Associates in evaluating the feasibility of an approximately 700 acre study area for potential redevelopment designation.

The identified study area is known as the Town Center Study Area as illustrated in the attached maps. The subject area is bounded on the north and south by Route 237 /Calaveras Boulevard and Montague Expressway respectively, and the east/west by highway 680 and the Silicon Valley Rapid Transit corridor (former UPRR ) rail line.




SV Advisors examined ~174 commercial properties to assess the relative conditions of both physical and/or economic obsolescence (or blight) respecting each of the commercial properties within this TC Study Area. Those commercial properties having moderate to severe economic and/or physical blight are defined in our study.

Physical blight was measured by diminished functionality and competitiveness (from moderate/substantial to severe) including building condition, construction type, and age deterioration, adequacy of on-site parking, electrical power, utilities, truck loading facilities, minimum ceiling clearances, column spacing suitability, and utilization of the building/site coverage ratio or Floor Area Ratio (FAR), Landlocked parcels and those with insufficient ingress/ egress were also considerations.

Economic blight consisted of inferior lease rental rates, historically high business vacancies and associated diminished cash flows, and impaired property values due to both known and apparent environmental contamination, remediation costs, stigma, undesirable visible outside storage of materials, and visible underutilization.

Our analysis identified the following conclusions regarding the TC Study Area:

- There are 27 properties having moderate to significant economic and/or physical blight conditions.

- The 27 blighted properties are predominantly underutilized both economically & physically; their uses are Industrial (combined warehouse and manufacturing).

- The vast majority of blighted properties identified are located in the southern and eastern portions of the TC Study Area.

- The most conspicuously blighted properties produce intensified adverse economic impacts upon the entire Study Area. The more visible the blight is – the more amplified the detrimental effects are to the neighborhood/sub-marketplace.

- Detrimental effects of blight include weaker submarket competitiveness, abnormal, multi-year property vacancies; reduced demand and rental rates for other properties neighboring those blighted properties; continued low technology and lower industrial uses; inhibited job creation and revenue growth.

- When measured against the neighboring "peer" submarket in North San Jose, the amount of Industrial buildings that have been vacant and available for 2 years or more in the TC Study Area is 26% of total Industrial vacancy versus 1% of total Industrial vacancy in competing North San Jose. (see Time On Market graph contained in this report)

- Out of a total rentable commercial space area for Industrial, R&D, Office, & Retail buildings of 9,901,272 RSF within the TC Study Area, the combined Office and Retail building inventory comprises only ~450,000 square feet.

- The long standing impact of industrial property blight has inhibited the sector growth of high-technology property uses such as new R&D and Office building redevelopment throughout the TC Study Area, while inhibiting jobs and revenue.

- Both presently and historically, the 2,196,643 RSF of R&D building inventory within the TC Study Area remains far less than the total Industrial building inventory area of 7,275,618 RSF.

- In stark contrast, the macro-marketplace of entire Silicon Valley has total R&D building base inventory of ~158,117,000 RSF versus only ~94,814,000 RSF of total Industrial building inventory.

- In perspective, the overall Silicon Valley macro-marketplace of commercial properties has a ratio of 60% Industrial inventory to R&D inventory, while the TC Study Area has a ratio of 331% Industrial inventory to R&D inventory.

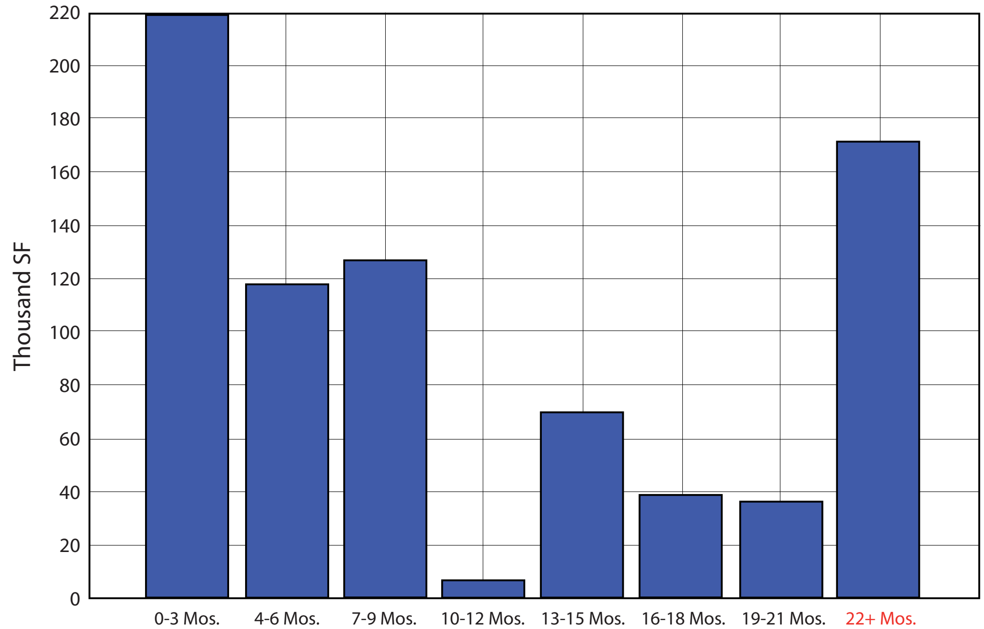
- Most of the R&D building ownership within the TC Study Area is atypically concentrated in a handful of building users rather than investors – thereby further reducing occupant turnover, absorption activity, and vacancy rates of this sector.

- The less improved a blighted property is - or, the greater the property underutilization - the easier it is generally to correct the blight due to reduced economic encumbrances.

- Several blighted properties adjoin together and thus produce greater potential economic opportunities for enhanced redevelopment.

# Industrial Market Time On Market Statistics

## Town Center Study Area




***Average Time on Market: 12.2 Months***

**Existing Buildings:**
106

**Existing RBA:**
7,275,618 SF

Vacant RBA:
670,926 SF - 9%

**Occupied RBA:**
6,604,692 SF - 91%

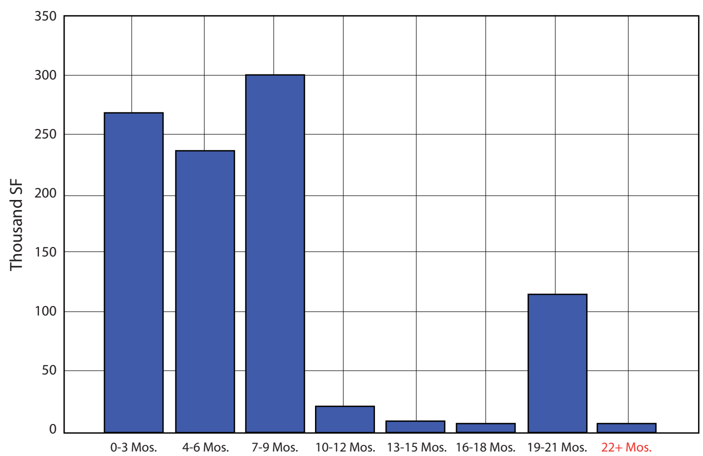
**Leasing YTD:**
74,547 SF

**Net Absorption YTD:**
(262,519 SF)

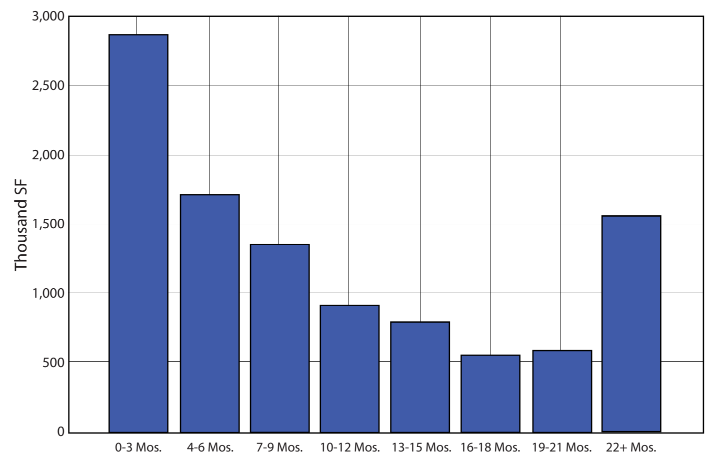
**NNN Rental Range:**
$0.29-$1.23/SF

**Average NNN Rent:**
$0.54/SF

## North San Jose




## Santa Clara County




**North San Jose**

| | |
|---|---|
| *Average Time on Market:* | *7.6 Months* |
| **Existing Buildings:** | 256 |
| **Existing RBA:** | **10,687,573** SF |
| Vacant RBA: | 659,905 SF - 6% |
| **Occupied RBA:** | 10,027,668 SF - 94% |
| **Leasing YTD:** | 174,341 SF |
| **Net Absorption YTD:** | (234,898 SF) |
| **NNN Rental Range:** | $0.45-$1.45/SF |
| **Average NNN Rent:** | $0.54/SF |

**Santa Clara County**

| | |
|---|---|
| *Average Time on Market:* | *13.3 Months* |
| **Existing Buildings:** | 4,385 |
| **Existing RBA:** | **113,134,925** SF |
| **Vacant RBA:** | **7,672,115 SF -7%** |
| **Occupied RBA:** | 105,462,810 SF - 93% |
| **Leasing YTD:** | 1,160,915 SF |
| **Net Absorption YTD:** | (2,788,804 SF) |
| **NNN Rental Range:** | $0.08-$2.30/SF |
| **Average NNN Rent:** | $0.66/SF |

# III. MAP

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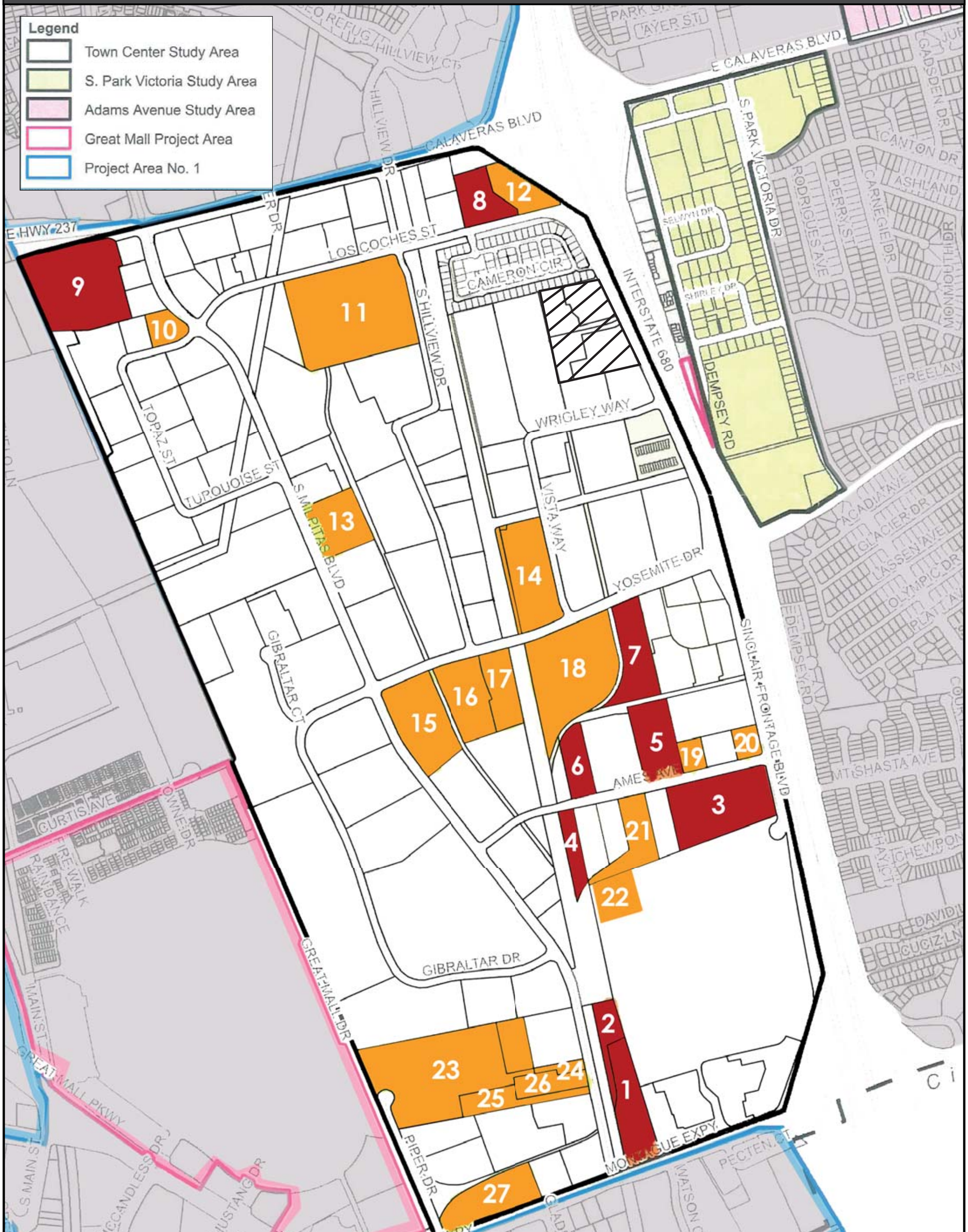
# TOWN CENTER STUDY AREA MAP



# IV. OBSOLESCENCE SUMMARY REPORT

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# Obsolescence Summary Report

## 1

**INDUSTRIAL: WAREHOUSE**
**985 Montague Expy.**
APN #086-32-020
Zoning: M2

**% Leased: 0%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Prominently Exposed Blight, Underutilized Site, History of Contamination, Persistent Vacancy, Inadequate Ingress/Egress**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1967 | **Stories:** | 1 |
| **RBA:** | 9,760 | **Ceiling Height:** | 18'0" |
| **Land Acres:** | 4.60 | **Sprinklers:** | None |
| **Floor Area Ratio:** | 4.87% | **Loading Docks:** | 4 |
| **Construction Material:** | Metal | **Parking Ratio:** | 0.82/1,000 |

**Comments:** This site is deemed to be the #1 most severely blighted and obsolete site within the Study Area for numerous reasons: the highly visible "gateway" location prominence adversely impacts the neighborhood and the entire submarket; the site is severely underutilized, the property was a federally designated contamination site which adversely impacted downgradient property developments, and hazardous material remediation continues today; the antiquated metal building has been vacant for over 10 years, and displays functional obsolescence at the intersection of the two primary thoroughfares serving the 700-acre Study Area; the site suffers from very limited ingress & egress, with no accessibility at all from S. Milpitas Blvd.; there are numerous visible weeds; and the R&D bldg. which directly faces this site across the street at 1425 S. Milpitas Blvd. has endured persistent vacancy over 7 years.

## 2

**LAND**
**S. Milpitas Blvd.**
APN #086-32-021
Zoning: M2

**Property Details:**

**Land Acres:** 1.06

**Comments:** This landlocked, unimproved land parcel contributes to the adjacent severely obsolete 4.6 acre site address of 985 Montague Expy. This highly visible site is filled with weeds & burdened by SCVWD and UPRR easements.

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Landlocked, Highly Visible Weeds, Burdened by Easements, Adjacent to Obsolete Site**

## 3a

**OFFICE**
**1250 Ames Ave.**
APN #086-31-054
Zoning: M2

**% Leased: 41%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Antiquated Architecture & Functionality, Incompatible Use, Inadequate Parking**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1965 | **Stories:** | 2 |
| **RBA:** | 12,000 | **Parking Ratio:** | 0.83/1,000 |
| **Land Acres:** | 7.98 (portion) | | |

**Comments:** Antiquated, physically inferior, and uncompetitive 2-story office building that persistently suffers high vacancies year after year. Furthermore, a full office use in this neighborhood is an incompatible use.

## 3b
**INDUSTRIAL: MANUFACTURING**
**1180-1260 Ames Ave.**
APN #086-31-054
Zoning: M2

**% Leased: 55%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Antiquated Functionality of Inadequate Dock Doors and Minimum Clear Height, Excess Columns, Persistent Vacancy**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1965 | **Ceiling Height:** | 16’0”-22’0” |
| **RBA:** | 176,066 | **Column Spacing:** | 50’w x 200’d |
| **Land Acres:** | 7.98 | **Grade Level Truck Doors:** | 19/10’0”w x 14’0”h |
| **Floor Area Ratio:** | 50.65% | **Loading Docks:** | 7 |
| **Construction:** | Metal | **Parking Ratio:** | 2.00 |
| **Stories:** | 1 | | |
| **Power:** | 600-800a/480v 3p 3w | | |

**Comments:** An antiquated industrial building within the same business park as the aforementioned 2-story office building, this building suffers from severe functional obsolescence including substandard minimum clear heights, deficient amount and quality of dock high loading facilities, excess columns, old and deficient electrical power systems, a history of building dept. “red taggings”, etc. This uncompetitive project persistently has the lowest rental rates & the longest vacancy periods.

## 4
**INDUSTRIAL: MANUFACTURING**
**930 Ames Ave.**
APN #086-30-029
Zoning: M2

**% Leased: 100%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Underutilization**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1975 | **Stories:** | 1 |
| **RBA:** | 5,000 | **Grade Level Truck Doors:** | 3 |
| **Land Acres:** | 1.50 | **Parking Ratio:** | 0.09/1,000 |
| **Floor Area Ratio:** | 7.65% | | |
| **Construction:** | Metal | | |

**Comments:** Severely underutilized site with old, metal building and ample outdoor storage contribute to economic obsolescence, inadequate striped parking.

## 5
**INDUSTRIAL: MANUFACTURING**
**945 Ames Ave.**
APN #086-31-014
Zoning: M2

**% Leased: 0%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Underutilization, Environmental Contamination, Inferior Parking**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1970 | | |
| **RBA:** | 21,056 | **Stories:** | 1 |
| **Improved Space:** | 2,000 | **Power:** | 400a/277-480v |
| **Land Acres:** | 2.80 | **Ceiling Height:** | 20’0” |
| **Floor Area Ratio:** | 17.26% | **Loading Docks:** | 2 + Platform |
| **Construction:** | Masonry | **Parking Ratio:** | 0.49/1,000 |

**Comments:** Former Great Western Chemical use caused federally designated environmental contamination. Site is severely underutilized with mostly paved yard area and a street-frontage portion of parcel remains undeveloped. Old building with inferior number of striped vehicle parking areas. Note: with removal of the abandoned private rail spur at rear of subject, this property can be further functionally enhanced with connectivity to adjoining obsolete property at 1000 Yosemite Avenue.

## 6

**INDUSTRIAL: MANUFACTURING**
**893-897 Ames Ave.**
APN #086-31-007
Zoning: M2

**% Leased: 100%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors:**
**Underutilization, No Dock-High Loading, Below Average Ceiling Clearance**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1961 | **Sprinklers:** | Yes |
| **RBA:** | 21,550 | **Power:** | 1400a/277-480v |
| **Land Acres:** | 2.27 | **Ceiling Height:** | 14’0” |
| **Floor Area Ratio:** | 21.79% | **Grade Level** | |
| **Construction:** | Metal | **Truck Doors:** | 4/12’0”w x 12’0”h |
| **Stories:** | 1 | **Parking Ratio:** | 3.00/1,000 |

**Comments:** Old metal buildings with no dock high loading facilities, below average minimum ceiling clearance, and site underutilization contribute to significant overall obsolescence.

## 7

**INDUSTRIAL: MANUFACTURING**
**1000 Yosemite Dr.**
APN #086-31-070
Zoning: M2

**% Leased: 100%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors:**
**Underutilization, Antiquated Design**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1979 | **Stories:** | 1 |
| **RBA:** | 24,000 | **Grade Level** | |
| **Land Acres:** | 3.80 | **Truck Doors:** | 2 |
| **Floor Area Ratio:** | 14.50% | **Parking Ratio:** | 1.03/1,000 |
| **Construction:** | Metal | | |

**Comments:** Severe site underutilization, exterior storage, and an antiquated building render significant economic obsolescence and physical blight.

## 8

**INDUSTRIAL: SHOWROOM**
**905 Los Coches St.**
APN # 086-29-050
Zoning: HS

**% Leased: 0%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors:**
**Underutilization, Vacant Antiquated Building Design**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1977 | **Ceiling Height:** | 18’0” |
| **RBA:** | 18,800 | **Grade Level** | |
| **Land Acres:** | 2.96 | **Truck Doors:** | 1/10’0”w x 14’0”h |
| **Floor Area Ratio:** | 14.58% | | |
| **Stories:** | 1 | | |

**Comments:** Severe site underutilization and a vacant building (former Minton’s Lumber & Window Depot) that is ill-suited for modern uses; significant functional and economic obsolesence. Weeds and other visible signs of deferred maintenance and neglect are also evident.

# Obsolescence Summary Report

## 9

**FLEX: R & D**

**31 S. Milpitas Blvd.**

APN # 086-28-041

Zoning: HS

**% Leased: 0%**

**OBSOLESCENCE RATING: SIGNIFICANT**

**Key Obsolescence Factors: Long-Term Abandonment, Single-Occupant Design, Landlocked, Deficient Parking**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1983 | **Sprinklers:** | None |
| **RBA:** | 97,944 | **Ceiling Height:** | 9'0" |
| **Land Acres:** | 7.43 | **Grade Level** | |
| **Floor Area Ratio:** | 30.26% | **Truck Doors:** | 3/8'0"w x 12'0"h |
| **Stories:** | 1 | **Parking Ratio:** | 1.97/1,000 |
| **Construction:** | Masonry | | |

**Comments:** This single story R&D building has been vacant for over 6 years, primarily due to the leasing impediments of single-tenant occupancy design. It is also landlocked and relies on easements over adjoining properties for ingress and egress. The parking ratio is deficient at 2/1,000. Long term abandonment has led to graffiti, and a shattered window near RT 237 has been broken for several years.

## 10

**LAND**

**S. Milpitas Blvd. @ Los Coches St.**

APN #086-39-001

Zoning: M2

**Property Details:**

**Land Acres:** 1.49

**Comments:** Due to proximity to Milpitas Town Center, & to its highly visible thoroughfare location, this blighted, vacant land parcel detrimentally impacts neighborhood image and leasability, especially with regard to R&D and Office users of the neighborhood and the entire Study Area.

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Highly Visible Display of Vacant Land Blight**

## 11

**INDUSTRIAL**

**201 S. Hillview Dr.**

APN #086-28-049

Zoning: M2

**% Leased: 100%**


**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Site Underutilization, Architecturally Dated, Wall Massing, No Windows Along Frontage**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1979 | **Construction** | |
| **RBA:** | 217,500 | **Material:** | Masonry |
| **Land Acres:** | 14.63 | **Stories:** | 1 |
| **Floor Area Ratio:** | 34.13% | **Parking Ratio:** | 0.68/1,000 |

**Comments:** This older industrial building has moderate obsolescence and underutilization with inadequate striped parking, excess lawn areas, blighted outside storage & silos, and no glass or windows along the entire frontage of Los Coches.

# Obsolescence Summary Report

## 12

**RETAIL: FREESTANDING**

**980 Los Coches St.**

APN #086-29-049
Zoning: M2S

**% Leased:** 100%

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Dated Architecture, Limited Use Building Design**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1976 | **Floor Area Ratio:** | 25.29% |
| **RBA:** | 25,664 | **Stories:** | 1 |
| **Land Acres:** | 2.33 | **Parking Ratio:** | 3.62/1,000 |

**Comments:** This old commercial building displays moderate physical obsolescence and a special design with limited utility & flexibility. The locational prominece at the interchange of 2 freeways contributes to substantial economic obsolescence of current use. Moreover, adjacency to 905 Los Coches (identified herein) provides significant added future economic potential.

## 13

**INDUSTRIAL: MANUFACTURING**

**666 S. Milpitas Blvd.**

APN #086-38-002
Zoning: M2

**% Leased:** 100%

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: No Dock-High Doors, Inferior Site Parking, Overgrown Landscaping**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1979 | **Construction:** | Metal |
| **RBA:** | 30,828 | **Stories:** | 1 |
| **Land Acres:** | 3.70 | **Parking Ratio:** | 0.56/1,000 |
| **Floor Area Ratio:** | 19.13% | | |

**Comments:** Inadequate striped parking spaces and metal construction with an absence of dock high truck loading facilities produce moderate physical obsolescence. Severely overgrown trees and an absence of any windows along S. Milpitas Blvd. also contribute to blighting features.

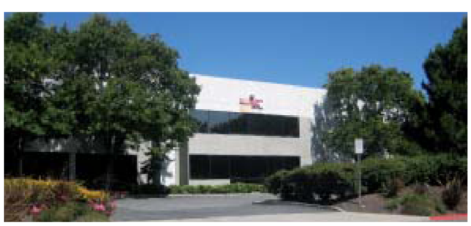
## 14a

**INDUSTRIAL: DISTRIBUTION**

**650-660 Vista Way**

APN #086-29-048
Zoning: M2

**% Leased:** 100%



**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Excessive Office Improvements, Inadequate Parking**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1988 | **Power:** | 600a/277-480v |
| **RBA:** | 41,191 | **Ceiling Height:** | 24'0" |
| **Land Acres:** | 1.00 | **Grade Level** | |
| **Floor Area Ratio:** | 94.56% | **Truck Doors:** | 2 |
| **Construction:** | Masonry | **Loading Docks:** | 8 |
| **Stories:** | 1 | **Parking Ratio:** | **0.71/1,000** |

**Comments:** Although most of the building features are very functional, this building has significantly overimproved office areas combined with insufficient parking facilities which inhibits competitiveness whenever this building comes available in the marketplace.

## 14b

**INDUSTRIAL: DISTRIBUTION**
**1001 Yosemite Dr.**
APN #086-29-048
Zoning: M2

**% Leased: 100%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Inferior Amount of Dock-High Doors, Inadequate Parking**

**Property Details:**

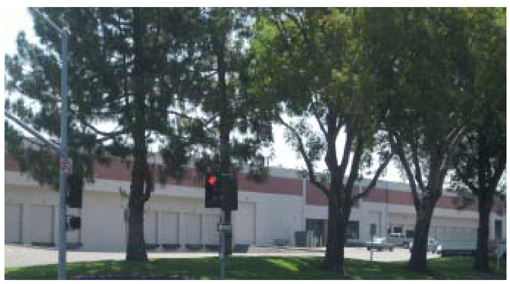
| | | | |
|---|---|---|---|
| **Year Built:** | 1988 | **Power:** | 2000a/277-480v 3p 4w |
| **RBA:** | 59,849 | **Ceiling Height:** | 24'0" |
| **Land Acres:** | 4.97 | **Grade Level** | |
| **Floor Area Ratio:** | 27.64% | **Truck Doors:** | 2/12'0"w x 14'0"h |
| **Construction:** | Masonry | **Loading Docks:** | 4 |
| **Stories:** | 1 | **Parking Ratio:** | 0.70/1,000 |

**Comments:** Due to deficiencies in the number of dock high loading doors, striped parking facilities, and lack of subdivision flexibility, this building has moderate obsolescence.

## 15

**INDUSTRIAL: WAREHOUSE**
**746-876 S. Milpitas Blvd.**
APN #086-30-024
Zoning: M2

**% Leased: 50%**



**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Partial Building Parking Inadequacy, Deficient Seismic Retrofitting**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1980 | **Ceiling Height:** | 26'0"-28'0" |
| **RBA:** | 145,158 | **Grade Level** | |
| **Land Acres:** | 6.25 | **Truck Doors:** | 6/12'0"w x 14'6"h |
| **Floor Area Ratio:** | 53.32% | **Loading Docks:** | 18 |
| **Stories:** | 1 | **Parking Ratio:** | 0.70/1,000 |
| **Power:** | 800a/277-480v 3p 4w | | |

**Comments*:*** Approximately 75% of this building suffers from inadequate vehicle parking and seismic retrofitting deficiencies.

## 16

**INDUSTRIAL: WAREHOUSE**
**876 Yosemite Dr.**
APN #086-30-047
Zoning: M2

**% Leased: 100%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Underutilized, Inadequate Dock Door Loading**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1979 | **Construction:** | Masonry |
| **RBA:** | 50,700 | **Stories:** | 1 |
| **Land Acres:** | 4.55 | **Ceiling Height:** | 25'0" |
| **Floor Area Ratio:** | 25.58% | **Parking Ratio:** | 1.58/1,000 |

**Comments*:*** Site is substantially economically and physically underutilized. Also, the building has inadequate # of dock high truck doors.

## 17

**LAND**
**Yosemite Dr.**
APN #086-30-048
Zoning: M2

**Property Details:**

**Land Acres:** 2.95

**Comments:** Vacant land parcel (with small portion of gravel rocked parking area) is severely underutilized and underdeveloped.

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Underutilized, Vacant Land**

## 18

**INDUSTRIAL: MANUFACTURING/ WAREHOUSE**
**890-950 Yosemite Dr.**
APN #086-31-069
Zoning: M2S

**% Leased: 54%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Below Average Parking Ratio for Manufacturing Improvements**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1983 | **Ceiling Height:** | 22'0"-24'0" |
| **RBA:** | 243,746 | **Column Spacing:** | 48'w x 48'd |
| **Land Acres:** | 10.52 | **Grade Level** | |
| **Floor Area Ratio:** | 53.19% | **Truck Doors:** | 2/10'0"w x 13'0"h |
| **Stories:** | 1 | **Loading Docks:** | 19, 16 |
| **Power:** | 4000a/277-480v<br>1200a/277-480v 3p 3w | **Parking Ratio:** | 1.70/1,000 |

**Comments:** Although these buildings have an abundance of electrical power, clear height, loading facilities, and HVAC improved interiors, they both lack adequate (manufacturing use) parking to be competitive. Therefore, they suffer moderate physical obsolescence.

## 19

**INDUSTRIAL: MANUFACTURING**
**963 Ames Ave.**
APN #086-31-033
Zoning: M2S

**% Leased: 100%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: No Dock-Door Loading, Contamination History, Inferior Site Parking**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1974 | **Floor Area Ratio:** | 29.84% |
| **RBA:** | 13,000 | **Stories:** | 1 |
| **Land Acres:** | 1.00 | **Parking Ratio:** | 0.74/1,000 |

**Comments:** This older building of masonry and metal construction has no dock high loading and a history of some environmental contamination.

## 20
**INDUSTRIAL: WAREHOUSE**
**1175-1199 Ames Ave.**
APN #086-31-039
Zoning: M2

**% Leased: 64%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Inferior Parking Ratio, Antiquated Construction**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1977 | **Stories:** | 1 |
| **RBA:** | 18,376 | **Power:** | 1000a |
| **Land Acres:** | 1.05 | **Grade Level** | |
| **Floor Area Ratio:** | 40.18% | **Truck Doors:** | 3/10'0"w x 14'0"h |
| **Construction Material:** | Metal | **Parking Ratio:** | 0.74/1,000 |

**Comments:** Older metal construction and inadequate site parking produce moderate physical obsolescence on this site.

## 21
**INDUSTRIAL**
**980 Ames Ave.**
APN #086-31-049
Zoning: M2

**% Leased: 100%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Underutilized Site, Potential Hazardous Material Storage**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1979 | **Floor Area Ratio:** | 7.36% |
| **RBA:** | 10,577 | **Stories:** | 1 |
| **Land Acres:** | 3.30 | | |

**Comments:** This site is severely underimproved and economically underutilized, plus extensive outside material storage has produced economic and physical blighting, along with potential contamination.

## 22
**INDUSTRIAL**
**1039-1045 Montague Expy.**
APN #086-31-049
Zoning: M2

**% Leased: 52%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Physical Age Deterioration**

**Property Details:**

| | | | |
|---|---|---|---|
| **RBA:** | 17,280 | **Construction Material:** | **Masonry** |
| Land Acres: | 56.18 Acres (bldg only occupies small portion of site) | **Stories:** | 1 |
| | | **Ceiling Height:** | 18'0"-20'0" |
| | | **Parking Ratio:** | 0.93/1,000 |

**Comments:** This property suffers from reduced functionality and limited specific uses. The building has inadequate window lines for office improvements.

## 23
**INDUSTRIAL: SHOWROOM**
**1200 Piper Dr.**
APN #086-32-037
Zoning: M2

**% Leased: 0%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Unutilized vacant Land**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1968 | **Floor Area Ratio:** | 0.00% |
| **RBA:** | 0 | **Construction:** | Metal |
| **Land Acres:** | 15.44 | | |

**Comments:** A metal industrial building previously operated on this site, that was demolished in 2004.

## 24
**LAND**
**S. Milpitas Blvd.**
APN #086-32-040
Zoning: M2

**Property Details:**
**Land Acres:** 0.54

**Comments:** Unutilized vacant land parcel within core areas of TASP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Unutilized vacant Land Parcel**

## 25
**LAND**
**Piper Dr.**
APN #086-32-038
Zoning: M2

**Property Details:**
**Land Acres:** 2.38

**Comments:** Unutilized vacant land parcel within core areas of TASP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Unutilized vacant Land Parcel**

## 26
**LAND**
**S. Milpitas Blvd.**
APN #086-32-039
Zoning: M2

**Property Details:**
**Land Acres:** 1.96

**Comments:** Unutilized vacant land parcel within core areas of TASP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Unutilized vacant Land Parcel**

## 27
**INDUSTRIAL: SERVICE**
**1039 Montague Expy.**
APN # 086-32-029
Zoning: M2, GP

**% Leased: 0%**

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors:**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1971 | **Stories:** | 1 |
| **RBA:** | 45,480 | **Power:** | 400-800a/120-240v |
| **Land Acres:** | 4.80 | **Ceiling Height:** | 17’0” |
| **Floor Area Ratio:** | 21.75% | **Grade Level Truck Doors:** | 16/12’0”w x 12’0”h |
| **Construction Material:** | Masonry | **Parking Ratio:** | 8.00 |

**Comments:**

# Appendix D

## Commercial and Industrial Real Estate Class Definitions

**Class A**

In general, a class A building is an extremely desirable investment-grade property with the highest quality construction and workmanship, materials and systems, significant architectural features, the highest quality/expensive finish and trim, abundant amenities, first rate maintenance and management; usually occupied by prestigious tenants with above average rental rates and in an excellent location with exceptional accessibility. They are most eagerly sought by international and national investors willing to pay a premium for quality and are often designed by architects whose names are immediately recognizable. A building meeting this criteria is often considered to be a landmark, either historical, architectural or both. It may have been built within the last 5-10 years, but if it is older, it has been renovated to maintain its status and provide it many amenities. Buildings of this stature can be one-of-a-kind with unique shape and floor plans, notable architectural design, excellent and possibly outstanding location and a definite market presence.

**Class B**

In general, a class B building offers more utilitarian space without special attractions. It will typically have ordinary architectural design and structural features, with average interior finish, systems, and floor plans, adequate systems and overall condition. It will typically not have the abundant amenities and location that a class A building will have. This is generally considered to be more of a speculative investment. The maintenance, management and tenants are average to good, although, Class B buildings are less appealing to tenants and may be deficient in a number of respects including floor plans, condition and facilities. They therefore attract a wide range of users with average rents. They lack prestige and must depend chiefly on lower price to attract tenants and investors. Typical investors are some national but mostly local.

**Class C**

In general, a class C building is a no-frills, older building that offers basic space. The property has below-average maintenance and management, a mixed or low tenant prestige, and inferior elevators and mechanical/electrical systems. As with Class B buildings, they lack prestige and must depend chiefly on lower price to attract tenants and investors.

**Class F**

A functionally or economically obsolete building is one that does not offer a viable alternative for space and does not "compete" with others of similar type for occupancy by businesses seeking a location for operations. These buildings will usually have externally visible physical or structural features as well as internal ones that render it undesirable to be leased and therefore not competitive with any other properties in the market. The property may even be tagged as "Condemned" by the local authorities.

Appendix E

Sperry Van Ness Obsolescence Report – Amendment Areas

# City of Milpitas Oak Creek Study Area Obsolescence Report


Sperry Van Ness®
Commercial Real Estate Advisors

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Date of Report

**October 12, 2009**

FOR MORE INFORMATION:


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Sperry Van Ness®
Commercial Real Estate Advisors

# I. GLOSSARY

Sperry Van Ness®
Commercial Real Estate Advisors

# Glossary

**GLOSSARY OF GENERAL TERMS AND INDUSTRY STANDARDS**

***Commercial building space classifications, also known as "product types":*** Warehouse, Manufacturing, R&D, Office, and Retail building types. For purposes of this report – as is often the case in our industry – Warehouse and Manufacturing building space has been combined into one category known as Industrial product.

***Building Base Inventory:*** The total square footage area of existing product space contained in a specified geographic area, whether available or unavailable for lease.

***Available Space:*** That portion of the Building Base Inventory that is currently available for lease, sublease, or sale to a user in a given marketplace, including both vacant and occupied available space.

***Vacant Space:*** That portion of Available Space that is vacant within a building or a marketplace.

***Product Absorption:*** The measurement of square footage area leased or removed from a marketplace within a given time period. Gross absorption comprises total transactional volume during a given time period and is always a positive number, while Net absorption comprises the net change in product occupancy within a given marketplace and time period. Net absorption may be either positive or negative.

***Rentable Building Area or RBA:*** The rentable square footage within a building or group of buildings in a particular marketplace.

***Floor Area Ratio or FAR:*** The ratio of total existing RBA to a given land parcel or to a larger business park site. The FAR is often stated as "building-to-site coverage" ratio, or simply as the "building coverage" ratio. These terms relate to physical site utilization.

***Competitive/Comparable Building or Marketplaces***: Available space or RBA within individual buildings and/or marketplaces will normally compete against other available buildings and marketplaces offering similar product types, sizes, and building space features within the same demand area in attempt to capture that absorption demand.

***Existing Building Space Functionality as Relates to Competitiveness:*** Apart from location desirability, the degree of functionality and modernity of particular building space features will generally impact the value, demand, absorption, and competitiveness of that building space. Generally, the more functionally deficient and uncompetitive, the more obsolescence that building space possesses.

***Normal Functionality Standards for Silicon Valley Building or Product Types:***
**Warehouse** – Building space offers at least 22′ minimum clear height (typically 24′-28′), multiple dock high truck doors (minimum 1 dock door /10,000 RBA), minimum ordinary hazard fire suppression system (fire sprinkler density calculations of at least .33gpm /3,000 sf of hydraulically most remote area of building), normally 1.5/1,000 sf parking ratio with minimum 1/1,000 ratio, a truck turnaround or staging area of at least 110′ from the edge of dock, suitable column spacing of at least 24′ x 60′, and 5-10% HVAC office area improvements.

# Glossary

**Manufacturing** – Generally contains 20' or less minimum clear height, 2-3/1,000 parking ratios, comparatively greater electrical amperage capacity (from several hundred amps to several thousand amps depending upon building or space size evaluated) @ 277/480 volts, requisite grade level truck door loading facilities, insulated production area with extensive dropped lighting and power plugs, 15-40% typical HVAC office areas.

**R&D** – Generally 3.33/1,000 or greater parking ratio, 20' or less minimum clear height, 30%-90% HVAC with 10'-14' dropped acoustical ceiling areas with various combinations of carpeted office areas and tile floor R&D/engineering/ light assembly/ testing with extensive window line to allow office expansion and/or employee appeal. Typical R&D users are image conscious to varying degrees, and prefer not to locate in a neighborhood where blighted warehouse or manufacturing buildings are visible.

**Office** – Generally 4/1,000 or greater parking ratio, fully improved HVAC office areas, 1 or more stories with elevator, extensive glass line and landscaping appeal, with subject building space in proximity to other commercial/retail services. Typical office users are highly image conscious, seeking multiple business amenities and no neighborhood blight at all.

***Construction Type:*** R&D, Manufacturing, and Warehouse buildings in Silicon Valley are commonly of concrete masonry panel tilt-up construction with reinforced roofing systems. Office buildings may be of masonry, wood frame, a combination of both, or steel framed multistory structures. In general terms, most product types constructed and maintained within the last 25 years can be functionally competitive instead of obsolete. Nearly every Office, R&D, and Warehouse user, and most Manufacturing users are distinctly opposed to metal building construction for multiple reasons including: very low image, unacceptably low security-both perceived and actual, absence of dock high loading, deficient clear height, inability to support modern roof mounted HVAC mechanical systems, unsuitability to meet Title 24 government regulations for heating and cooling system insulation, etc. Metal buildings are typically 35 years old or older.

The aforementioned Industry Standards are derived from:

- Actual building features and specifications of properties in the Oak Creek Study Area;
- Acceptable industry standards and practices developed over the author's 27+ years of Industrial sales and leasing expertise in Silicon Valley;
- The author's lease/sale of 11.3 million square feet of commercial space in several hundred Silicon Valley transactions including 5+ million square feet in Milpitas.

# II. EXECUTIVE SUMMARY

Sperry Van Ness®
Commercial Real Estate Advisors

# Executive Summary

Sperry Van Ness | SV Advisors Commercial Real Estate Advisors (SVN) were engaged by the City of Milpitas to facilitate the City's investigation and that of a related consultant known as Keyser Marston Associates in evaluating the physical and economic conditions impacting an approximately 500 acre area in the existing Milpitas Redevelopment Project Area No. 1.

The identified study area is known as the Oak Creek Study Area as illustrated in the attached maps. The subject area is chiefly bounded on the north and south by Tasman Boulevard and Montague Expressway respectively, and the east/west by Interstate 880 freeway and the Coyote Creek border of the City limits.


SVN examined approximately 78 commercial properties to assess the relative conditions of physical and/or economic obsolescence (or blight) respecting each of the commercial properties within this Oak Creek Study Area. SVN identified commercial properties impacted by obsolescence, long term vacancies, and low rental rates.

Obsolescence was measured by diminished functionality and competitiveness (from moderate/substantial to severe) including building condition, construction type, and age deterioration adequacy of on-site parking and window/glass lines, electrical power capacities, utilities, truck loading facilities, minimum ceiling clearances, column spacing suitability, building divisibility, and utilization of the building/site coverage ratio or Floor Area Ratio (FAR). Landlocked parcels and those with insufficient ingress/ egress were also considerations.

Economic blight consisted of historically high business vacancies and associated diminished cash flows, inferior lease rental rates, impaired property values due to any known environmental contamination and associated remediation costs, stigma, plus undesirable visible outside storage of materials and any visible underutilization.

Our analysis identified the following conclusions regarding the Oak Creek Study Area:

- There are 12 properties having moderate obsolescence and/or abnormally high historical vacancies.

- All of the affected properties designated contain buildings that either a) are designed for single occupant use and lack divisibility, or b) they have existing window-line deficiencies that preclude the competitive capability of expanded office area improvements and utilization.

- Eight of these twelve R&D properties described above have a combined ten year historical average vacancy rate of 57%.

- All eight of the above referenced properties that suffer from very high historical vacancy rates are designed for single occupant use, including four 1-story R&D buildings and four 2-story office/R&D buildings.

# Executive Summary

- Eight of the twelve obsolete properties are currently vacant and they have been continuously available for a combined average time period of over 33 months.

- When measured against the neighboring North San Jose submarket, the current vacancy rate of R&D properties within the Oak Creek submarket is 36% versus 16% R&D vacancy rate in the North San Jose submarket, and 15% R&D vacancy rate in the overall Santa Clara County. (see Vacancy Rates graph of Oak Creek vs. NSJ vs. SC County – R&D Only contained in this report)

- Using this same Vacancy Rates chart described above, one can see that a significant and growing disparity began in 2002 whereby – except during mid-2007 when Cisco Systems leased multiple Oak Creek R&D buildings - the Oak Creek area R&D vacancy rate **has been consistently double** that of the R&D vacancy rates in North San Jose and in overall Santa Clara County since 2004.

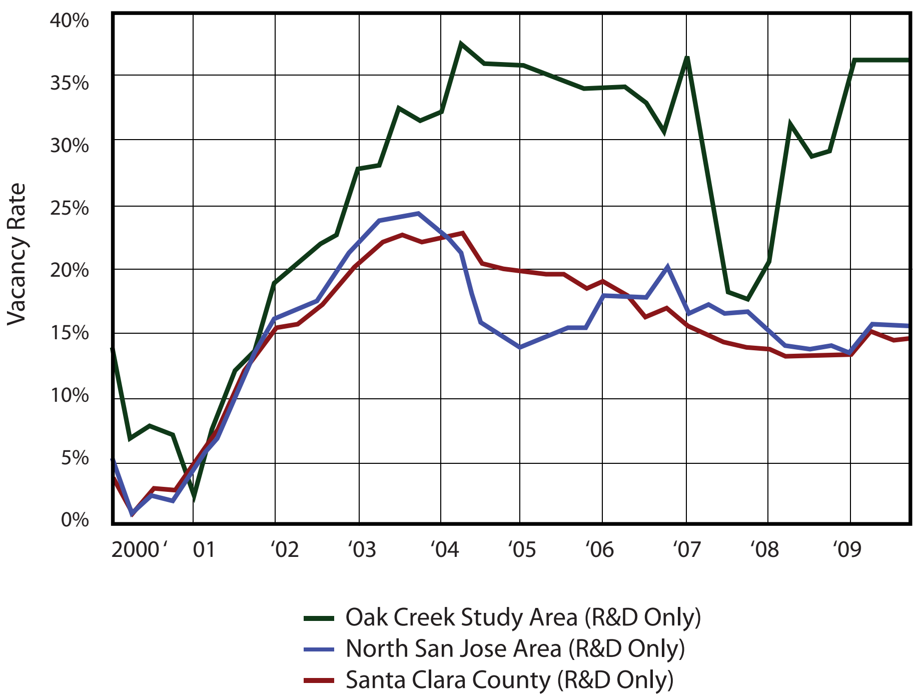
- Using the Time on Market - Current Available SF graphic contained in this report, it is evident that R&D spaces available for 2 years or longer constitute 9% of total R&D RBA in North San Jose and less than 8% of total R&D RBA in overall Santa Clara County, versus **18% of the total R&D RBA in the Oak Creek area**.

- Out of a total building base RBA for combined Industrial, R&D, Office, & Hotel buildings of 4,995,380 RBA within the Oak Creek Study Area, the total R&D RBA comprises 3,023,328 RBA, of which 1,091,360 R&D RBA is currently vacant.

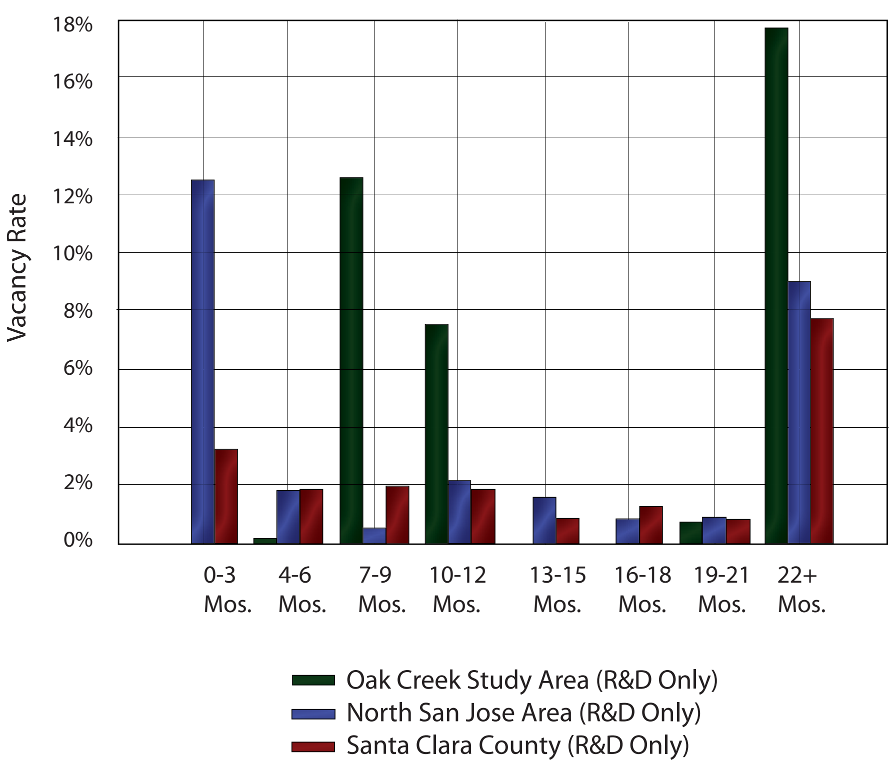
- Detrimental effects of property obsolescence include abnormally high vacancy rates; lengthy multi-year periods of time-on-the-market for currently available buildings; decreased rental rates, reduced competitiveness and demand for affected properties; and inhibited job creation and revenue growth for the City.

# R&D Vacancy & Time On Market Statistics

## Comparative Vacancy Rates: R&D Only




## Time on Market: R&D Only

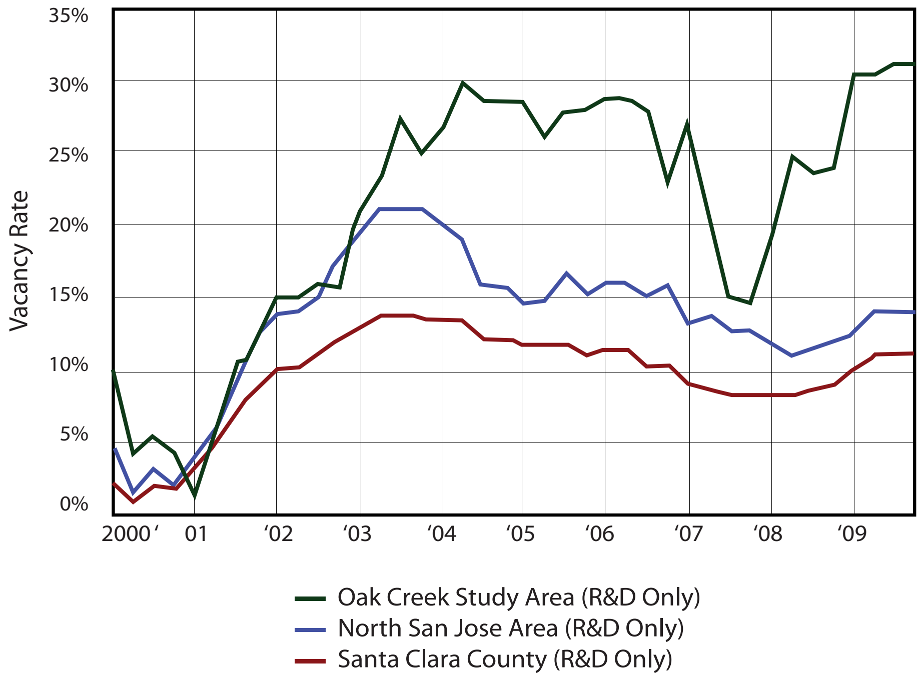



### OAK CREEK R&D ONLY

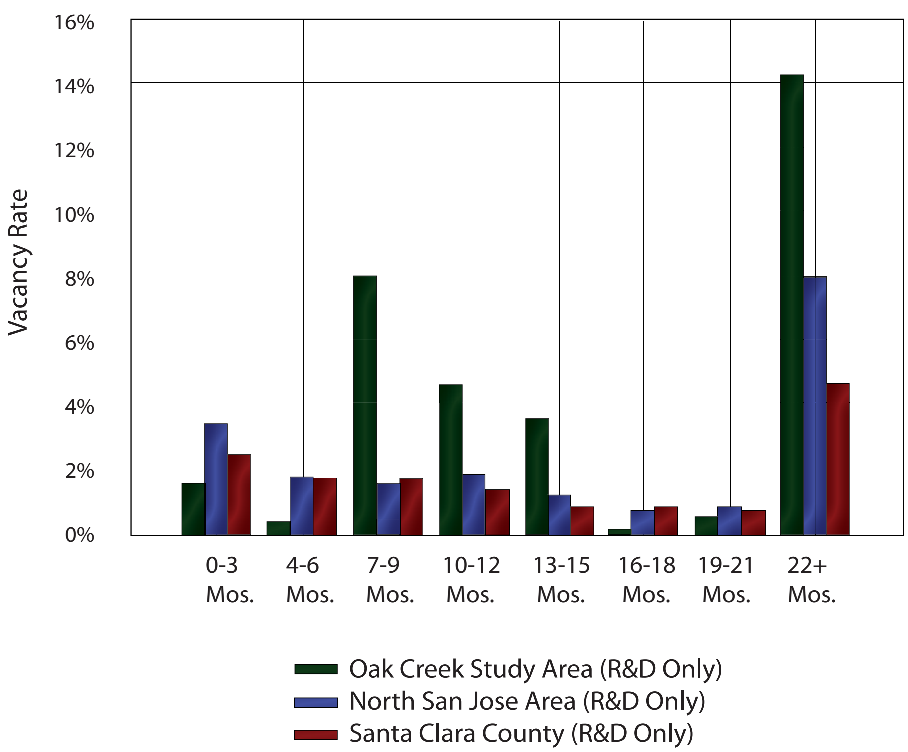
| | |
|---|---|
| **Existing Buildings:** | 45 |
| **Existing Available Space:** | **3,023,328** SF |
| **Vacant RBA:** | **1,091,360 SF -36%** |
| **Occupied RBA:** | 1,931,968 SF - 64% |
| **Leasing YTD:** | 5,531 SF |
| **Net Absorption YTD:** | (204,322 SF) |
| **R&D Rental Range:** | $0.60-$0.98/SF |
| **Average R&D Rent:** | $0.80/SF |

# All Property Types Vacancy & Time On Market Statistics

## Comparative Vacancy Rates: All Property Types




## Time on Market: All Property Types



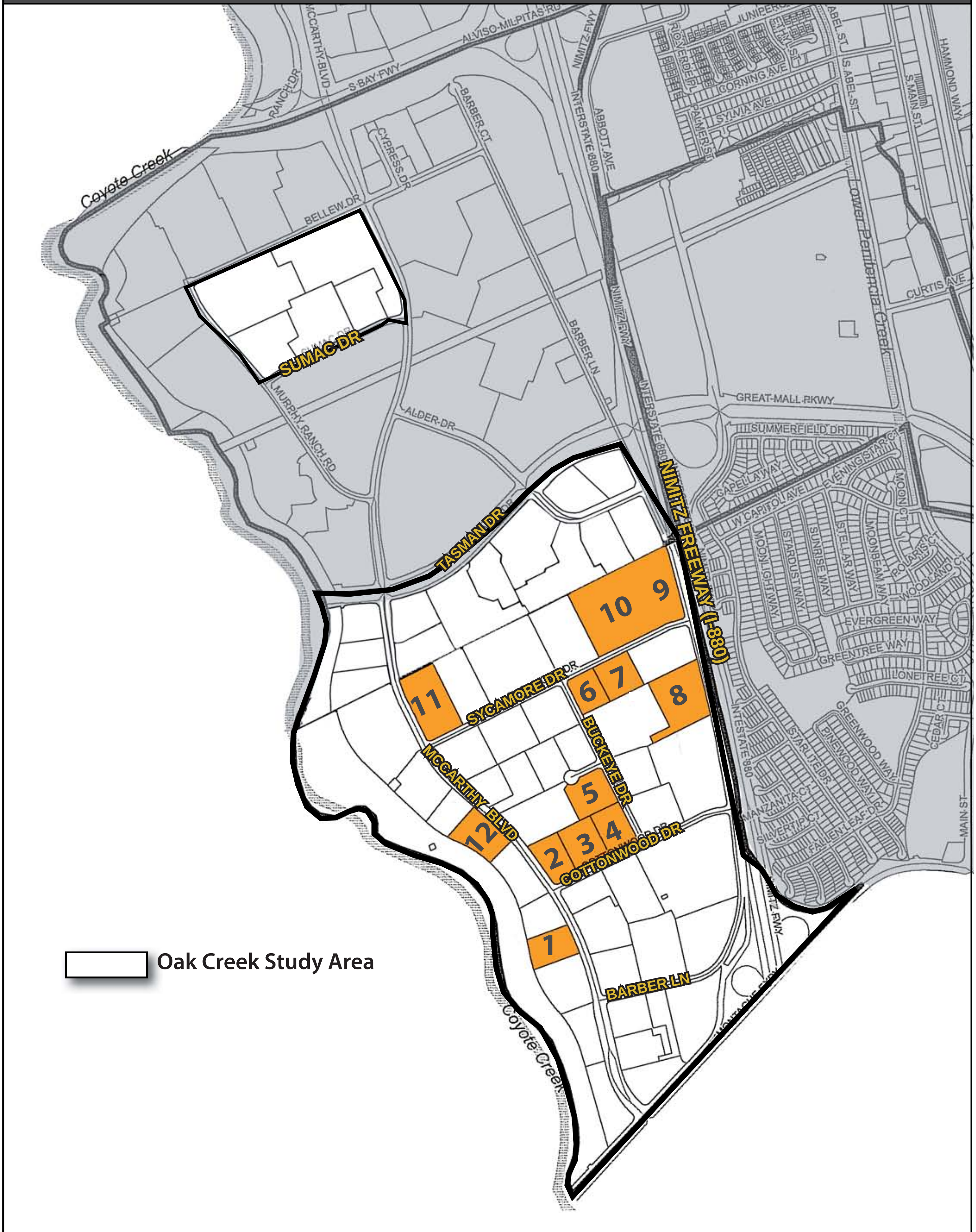

### OAK CREEK ALL PROPERTY TYPES

| | |
|---|---|
| **Existing Buildings:** | 78 |
| **Existing RBA:** | **4,995,380** SF |
| **Vacant RBA:** | **1,559,252 SF -31%** |
| **Occupied RBA:** | 3,436,128 SF - 69% |
| **Leasing YTD:** | 74,816 SF |
| **Net Absorption YTD:** | (357,476 SF) |
| **Flex Rental Range:** | $0.60-$0.98/SF |
| **Average Flex Rent:** | $0.80/SF |

# III. STUDY AREA MAP

Sperry Van Ness®
Commercial Real Estate Advisors

# OAK CREEK STUDY AREA MAP



# IV. OBSOLESCENCE SUMMARY REPORT

Sperry Van Ness®
Commercial Real Estate Advisors

# Obsolescence Summary Report

## 1

**R&D**
**1751 McCarthy Blvd.**
APN # 086-03-012
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1983 | **Stories:** | 1 |
| **RBA:** | 41,152 | **Power:** | 2400a/110-208v |
| **Land Acres:** | 2.71 | **Ceiling Height:** | 10'-18' |
| **Floor Area Ratio:** | 35% | **Grade Level Doors:** | **2** |
| **Construction:** | Masonry | **Parking Ratio:** | **3.80** |

**Comments:**
39% vacancy rate average over last 10 years; over 24 months continuously available. Dated, dark brown roof facade

## 2

**OFFICE/R&D**
**1708 McCarthy Blvd.**
APN # 086-03-063
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1981 | **Stories:** | 1 |
| **RBA:** | 47,848 | **Power:** | None |
| **Land Acres:** | 2.63 | **Ceiling Height:** | 12'-19' |
| **Floor Area Ratio:** | 42% | **Grade Level Doors:** | **1** |
| **Construction:** | Masonry | **Parking Ratio:** | **3.90** |

**Comments:**
83% vacancy rate average over last 10 years, over 25 months continuously available

## 3

**R&D**
**575 Cottonwood Dr.**
APN #086-03-062
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1985 | **Stories:** | 1 |
| **RBA:** | 50,272 | **Power:** | 2000a/277-480v |
| **Land Acres:** | 3.20 | **Ceiling Height:** | - |
| **Floor Area Ratio:** | 36% | **Grade Level Doors:** | 2 |
| **Construction:** | Masonry | **Parking Ratio:** | 3.75 |

**Comments:**
85% vacancy rate average over last 10 years, over 29 months continuously available

# OBSOLESCENCE SUMMARY REPORT

## 4

**OFFICE/R&D**
**1623 Buckeye Dr.**
APN #086-03-061
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1982 | **Stories:** | 2 |
| **RBA:** | 56,118 | **Power:** | 1200a/277/480v |
| **Land Acres:** | 2.80 | **Ceiling Height:** | 13'-15'6" |
| **Floor Area Ratio:** | 46% | **Grade Level Doors:** | - |
| **Construction:** | Masonry | **Parking Ratio:** | 3.50 |

**Comments:**
82% vacancy rate average over last 10 years, over 26 months continuously available

## 5

**R&D**
**1561 Buckeye Dr.**
APN # 086-03-060
Zoning: M1

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Deficient windowline**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1982 | **Stories:** | **1** |
| **RBA:** | 44,815 | **Power:** | 2000a/277-480v |
| **Land Acres:** | 3.07 | **Ceiling Height:** | 9'0" |
| **Floor Area Ratio:** | 34% | **Grade Level Doors:** | 3/8'0"w x 12'0"h |
| Construction: | Masonry | **Parking Ratio:** | 3.60 |

**Comments:**
70% vacancy rate average over last 10 years

## 6

**R&D**
**1500-1530 Buckeye Dr.**
APN #086-03-051
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Deficient windowline**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1982 | **Stories:** | 1 |
| **RBA:** | 30,488 | **Power:** | 800a/208v |
| **Land Acres:** | 2.18 | **Ceiling Height:** | 10'0" |
| **Floor Area Ratio:** | 32% | **Grade Level Doors:** | 2 |
| **Construction:** | Masonry | **Parking Ratio:** | 3.50 |

**Comments:**
25% vacancy rate average over last 10 years

# Obsolescence Summary Report

## 7

**R&D**
**550-576 Sycamore Dr**
APN #086-03-052
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Deficient windowline**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1978 | **Stories:** | 1 |
| **RBA:** | 43,255 | **Power:** | 800a/480v |
| **Land Acres:** | 2.71 | **Ceiling Height:** | 20' |
| **Floor Area Ratio:** | 37% | **Parking Ratio:** | 3.30/1,000 |
| **Construction:** | Masonry | | |

**Comments:**
26% vacancy rate average over last 10 years, over 19 months continuously available

## 8

**R&D**
**1565 Barber Ln.**
APN #086-03-094
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1981 | **Stories:** | 1.5 |
| **RBA:** | 102,426 | **Power:** | 3000a/277-480v |
| **Land Acres:** | 5.48 | **Ceiling Height:** | 10' - 14'6" |
| **Floor Area Ratio:** | 43% | **Grade Level Doors:** | 1 |
| **Construction:** | Masonry | **Parking Ratio:** | 3.42 |

**Comments:**
33% vacancy rate average over last 10 years, over 32 months continuously available

## 9

**OFFICE/R&D**
**501 Sycamore Dr**
APN # 086-03-074
Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1983 | **Stories:** | 2 |
| **RBA:** | 71,600 | **Power:** | - |
| **Land Acres:** | 14.03 | **Ceiling Height:** | - |
| **Floor Area Ratio:** | 35% | **Grade Level Doors:** | - |
| **Construction:** | Masonry | **Parking Ratio:** | 3.50 |

**Comments:**
63% vacancy rate average over last 10 years, over 73 months continuously available

# Obsolescence Summary Report

## 10

**R&D**

**525 Sycamore Dr.**

APN #086-03-074

Zoning: MP

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Deficient windowline**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1983 | **Stories:** | 1 |
| **RBA:** | 93,324 | **Power:** | 4000a/277-480v |
| **Land Acres:** | 14.03 | **Ceiling Height:** | 12'-14'6" |
| **Floor Area Ratio:** | 35% | **Grade Level Doors:** | 1 |
| **Construction:** | Masonry | **Parking Ratio:** | 3.00 |

**Comments:**

38% vacancy rate average over last 10 years

## 11

**R&D**

**1504 McCarthy Blvd.**

APN #086-03-057

Zoning: MPS

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Deficient windowline; large fenced equipment pad & extensive process piping in rear**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1985 | **Stories:** | 1 |
| **RBA:** | 34,954 | **Ceiling Height:** | 18' |
| **Land Acres:** | 5.32 | **Power:** | 2000a |
| **Floor Area Ratio:** | 31% | **Loading Docks:** | 2/12'w |
| **Construction:** | Masonry | **Parking Ratio:** | 3.84 |

**Comments:**

27% vacancy rate average over last 10 years, over 32 months continuously available

## 12

**R&D**

**1591 McCarthy Blvd**

APN #0086-03-043

Zoning: M1

**OBSOLESCENCE RATING: MODERATE**

**Key Obsolescence Factors: Single occupancy building design with limited divisibility, low profile & dated building facade**

**Property Details:**

| | | | |
|---|---|---|---|
| **Year Built:** | 1982 | **Stories:** | 1 |
| **RBA:** | 23,870 | **Power:** | 400a/480v |
| **Land Acres:** | 3.25 | **Ceiling Height:** | 16'0"-19' |
| **Floor Area Ratio:** | 34% | **Grade Level Doors:** | 2 |
| **Construction:** | Masonry | **Parking Ratio:** | 4.00 |

**Comments:**

34% vacancy rate average over last 10 years

Appendix F

City Council Resolution No. 7909 Approving Survey Area

## RESOLUTION NO. 7909

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS DESIGNATING A REDEVELOPMENT SURVEY AREA, DIRECTING THE PLANNING COMMISSION TO FORMULATE A PRELIMINARY PLAN AND CERTAIN OTHER DIRECTIVES

**WHEREAS**, by Resolution No. 230, adopted on June 3, 1958, the City Council of the City of Milpitas ("City Council") formed the Milpitas Redevelopment Agency ("Agency") to formulate a redevelopment project or projects within the City of Milpitas; and

**WHEREAS**, on September 21, 1976, by Ordinance No. 192, the City Council adopted the redevelopment plan ("Redevelopment Plan") for the Milpitas Redevelopment Project Area No. 1 ("Original Project Area"); and

**WHEREAS**, the Redevelopment Plan has been amended a total of twelve (12) times (as amended, the "Existing Plan") to, among other things, add area to the Original Project Area (as amended, the "Project Area"), merge the Project Area with the Great Mall Redevelopment Project, increase the tax increment and bonded indebtedness limits, and extend the dates to incur debt, repay debt and collect tax increment; and

**WHEREAS**, the Agency again desires to amend the Existing Plan ("Amendment" or "Amended Redevelopment Plan") to, among other things, add area ("Added Area") to the Project Area; and

**WHEREAS**, pursuant to CRL Section 33310, the City Council may designate areas for inclusion within a Survey Area for the purpose of assessing the feasibility of including those areas within a redevelopment project area; and

**WHEREAS**, the City Council desires to designate as a Survey Area, in connection with the proposed Amendment, the area shown on the map included herewith as Attachment 'A,' and incorporated herein by reference; and

**WHEREAS**, CRL Section 33322 authorizes the selection of one or more project areas by the Planning Commission of the City of Milpitas ("Planning Commission") and further directs that the Planning Commission shall formulate a Preliminary Plan for the redevelopment of each selected project areas.

**NOW, THEREFORE,** the City Council of the City of Milpitas does hereby resolve as follows:

**Section 1:** The City Council hereby directs staff and consultants to conduct all other necessary analysis and actions to prepare the proposed amendment to the Redevelopment Plan for Milpitas Redevelopment Project Area No. 1, as appropriate, in accordance with provisions promulgated within the CRL and the Redevelopment Plan amendment adoption schedule.

**Section 2:** The City Council hereby designates as a Survey Area the boundaries of the area shown on Attachment A and incorporated herein by reference. The City Council hereby finds and determines that the Survey Area requires study to determine if a redevelopment project or projects within said Survey Area are feasible.

**Section 3:** The City Council hereby directs the Planning Commission to select the boundaries of the Added Area from within the Survey Area designated in Section 2 hereof and to formulate a Preliminary Plan and related documents for redevelopment of the Added Area to be included within the proposed Amendment.

PASSED AND ADOPTED this 4$^{TH}$ day of August 2009, by the following vote:

AYES: (5) Mayor Livengood, Vice Mayor McHugh, and Councilmembers Giordano, Gomez and Polanski
NOES: (0) None
ABSENT: (0) None
ABSTAIN: (0) None

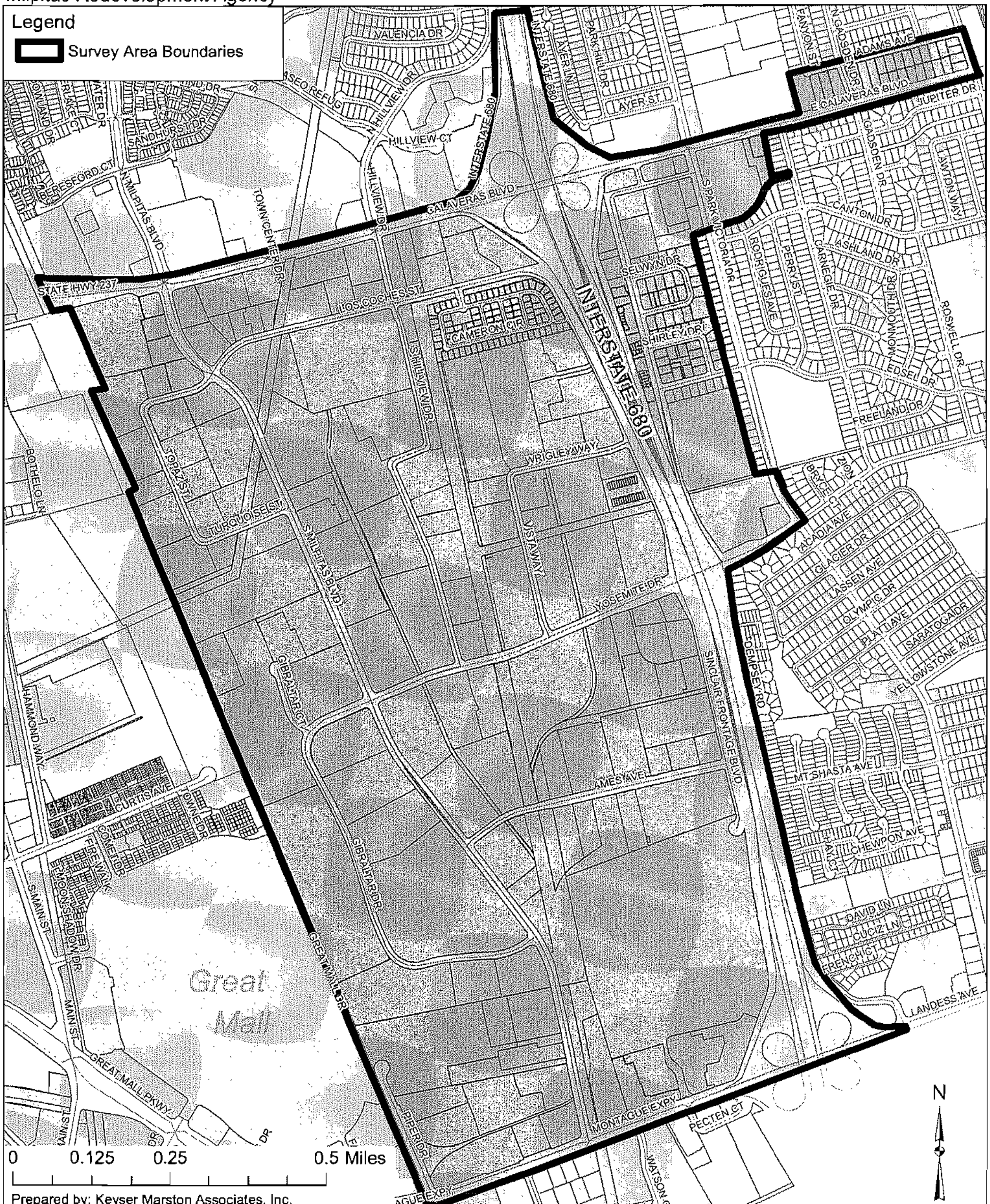
ATTEST:
Mary Lavelle
Mary Lavelle, City Clerk

APPROVED:
Ron Livengood
Robert Livengood, Mayor

APPROVED AS TO FORM:
Michael J. Ogaz, City Attorney

**ATTACHMENT A**
**SURVEY AREA MAP**

Survey Area Boundaries
Milpitas Redevelopment Agency



Appendix G

Planning Commission Resolution No. 09-043
Approving Preliminary Plan

**Attachment A**

# RESOLUTION NO. 09-043

## RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MILPITAS SELECTING THE BOUNDARIES OF THE AREA PROPOSED TO BE ADDED TO THE MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 BY THE PROPOSED THIRTEENTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 AND APPROVING A PRELIMINARY PLAN THEREFOR

**WHEREAS**, by Resolution No. 230, adopted on June 3, 1958, the City Council of the City of Milpitas ("City Council") formed the Milpitas Redevelopment Agency ("Agency") to formulate a redevelopment project or projects within the City of Milpitas; and

**WHEREAS**, on September 21, 1976, by Ordinance No. 192, the City Council adopted the redevelopment plan ("Redevelopment Plan" or "Plan") for the Milpitas Redevelopment Project Area No. 1 ("Original Project Area"); and

**WHEREAS**, the Redevelopment Plan has been amended a total of twelve (12) times (as amended, the "Existing Plan") to, among other things, add area to the Original Project Area (as amended, the "Project Area"), merge the Project Area with the Great Mall Redevelopment Project, increase the tax increment and bonded indebtedness limits, and extend the dates to incur debt, repay debt and collect tax increment; and

**WHEREAS**, the Agency again desires to amend the Existing Plan ("Thirteenth Amendment" or "Amendment") to, among other things, add area to the Project Area and extend by ten years the Plan effectiveness limit and time to collect tax increment/repay debt for the Original Project Area and Amendment Area Nos. 1 and 2 ("Amendment Areas"); and

**WHEREAS,** the Agency again desires to amend the Existing Plan ("Thirteenth Amendment" or "Amendment") to: 1) extend by 10 years the Redevelopment Plan effectiveness time limit and time period to repay debt/collect tax increment for the Original Project Area and Amendment Area Nos. 1 and 2 ("Amendment Areas"); 2) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); 3) add projects and facilities to the list of eligible projects and facilities the Agency may fund; and 4) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the California Community Redevelopment Law (CRL); and

**WHEREAS,** on August 4, 2009, the City Council, by Resolution No. 7909, designated a redevelopment survey area ("Survey Area") for redevelopment study purposes; and

**WHEREAS,** the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) provides for the planning commission of a city, in cooperation with the redevelopment agency, to select a redevelopment project area from within the boundaries of a survey area, and to formulate a preliminary plan for the redevelopment of the selected project area; and

**WHEREAS,** concurrently with designating the Survey Area, the City Council directed the Planning Commission of the City of Milpitas ("Planning Commission") to select the boundaries of the area proposed to be included within the Project Area ("Thirteenth Amendment

Added Area") from within the boundaries of the Survey Area and formulate a Preliminary Plan ("Preliminary Plan") for redevelopment of the proposed Thirteenth Amendment Added Area; and

**WHEREAS,** the Planning Commission has reviewed the proposed Preliminary Plan for the Thirteenth Amendment Added Area submitted as Exhibit A attached hereto and incorporated herein by reference.

**NOW THEREFORE**, the Planning Commission of the City of Milpitas hereby finds, determines and resolves as follows:

**Section 1:** The recitals set forth above are true and correct and incorporated herein by reference.

**Section 2.** The Planning Commission hereby selects and designates as the Thirteenth Amendment Added Area those properties shown on the Thirteenth Amendment Added Area Map included within the Preliminary Plan as Appendix A, as said properties are described in the Legal Description of the Thirteenth Amendment Added Area included within the Preliminary Plan as Appendix B. The Thirteen Amendment Added Area boundaries have been determined based upon consideration of a preliminary field analysis and consultations with Agency and City staff. In the event that it may be necessary, for clarification purposes, to make minor technical changes to the boundaries described in Appendix B of the Preliminary Plan, the Planning Commission finds and determines that such minor, technical changes for clarification purposes do not materially affect the boundaries selected and designated herein and such changes, as may be deemed necessary by the Agency Board or the Agency's Executive Director, shall not require Planning Commission approval.

**Section 3.** The Planning Commission hereby approves the Preliminary Plan for the Thirteenth Amendment Added Area in the form attached hereto and incorporated herein by reference.

**Section 4.** The Secretary of the Planning Commission is hereby authorized and directed to submit the Preliminary Plan and related appendices to the Milpitas Redevelopment Agency for its acceptance and for use in connection with the preparation of the official Thirteenth Amendment to the Redevelopment Plan for the Milpitas Redevelopment Project Area No. 1.

**PASSED AND ADOPTED** at a regular meeting of the Planning Commission of the City of Milpitas on September 9, 2009.

[signature] for CLIFF WILLIAMS
Chair

**TO WIT:**

**I HEREBY CERTIFY** that the following resolution was duly adopted at a regular meeting of the Planning Commission of the City of Milpitas on September 9, 2009, and carried by the following roll call vote:

| COMMISSIONER | AYES | NOES | ABSENT | ABSTAIN |
|---|---|---|---|---|
| Cliff Williams | | | X | |
| Aslam Ali | | | X | |
| Lawrence Ciardella | X | | | |
| Alexander Galang | | | X | |
| Sudhir Mandal | X | | | |
| Gurdev Sandhu | X | | | |
| Noella Tabladillo | X | | | |
| Mark Tiernan | X | | | |

Appendix H

Agency Resolution No. RA346
Adopting the Preliminary Plan

**RESOLUTION NO. RA346**

**A RESOLUTION OF THE MILPITAS REDEVELOPMENT AGENCY ACCEPTING THE PRELIMINARY PLAN FOR THE AREA PROPOSED TO BE ADDED TO THE MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 BY THE PROPOSED THIRTEENTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE MILPITAS REDEVELOPMENT PROJECT AREA NO. 1, AND AUTHORIZING THE PREPARATION OF THE PRELIMINARY REPORT**

**WHEREAS**, by Resolution No. 230, adopted on June 3, 1958, the City Council of the City of Milpitas ("City Council") formed the Milpitas Redevelopment Agency ("Agency") to formulate a redevelopment project or projects within the City of Milpitas; and

**WHEREAS**, on September 21, 1976, by Ordinance No. 192, the City Council adopted the redevelopment plan ("Redevelopment Plan" or "Plan") for the Milpitas Redevelopment Project Area No. 1 ("Original Project Area"); and

**WHEREAS**, the Redevelopment Plan has been amended a total of twelve (12) times (as amended, the "Existing Plan") to, among other things, add area to the Original Project Area (as amended, the "Project Area"), merge the Project Area with the Great Mall Redevelopment Project, increase the tax increment and bonded indebtedness limits, and extend the dates to incur debt, repay debt and collect tax increment; and

**WHEREAS**, the Agency again desires to amend the Existing Plan ("Thirteenth Amendment" or "Amendment") to: 1) extend by 10 years the Redevelopment Plan effectiveness time limit and time period to repay debt/collect tax increment for the Original Project Area and Amendment Area Nos. 1 and 2 ("Amendment Areas"); 2) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); 3) add projects and facilities to the list of eligible projects and facilities the Agency may fund; and 4) make certain technical corrections and to revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the California Community Redevelopment Law (CRL); and

**WHEREAS**, on September 9, 2009, the Planning Commission of the City of Milpitas ("Planning Commission"), by Resolution No. 09-043, selected and designated the boundaries of the area proposed to be included within the Project Area ("Thirteenth Amendment Added Area"), approved a Preliminary Plan including a map and legal description of the Thirteenth Amendment Added Area as an exhibit thereto, and has submitted said Preliminary Plan to the Agency; and

**WHEREAS**, pursuant to Sections 33327 and 33328 of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*; "CRL"), the Agency transmitted certain information to the County taxing officials, to the governing body of the entities that receive property taxes from the Thirteenth Amendment Added Area, and to the State Board of Equalization, including designating the 2009-10 last equalized assessment roll as the base year assessment roll to be used for the allocation of taxes from the proposed Thirteenth Amendment Added Area; and

**WHEREAS**, pursuant to Sections 33344.5, 33354.6(b) and 33451.5 of the CRL, the Agency is required to prepare a Preliminary Report to affected taxing entities that, among other things, assesses existing physical and economic blighting conditions within the Thirteenth Amendment Added Area and significant remaining blight within the Project Area.

**NOW, THEREFORE** the Board of the Redevelopment Agency of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The Redevelopment Agency Board has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other

materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. The Preliminary Plan for the proposed Thirteenth Amendment Added Area, as formulated and approved by the Planning Commission and attached hereto as Exhibit A, is hereby approved and accepted by the Agency.

3. Agency staff is hereby authorized to prepare the Preliminary Report and to additionally perform any further procedural or ministerial acts required by Section 33327 *et seq.* of the CRL, such as consultations with relevant taxing officials and agencies.

PASSED, APPROVED AND ADOPTED this 6TH day of October 2009, by the following vote:

AYES: (5) Chair Livengood, Vice Chair McHugh, and Agency Members Giordano, Gomez and Polanski

NOES: (0) None

ABSENT: (0) None

ABSTAIN: (0) Nonc

ATTEST:

Mary Lavelle

Mary Lavelle, Agency Secretary

APPROVED:

Ron Livengood

Robert Livengood, ~~Chair~~

APPROVED AS TO FORM:

Michael J. Ogaz, Agency Counsel

# EXHIBIT A

# PRELIMINARY PLAN

## FOR THE
## AREA PROPOSED TO BE ADDED TO THE
## MILPITAS REDEVELOPMENT PROJECT AREA NO. 1
## BY THE
## PROPOSED THIRTEENTH AMENDMENT TO THE
## REDEVELOPMENT PLAN FOR THE
## MILPITAS REDEVELOPMENT PROJECT AREA NO. 1
## (THE AREA PROPOSED TO BE ADDED IS REFERRED TO AS THE "THIRTEENTH AMENDMENT ADDED AREA")

**August 2009**

## TABLE OF CONTENTS



**LIST OF APPENDICES**

## I. BACKGROUND

The City Council of the City of Milpitas ("City Council") formed the Milpitas Redevelopment Agency ("Agency") to formulate a redevelopment project or projects within the City of Milpitas ("City"). On September 21, 1976, by Ordinance No. 192, the City Council adopted the redevelopment plan ("Redevelopment Plan") for the Milpitas Redevelopment Project Area No. 1 ("Original Project Area"). The Redevelopment Plan has been amended a total of twelve (12) times (as amended, the "Existing Plan") to, among other things, add area to the Original Project Area (as amended, the "Project Area"), merge the Project Area with the Great Mall Redevelopment Project, increase the tax increment and bonded indebtedness limits, and extend the dates to incur debt, repay debt and collect tax increment.

The Agency again desires to amend the Existing Plan to: 1) extend by 10 years the Redevelopment Plan effectiveness time limit and time period to repay debt/collect tax increment for the Original Project Area and Amendment Area Nos. 1 and 2 ("Amendment Areas"); 2) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); 3) add projects and facilities to the list of eligible projects and facilities the Agency may fund; and 4) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the Community Redevelopment Law (CRL). Collectively, the amendments are referred to as the "Thirteenth Amendment" or "Amendment."

On August 4, 2009, the City Council, by Resolution No. 7909 designated as a redevelopment survey area ("Survey Area") certain territory to be studied for inclusion in the Project Area and directed the Planning Commission of the City of Milpitas ("Planning Commission") to select the boundaries of the area proposed to be added to the Project Area ("Thirteenth Amendment Added Area") and formulate a preliminary plan for redevelopment of the selected Thirteenth Amendment Added Area. Pursuant to Section 33323 of the Community Redevelopment Law ("CRL"), the Planning Commission shall cooperate with the Agency in selection of an area to be included within a redevelopment project area) and in the preparation of a preliminary plan.

The purpose of this Preliminary Plan is to designate the boundaries of the proposed Thirteenth Amendment Added Area and provide a general description of the contemplated activities that will serve as the basis for redevelopment of the Thirteenth Amendment Added Area upon adoption of the proposed Amendments to the Redevelopment Plan.

In accordance with CRL Section 33324, this Preliminary Plan need not be detailed and is sufficient if it:

(a) Describes the boundaries of the Thirteenth Amendment Added Area.

(b) Contains a general statement of the land uses, layout of principal streets, population densities, and building intensities, and standards proposed as the basis for the redevelopment of the Thirteenth Amendment Added Area.

(c) Indicates how the proposed redevelopment would attain the purposes of the CRL.

(d) Shows that the proposed redevelopment is consistent with the City's General Plan.

(e) Describes, generally, the impact of the redevelopment of the Thirteenth Amendment Added Area upon the area's residents and upon the surrounding neighborhood.

## II. DESCRIPTION OF THE BOUNDARIES OF THE PROPOSED THIRTEENTH AMENDMENT ADDED AREA

The boundaries of the proposed Thirteenth Amendment Added Area are illustrated on the map attached as Appendix "A" and incorporated herein by this reference, and are more particularly described in the legal description attached as Appendix "B" and incorporated herein by this reference.

## III. GENERAL STATEMENT OF PROPOSED LAND USES

As a basis for the redevelopment of the proposed Thirteenth Amendment Added Area, it is proposed that, in general, the land uses permitted in the proposed Thirteenth Amendment Added Area shall be those permitted by the City's General Plan, as it currently exists and as it may be hereafter amended. Currently, the General Plan permits the following land uses within the proposed Thirteenth Amendment Added Area:

- Single-Family Moderate Density
- Multi-Family High Density
- Retail Sub-Center
- Professional and Administrative Office
- Industrial Park
- Manufacturing
- Highway Service
- Waterways
- Multi-Family Very High Density
- Boulevard Mixed-Use
- Public/Open Space
- Public Rights-of-Way

## IV. GENERAL STATEMENT OF PROPOSED LAYOUT OF PRINCIPAL STREETS

As a basis for the redevelopment of the proposed Thirteenth Amendment Added Area, it is proposed that, in general, the layout of principal streets shall be as shown in the Circulation

Element of the City's General Plan, as it presently exists and as it may be hereafter amended.

In accordance with General Plan Policies and Zoning Regulations, existing streets within and/or directly adjacent to the proposed Thirteenth Amendment Added Area may be closed, widened or otherwise modified, and additional streets may be created as necessary for proper pedestrian and/or vehicular circulation.

## V. GENERAL STATEMENT OF PROPOSED POPULATION DENSITIES

As a basis for redevelopment of the proposed Thirteenth Amendment Added Area, the population densities shall be in conformance with the City's General Plan, the related zoning ordinances, and all other applicable codes and ordinances, as they presently exist and as they may be amended from time to time. Within the confines of the Land Use Element of the City's General Plan, there will be a permitted range of development.

## VI. GENERAL STATEMENT OF THE PROPOSED BUILDING INTENSITIES

As a basis for the redevelopment of the proposed Thirteenth Amendment Added Area, the building intensities shall be controlled by limits on: (1) the percentage of ground area covered by buildings (land coverage); (2) the building setbacks, parking, landscaping and open space requirements; (3) the location of the buildable area on building sites; and (4) the heights of buildings. Limits on building intensity shall be established in accordance with the City's General Plan and related zoning ordinances as they presently exist and as they may be amended from time to time.

## VII. GENERAL STATEMENT OF THE PROPOSED BUILDING STANDARDS

As a basis for the redevelopment of the proposed Thirteenth Amendment Added Area, building standards shall conform to the building requirements of all applicable state statutes and all applicable City codes and ordinances.

## VIII. ATTAINMENT OF THE PURPOSES OF THE LAW

As defined in the CRL, a "blighted area" is characterized by one or more of those conditions set forth in CRL Sections 33031(a) and (b), causing "a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment." The law establishes two broad categories for blight, one citing declining physical conditions as being conducive to health and safety problems, economic stagnation and land use incompatibility, and the second describing a declining economic condition resulting largely from impaired investments, lack of commercial facilities and pressing public safety and criminal activity issues. The legal definitions of blighting conditions, as described in the CRL, are as follows:

CRL Section 33031

(a) This subdivision describes physical conditions that cause blight:

(1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, serious dilapidation or deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.

(2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given present general plan, zoning, or other development standards.

(3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.

(4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.

(b) This subdivision describes economic conditions that cause blight:

(1) Depreciated or stagnant property values.

(2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).

(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

(4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

(5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1

of Title 25 of the California Code of Regulations.

(6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety or welfare problems.

(7) A high crime rate that constitutes a serious threat to the public safety and welfare.

Based upon initial analyses and discussions with City officials, the proposed Thirteenth Amendment Added Area exhibits, to some degree, many of the characteristics of blight as defined in CRL Section 33031 including, but not necessarily limited to, the following conditions:

1. Serious code violations;
2. Obsolescence;
3. Residential overcrowding;
4. Depreciated or stagnant property values;
5. Abnormally high business vacancies;
6. A high crime rate; and
7. Public improvements in need of repair.

The purposes of the CRL would be attained by redevelopment of the proposed Added Area through:

1) the elimination or alleviation of blighting influences and environmental deficiencies;

2) the replanning, redesign and/or redevelopment of areas which are stagnant or improperly utilized;

3) the installation of new or replacement of existing public improvements, facilities, and utilities in areas that are currently inadequately served with regard to such improvements, facilities and utilities;

4) the provision of opportunities for participation by owners and tenants in the revitalization of their properties;

5) the development and rehabilitation of housing in the proposed Thirteenth

Amendment Added Area for low and moderate income persons and families; and

6) the strengthening of the commercial base of the Thirteenth Amendment Added Area and the corresponding expansion of employment opportunities.

## IX. CONSISTENCY WITH THE GENERAL PLAN OF THE CITY

Because land uses, transportation, and other development standards proposed for the Thirteenth Amendment Added Area incorporate existing General Plan policies, redevelopment will be consistent with the City's General Plan. This Preliminary Plan does not propose additional land use policies not otherwise permitted by the General Plan or other applicable codes and guidelines.

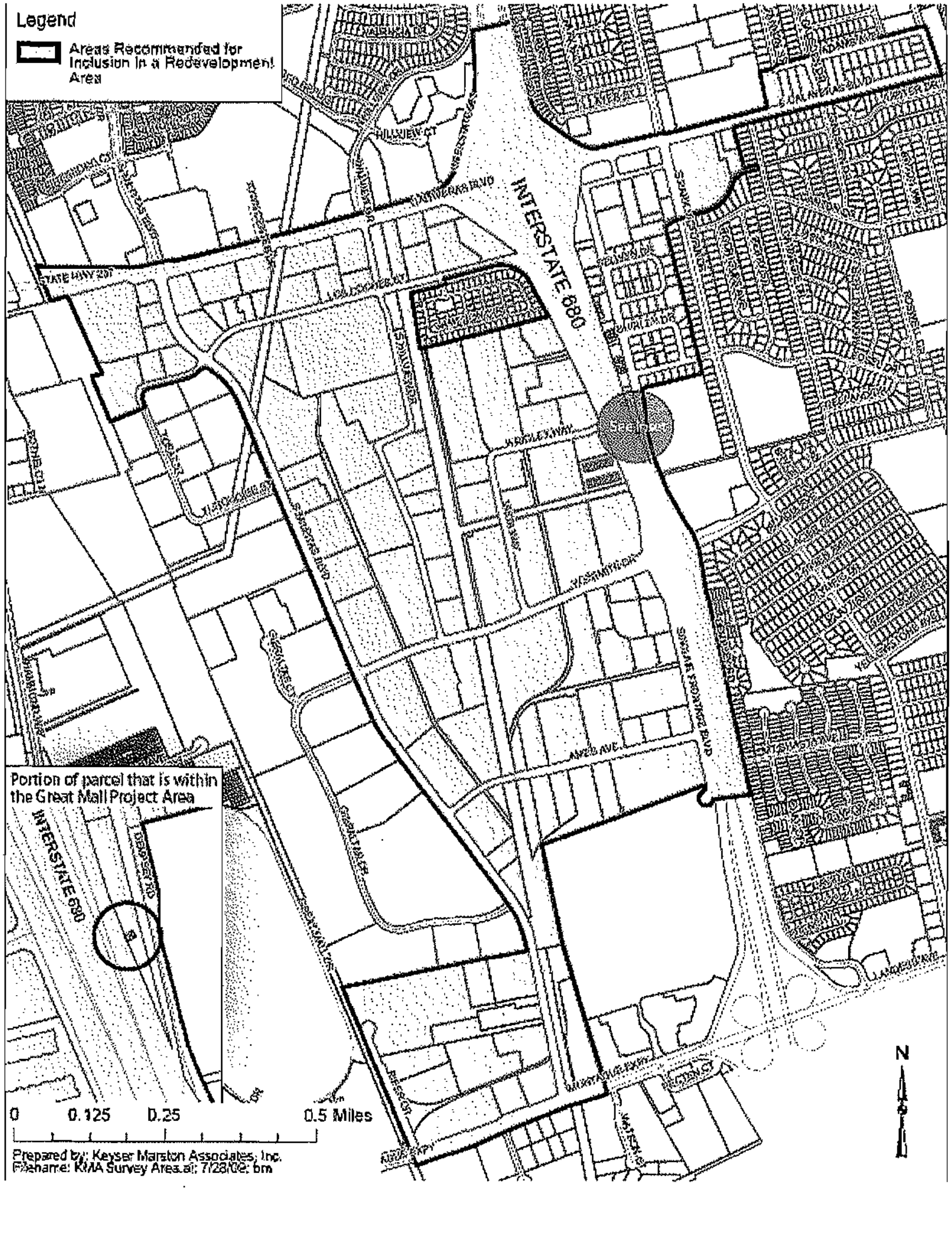
## X. GENERAL IMPACT OF THE PROPOSED REDEVELOPMENT OF THE THIRTEENTH AMENDMENT ADDED AREA UPON RESIDENTS OF THE AREA AND THE SURROUNDING NEIGHBORHOODS

Impacts upon residents of the Thirteenth Amendment Added Area and surrounding neighborhoods will, in general, be minimal. There may be impacts upon residents using the circulation system within the Thirteenth Amendment Added Area due to the public works improvements which can reasonably be expected to occur in the future. The impacts upon residents living within the Thirteenth Amendment Added Area and the surrounding neighborhoods will, in general, be positive and revolve around improvements to public facilities and services, environmental quality, creation of new employment opportunities, and expansion of economic development and housing opportunities.

It is anticipated that direct Agency activity will occur only when sufficient financial resources are available and such action will produce effective and immediate redevelopment results. Thus, the proposed redevelopment is intended to be phased with a limited scope of direct activity at any given time. This subject will be discussed in depth in the Agency's Report to the City Council, which will accompany the official Thirteenth Amendment to the Redevelopment Plan for Milpitas Redevelopment Project Area No. 1.

## APPENDIX A

## THIRTEENTH AMENDMENT ADDED AREA MAP


Legend
Areas Recommended for Inclusion In a Redevelopment Area
INTERSTATE 680
Portion of parcel that is within the Great Mall Project Area
INTERSTATE 680
0
0.125
0.25
0.5 Miles
N
Prepared by: Keyser Marston Associates, Inc.
Filename: KMA Survey Area.ai; 7/28/02; bm

## APPENDIX B

## LEGAL DESCRIPTION OF THE THIRTEENTH AMENDMENT ADDED AREA

William J. Wagner | Thomas A. Armstrong | Michael L. Morsilli | David M. Wilson

September 2, 2009
HMH 3926.00.270


# LEGAL DESCRIPTION FOR THE THIRTEENTH AMENDMENT ADDED AREA

REAL PROPERTY in the City of Milpitas, County of Santa Clara, State of California, being a portion of the Milpitas and Tularcitos Ranchos, described as follows:

BEGINNING at an angle point in the existing Redevelopment Project Area No. 1 boundary line, at the northwesterly corner of Parcel 2 as shown on that certain Record of Survey filed for record on October 28, 1975, in Book 363 of Maps, page 33, Santa Clara County Records, also being the intersection of the northerly line of Calaveras Boulevard and the northeasterly right-of-way line of W.P.R.R. as shown on said Record of Survey;

Thence along said Redevelopment boundary line and the northerly line of Calaveras Boulevard, the following eighteen courses:

1. Thence North 87°24'47" East, 304.88 feet;
2. Thence South 73°16'49" East, 53.49 feet;
3. Thence North 89°20'24" East, 401.80 feet;
4. Thence South 85°49'13" East, 112.22 feet;
5. Thence easterly, along a non-tangent curve to the left, having a radius of 390.00 feet, whose center bears North 06°05'13" West, through a central angle of 12°54'53" for an arc length of 87.91 feet;
6. Thence along a compound curve to the left, having a radius of 30.00 feet, through a central angle of 74°38'47" for an arc length of 39.08 feet;
7. Thence along a compound curve to the left, having a radius of 390.00 feet, through a central angle of 10°16'16" for an arc length of 69.91 feet;
8. Thence North 13°55'09" West, 11.00 feet;
9. Thence North 75°07'21" East, 119.08 feet;
10. Thence southerly, along a non-tangent curve to the left, having a radius of 390.00 feet, whose center bears North 74°49'18" East, through a central angle of 13°19'36" for an arc length of 90.71 feet;
11. Thence along a compound curve to the left, having a radius of 40.00 feet, through a central angle of 58°36'50" for an arc length of 40.92 feet;
12. Thence along a compound curve to the left, having a radius of 390.00 feet, through a central angle of 13°25'35" for an arc length of 91.39 feet;
13. Thence along a compound curve to the left, having a radius of 1,938.00 feet, through a central angle of 03°49'22" for an arc length of 129.30 feet;
14. Thence North 75°37'56" East, 781.33 feet;
15. Thence North 75°33'18" East, 679.35 feet;
16. Thence North 74°42'09" East, 136.33 feet;
17. Thence North 74°35'18" East, 571.36 feet;
18. Thence along a tangent curve to the left, having a radius of 350.00 feet, through a central angle of 60°00'51" for an arc length of 366.60 feet, to the general westerly line of Interstate 680;

Thence continuing along said Redevelopment boundary line and said general westerly line, the following four courses:

19. Thence North 14°34'27" East, 553.12 feet;



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20. Thence along a tangent curve to the left, having a radius of 950.00 feet, through a central angle of 18°48'43" for an arc length of 311.91 feet;
21. Thence North 04°14'16" West, 248.53 feet;
22. Thence North 03°04'03" West, 93.98 feet;

23. Thence North 81°19'53" East, 363.48 feet, to the general easterly line of Interstate 680;

Thence along said general easterly line, the following four courses:
24. Thence South 13°43'59" East, 682.08 feet;
25. Thence along a tangent curve to the left, having a radius of 340.02 feet, through a central angle of 41°42'02" for an arc length of 247.47 feet;
26. Thence South 55°26'01" East, 310.98 feet;
27. Thence easterly, along a non-tangent curve to the left, having a radius of 300.00 feet, whose center bears North 34°44'10" East, through a central angle of 36°54'53" for an arc length of 193.29 feet, to the northerly line of Calaveras Boulevard;

Thence along said northerly line, the following three courses:
28. Thence North 76°20'19" East, 605.09 feet;
29. Thence southeasterly, along a non-tangent curve to the left, having a radius of 20.00 feet, whose center bears North 69°08'58" East, through a central angle of 83°40'28" for an arc length of 29.21 feet;
30. Thence North 75°28'30" East, 916.54 feet, to the southwesterly corner of Lot 15 as shown on Map of Tract 2784 filed for record on August 24, 1960, in Book 124 of Maps, pages 34 through 36, Santa Clara County Records;

Thence along the westerly and northerly lines of said Lot 15, the following two courses:
31. Thence North 13°38'09" West, 326.26 feet;
32. Thence North 76°21'51" East, 104.19 feet;

33. Thence North 59°49'28" East, 94.14 feet, to the northerly line of Adams Avenue;

34. Thence along said northerly line, North 75°28'30" East, 1,325.87 feet, to the easterly line of N. Temple Drive;

Thence along said easterly line, the following two courses:
35. Thence South 18°46'37" East, 346.74 feet;
36. Thence South 16°45'57" East, 119.32 feet, to the southerly line of Calaveras Boulevard;

Thence along said southerly line, the following six courses:
37. Thence North 89°09'02" West, 83.00 feet;
38. Thence South 75°22'00" West, 959.69 feet;
39. Thence South 78°11'48" West, 101.62 feet;
40. Thence South 75°28'30" West, 550.06 feet;
41. Thence South 74°19'45" West, 100.01 feet;
42. Thence South 75°28'30" West, 99.99 feet, to the westerly line of Tract 935, which map was filed for record on September 30, 1954, in Book 51 of Maps, pages 50 and 51, Santa Clara County Records;

43. Thence along said westerly line, South 14°29'54" East, 371.72 feet, to the southerly line of Lot 7 as shown on said Map of Tract 935;

44. Thence along said southerly line, North 75°27'07" East, 119.90 feet, to the westerly line of Carnegie Drive;

45. Thence along said westerly line, South 14°29'01" East, 30.10 feet, to the northerly line of Lot 8 as shown on said Map of Tract 935;

46. Thence along said northerly line, South 75°29'59" West, 119.21 feet, to the northeasterly corner of Tract 3781, which map was filed for record on October 14, 1965, in Book 200 of Maps, pages 54 and 55, Santa Clara County Records;

Thence along the general northerly and westerly lines of said Tract 3781, the following five courses:

47. Thence along a tangent curve to the left, having a radius of 150.00 feet, through a central angle of 59°30'50" for an arc length of 155.81 feet;
48. Thence along a reverse curve to the right, having a radius of 370.00 feet, through a central angle of 59°20'21" for an arc length of 383.20 feet;
49. Thence South 75°19'29" West, 244.41 feet;
50. Thence South 62°01'27" West, 109.96 feet;
51. Thence South 14°24'11" East, 698.25 feet, to the northeasterly corner of Tract 2440, which map was filed for record on September 12, 1962, in Book 152 of Maps, page 1, Santa Clara County Records;

Thence along the easterly and southerly lines of said Tract 2440, the following two courses:

52. Thence South 14°24'11" East, 630.89 feet
53. Thence South 75°39'20" West, 561.71 feet, to the easterly line of Dempsey Road;

Thence along said easterly line, the following eleven courses:

54. Thence South 14°25'21" East, 114.23 feet;
55. Thence along a tangent curve to the right, having a radius of 600.00 feet, through a central angle of 13°28'05" for an arc length of 141.04 feet;
56. Thence along a reverse curve to the left, having a radius of 600.00 feet, through a central angle of 13°28'05" for an arc length of 141.04 feet;
57. Thence South 14°25'21" East, 269.40 feet;
58. Thence South 22°48'24" East, 119.90 feet;
59. Thence South 21°53'29" East, 188.71 feet;
60. Thence South 28°30'06" East, 74.24 feet;
61. Thence South 33°20'54" East, 294.67 feet;
62. Thence South 23°14'53" East, 176.25 feet;
63. Thence South 09°25'37" East, 337.05 feet;
64. Thence South 12°17'02" East, 1,804.92 feet;

65. Thence South 77°42'58" West, 321.52 feet, to the right-of-way line of Sinclair Frontage Road, also being the easterly line of the boundary shown on that certain Parcel Map filed for record on December 29, 1999, in Book 723 of Maps, pages 38 through 40, Santa Clara County Records;

Thence along said right-of-way line, the following two courses:

66. Thence northwesterly, along a non-tangent curve to the right, having a radius of 66.00 feet, whose center bears South 79°13'04" West, through a central angle of 251°26'26" for an arc length of 289.64 feet;
67. Thence along a reverse curve to the left, having a radius of 54.00 feet, through a central angle of 73°39'10" for an arc length of 69.42 feet, to the northerly line of said boundary;

Thence along the northerly and westerly lines of the boundary of said Parcel Map, the following three courses:

68. Thence South 69°46'24" West, 1,526.11 feet;
69. Thence South 11°53'21" East, 892.97 feet;
70. Thence South 16°56'32" East, 1,224.89 feet;

71. Thence South 14°16'13" East, 144.33 feet, to a point in the existing Redevelopment Project Area No. 1 boundary line;

Thence along said Redevelopment boundary line and the southerly line of Montague Expressway, the following ten courses:

72. Thence South 69°09'51" West, 148.57 feet;
73. Thence South 74°29'27" West, 245.09 feet;
74. Thence South 65°42'41" West, 200.92 feet;
75. Thence South 69°00'00" West, 300.32 feet;
76. Thence along a tangent curve to the left, having a radius of 40.00 feet, through a central angle of 90°00'00" for an arc length of 62.83 feet;
77. Thence South 69°00'00" West, 60.00 feet;
78. Thence northwesterly, along a non-tangent curve to the left, having a radius of 40.00 feet, whose center bears South 69°00'00" West, through a central angle of 90°00'00" for an arc length of 62.83 feet;
79. Thence South 69°00'00" West, 589.07 feet;
80. Thence along a tangent curve to the right, having a radius of 1,067.00 feet, through a central angle of 05°53'52" for an arc length of 109.83 feet;
81. Thence South 74°53'21" West, 145.85 feet,

82. Thence leaving said southerly line and continuing along said Redevelopment boundary line, North 20°07'04" West, 138.64 feet, to the existing Great Mall Redevelopment Project Area boundary line;

83. Thence along said Redevelopment boundary line and the southwesterly line of VTA Parcel 14 as shown on that certain Record of Survey filed for record on December 7, 2007, in Book 821 of Maps, pages 1 through 51, Santa Clara County Records, North 23°00'30" West, 1,550.13 feet, to the northerly line of said VTA Parcel 14;

84. Thence along said northerly line and the northerly line of the 63.063 acre parcel of land as shown on that certain Record of Survey filed for record on September 4, 1953, in Book 45 of Maps, page 19, Santa Clara County Records, North 78°49'02" East, 1,745.99 feet, to the general westerly line of S. Milpitas Boulevard;

Thence along said general westerly line, the following twelve courses:

85. Thence North 11°36'46" West, 13.96 feet;
86. Thence along a tangent curve to the left, having a radius of 1,160.00 feet, through a central angle of 26°06'36" for an arc length of 528.62 feet;
87. Thence North 37°43'22" West, 1,724.33 feet;
88. Thence along a tangent curve to the right, having a radius of 1,040.00 feet, through a central angle of 13°42'13" for an arc length of 248.74 feet;
89. Thence North 24°01'10" West, 297.15 feet;
90. Thence North 23°02'04" West, 159.78 feet;
91. Thence North 23°01'41" West, 1,612.04 feet;
92. Thence North 23°24'42" West, 160.36 feet;
93. Thence North 22°53'48" West, 741.97 feet;
94. Thence along a tangent curve to the left, having a radius of 660.00 feet, through a central angle of 31°24'06" for an arc length of 361.72 feet;
95. Thence North 54°17'53" West, 40.78 feet;
96. Thence along a tangent curve to the left, having a radius of 50.00 feet, through a central angle of 83°32'52" for an arc length of 72.91 feet, to the general southerly line of Los Coches Street;

Thence along said general southerly line, the following three courses:

97. Thence along a reverse curve to the right, having a radius of 280.00 feet, through a central angle of 33°03'39" for an arc length of 161.57 feet;
98. Thence South 75°12'54" West, 335.68 feet;
99. Thence along a tangent curve to the left, having a radius of 70.00 feet, through a central angle of 98°14'44" for an arc length of 120.03 feet, to the northeasterly line of Topaz Street;

100. Thence along said northeasterly line, South 23°01'50" East, 69.57 feet, to the northeasterly prolongation of the southeasterly line of Parcel 3 as shown on that certain Parcel Map filed for record on April 3, 1980, in Book 461 of Maps, pages 36 and 37, Santa Clara County Records;

101. Thence along said southeasterly line and its northeasterly prolongation, South 67°11'09" West, 340.70 feet, to the existing Redevelopment Project Area No. 1 boundary line;

Thence along said Redevelopment boundary line and the general northeasterly line of VTA Parcel 9 as shown on said Record of Survey filed for record in Book 821 of Maps, pages 1 through 51, the following three courses:

102. Thence North 23°07'36" West, 433.00 feet;
103. Thence North 76°22'05" East, 99.44 feet;
104. Thence North 23°59'40" West, 746.20 feet, to the southerly line of Parcel 2 as shown on said Record of Survey filed for record in Book 363 of Maps, page 33;

Thence continuing along said Redevelopment boundary line and the southerly and southwesterly lines of said Parcel 2, the following two courses:

105. Thence South 75°28'42" West, 153.88 feet;
106. Thence North 23°01'01" West, 321.75 feet, to the POINT OF BEGINNING.

EXCEPTING THEREFROM (#1):

REAL PROPERTY in the City of Milpitas, County of Santa Clara, State of California, being all of Tract 9018, which map was filed for record on May 15, 1998, in Book 702 of Maps, pages 22 through 25, Santa Clara County Records, described as follows:

BEGINNING at the intersection of the centerlines of Los Coches Street and Horizon Drive;

107. Thence along the centerline of Horizon Drive, South 14°07'07" East, 78.72 feet, to the northerly line of said Tract 9018, being the TRUE POINT OF BEGINNING;

Thence along the northerly, northeasterly, southerly and westerly lines of said Tract 9018, the following nine courses:
108. Thence North 75°52'50" East, 659.19 feet;
109. Thence southeasterly, along a non-tangent curve to the right, having a radius of 268.00 feet, whose center bears South 20°59'18" West, through a central angle of 41°03'49" for an arc length of 192.07 feet;
110. Thence South 28°14'27" East, 240.04 feet;
111. Thence South 31°05'13" East, 44.53 feet;
112. Thence South 27°16'57" East, 70.29 feet;
113. Thence South 75°52'50" West, 1,176.52 feet;
114. Thence North 12°13'29" West, 52.16 feet;
115. Thence North 09°57'24" West, 448.06 feet;
116. Thence North 75°52'50" East, 289.42 feet, to the TRUE POINT OF BEGINNING.

ALSO, EXCEPTING THEREFROM (#2):

REAL PROPERTY in the City of Milpitas, County of Santa Clara, State of California, being a portion of that parcel of land described in the deed recorded September 22, 2000, in Document No. 15400324 of Official Records, Santa Clara County Records, described as follows:

BEGINNING at the intersection of the centerlines of Dempsey Road and Edsel Drive;

117. Thence along the centerline of Dempsey Road, South 14°25'21" East, 88.39 feet;

118. Thence South 74°15'51" West, 20.01 feet, to the northeasterly corner of said parcel of land;

Thence along the northerly and westerly lines of said parcel of land, the following three courses:
119. Thence South 74°15'51" West, 77.52 feet;
120. Thence South 17°32'25" East, 224.22 feet;
121. Thence South 22°08'43" East, 187.52 feet, to the existing Great Mall Redevelopment Project Area boundary line, being the TRUE POINT OF BEGINNING;

Thence along said Redevelopment boundary line, the following four courses:
122. Thence North 54°53'29" East, 26.64 feet;
123. Thence South 35°06'31" East, 15.47 feet;

124. Thence South 14°22'06" East, 6.21 feet;
125. Thence South 54°53'29" West, 29.34 feet, to the westerly line of said parcel of land;

126. Thence along said westerly line and continuing along said Redevelopment boundary line, North 22°08'32" West, 21.83 feet, to the TRUE POINT OF BEGINNING.

Containing 595.94 acres, more or less.

For assessment purposes only. This description of land is not a legal property description as defined in the Subdivision Map Act and may not be used as the basis for an offer for sale of the land described."

LICENSED LAND SURVEYOR
STEVE W. DANNER
No. 5106
Exp. 6-30-11
STATE OF CALIFORNIA

Appendix I

Agency Resolution No. RA350
Referring the Redevelopment Plan
Amendments to the Planning Commission

**RESOLUTION NO. RA350**

**A RESOLUTION OF THE MILPITAS REDEVELOPMENT AGENCY REFERRING THE PROPOSED THIRTEENTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 AND THE PROPOSED SIXTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE GREAT MALL REDEVELOPMENT PROJECT TO THE PLANNING COMMISSION OF THE CITY OF MILPITAS FOR ITS REPORT AND RECOMMENDATION AND AUTHORIZING THE TRANSMITTAL OF SAID AMENDMENTS TO THE AFFECTED TAXING ENTITIES AND OTHER INTERESTED PERSONS AND ORGANIZATIONS**

**WHEREAS**, by Resolution No. 230, adopted on June 3, 1958, the City Council of the City of Milpitas ("City Council") formed the Milpitas Redevelopment Agency ("Agency") to formulate a redevelopment project or projects within the City of Milpitas; and

**WHEREAS**, on September 21, 1976, by Ordinance No. 192, the City Council adopted the redevelopment plan ("Redevelopment Plan" or "Plan") for the Milpitas Redevelopment Project Area No. 1 ("Original Project Area"); and

**WHEREAS**, the Redevelopment Plan has been amended a total of twelve (12) times (as amended, the "Existing Plan") to, among other things, add area to the Original Project Area (as amended, the "Project Area"), merge the Project Area with the Great Mall Redevelopment Project, increase the tax increment and bonded indebtedness limits, and extend the dates to incur debt, repay debt and collect tax increment; and

**WHEREAS**, on November 2, 1993, by Ordinance No.192.8, the City Council adopted the redevelopment plan for the Great Mall Redevelopment Project ("Great Mall Redevelopment Plan"); and

**WHEREAS**, the Great Mall Redevelopment Plan has been amended a total of five (5) times to, among other things, add territory and merge with the Original Project Area (the "Merged Project Area"); and

**WHEREAS**, the Agency again desires to amend the Existing Plan ("Thirteenth Amendment" or "Amendment") to: 1) extend by 10 years the effectiveness time limit and time period to repay debt/collect tax increment of the Original Project Area and Amendment Areas No. 1 and 2 (collectively, the Original Project Area and Amendment Areas No. 1 and 2 are referred to as the "Amendment Areas"); 2) repeal the debt establishment limit for the Amendment Areas; 3) increase the tax increment limit and bonded indebtedness limit and exclude the Midtown Added Area from the tax increment limit; 4) add projects and facilities to the list of eligible projects and facilities the Agency may fund; 5) reinstate eminent domain over non-residential uses in the Amendment Areas; 6) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); and 7) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the California Community Redevelopment Law ("CRL"); and

**WHEREAS**, the Agency is proposing to concurrently amend (the "Sixth Amendment") the Redevelopment Plan for the Great Mall Redevelopment Project ("Great Mall Project") to delete a non-contiguous area developed with a freeway sign ("Sixth Amendment Deleted Area"); the area identified for deletion is within the area proposed to be added to Project Area No. 1; and

**WHEREAS**, on August 4, 2009, by Resolution No. 7909, the City Council designated a redevelopment survey area and directed the Planning Commission of the City of Milpitas ("Planning Commission") to select the boundaries of the area proposed to be included within the Thirteenth Amendment Added Area from within the boundaries of the redevelopment survey area and formulate a preliminary plan for the redevelopment of the proposed Thirteenth Amendment Added Area; and

**WHEREAS**, on September 9, 2009, the Planning Commission selected and designated the boundaries of the Thirteenth Amendment Added Area, approved a Preliminary Plan for the Thirteenth Amendment Added Area ("Preliminary Plan"), and submitted said Preliminary Plan to the Agency; and

**WHEREAS**, on October 6, 2009, the Agency, by Resolution No. RA346, accepted the Preliminary Plan and directed preparation of the Preliminary Report for the Thirteenth Amendment and the transmittal of certain information to taxing officials; and

**WHEREAS**, the Agency has prepared a proposed Amended and Restated Redevelopment Plan incorporating the Thirteenth Amendment ("Amended and Restated Redevelopment Plan") and has prepared the form of the proposed Sixth Amendment (collectively, the Thirteenth Amendment and the Sixth Amendment are referred to as the "Amendments"); and

**WHEREAS**, Sections 33346, 33453, and 33333.11(f) of the CRL provide that, prior to submitting a proposed redevelopment plan or amendment thereto to the legislative body, the redevelopment agency shall submit the proposed amendment to the planning commission for its report and recommendation.

**NOW, THEREFORE**, the Board of the Milpitas Redevelopment Agency hereby finds, determines, and resolves as follows:

**Section 1:** The foregoing recitals are true and correct.

**Section 2:** The Executive Director of the Agency is hereby authorized and directed to transmit a copy of the proposed Thirteenth Amendment, as incorporated in the Amended and Restated Redevelopment Plan, and the proposed Sixth Amendment to the Planning Commission of the City of Milpitas for its report and recommendation.

**Section 3:** The Executive Director of the Agency is hereby authorized and directed to transmit a copy of the proposed Amendments to each of the affected taxing entities and to other interested persons and organizations.

PASSED, APPROVED AND ADOPTED this 1ST day of December 2009, by the following vote:

AYES: (4) Chair Livengood, Vice Chair McHugh, and Agency Members Giordano and Gomez

NOES: (0) None

ABSENT: (1) Agency Member Polanski

ABSTAIN: (0) None

ATTEST:

Mary Lavelle

Mary Lavelle, Agency Secretary

APPROVED:

Ron Livengood

Robert Livengood, Chair

APPROVED AS TO FORM:

Michael J. Ogaz, Agency Counsel

# Appendix J

## Planning Commission Resolution No. 09-056
## Adopting its Report and Recommendations

Attachment A

# RESOLUTION NO. 09-056

## RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MILPITAS MAKING ITS REPORT AND RECOMMENDATION CONCERNING THE PROPOSED THIRTEENTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 AND THE PROPOSED SIXTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE GREAT MALL REDEVELOPMENT PROJECT

**WHEREAS**, by Resolution No. 230, adopted on June 3, 1958, the City Council of the City of Milpitas ("City Council") formed the Milpitas Redevelopment Agency ("Agency") to formulate a redevelopment project or projects within the City of Milpitas; and

**WHEREAS**, on September 21, 1976, by Ordinance No. 192, the City Council adopted the redevelopment plan ("Redevelopment Plan" or "Plan") for the Milpitas Redevelopment Project Area No. 1 ("Original Project Area"); and

**WHEREAS**, the Redevelopment Plan has been amended a total of twelve (12) times (as amended, the "Existing Plan") to, among other things, add area to the Original Project Area (as amended, the "Project Area"), merge the Project Area with the Great Mall Redevelopment Project, increase the tax increment and bonded indebtedness limits, and extend the dates to incur debt, repay debt and collect tax increment; and

**WHEREAS**, on November 2, 1993, by Ordinance No.192.8, the City Council adopted the Redevelopment Plan for the Great Mall Redevelopment Project ("Great Mall Redevelopment Plan"); and

**WHEREAS**, the Great Mall Redevelopment Plan has been amended a total of five (5) times to, among other things, add territory and merge with the Original Project Area (the "Merged Project Area"); and

**WHEREAS,** the Agency again desires to amend the Existing Plan ("Thirteenth Amendment" or "Amendment") to: 1) extend by 10 years the effectiveness time limit and time period to repay debt/collect tax increment of the Original Project Area and Amendment Areas No. 1 and 2 (collectively, the Original Project Area and Amendment Areas No. 1 and 2 are referred to as the "Amendment Areas"); 2) repeal the debt establishment limit for the Amendment Areas; 3) increase the tax increment limit and bonded indebtedness limit and exclude the Midtown Added Area from the tax increment limit; 4) add projects and facilities to the list of eligible projects and facilities the Agency may fund; 5) reinstate eminent domain over non-residential uses in the Amendment Areas; 6) add territory totaling approximately 600 acres ("Thirteenth Amendment Added Area" or "Added Area"); and 7) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the California Community Redevelopment Law ("CRL").

**WHEREAS**, the Agency is proposing to concurrently amend (the "Sixth Amendment") the Redevelopment Plan for the Great Mall Redevelopment Project ("Great Mall Project") to delete a non-contiguous area developed with a freeway sign ("Sixth Amendment Deleted Area"); the area identified for deletion is within the area proposed to be added to Project Area No. 1; and

**WHEREAS**, on August 4, 2009, by Resolution No. 7909, the City Council designated a redevelopment survey area and directed the Planning Commission of the City of Milpitas ("Planning Commission") to select the boundaries of the area proposed to be included within the Thirteenth Amendment Added Area from within the boundaries of the redevelopment survey area and formulate a preliminary plan for the redevelopment of the proposed Thirteenth Amendment Added Area; and

**WHEREAS,** on September 9, 2009, the Planning Commission selected and designated the boundaries of the Thirteenth Amendment Added Area, approved a Preliminary Plan for the Thirteenth Amendment Added Area ("Preliminary Plan"), and submitted said Preliminary Plan to the Agency; and

**WHEREAS,** on October 6, 2009, the Agency, by Resolution No. RA346, accepted the Preliminary Plan and directed preparation of the Preliminary Report for the Thirteenth Amendment and the transmittal of certain information to taxing officials; and

**WHEREAS,** the Agency has prepared a proposed Amended and Restated Redevelopment Plan incorporating the Thirteenth Amendment ("Amended and Restated Redevelopment Plan") and has prepared the form of the proposed Sixth Amendment, (collectively, the Thirteenth Amendment and Sixth Amendment are referred to as the "Amendments"); and

**WHEREAS**, in accordance with CRL Sections 33346, 33356, 33453 and 33458, prior to the joint public hearing on the proposed Amendments, the Agency shall submit the proposed Amendments to the Planning Commission for its report and recommendation concerning the proposed Amendments and their conformity to the City's General Plan; and

**WHEREAS**, Section 65402 of the Government Code provides, in part:

"(a) If a general plan or part thereof has been adopted, no real property shall be acquired by dedication or otherwise for street, square, park or other public purposes, and no real property shall be disposed of, no street shall be vacated or abandoned, and no public building or structure shall be constructed or authorized, if the adopted general plan or part thereof applies thereto, until the location, purpose and extent of such acquisition or disposition, such street vacation or abandonment, or such public building or structure have been submitted to and reported upon by the planning agency as to conformity with said adopted general plan or part thereof....

"(c) A local agency shall not acquire real property for any of the purposes specified in paragraph (a) nor dispose of any real property, nor construct or authorize a public building or structure, in any county or city, if such county or city has adopted a general plan or part thereof and such general plan or part thereof is applicable thereto, until the location, purpose and extent of such acquisition, disposition, or such public building or structure have been submitted to and reported upon by the planning agency having jurisdiction, as to conformity with said adopted general plan or part thereof...."

and

**WHEREAS**, the Amendments propose no changes to the land use designations of properties within the Project Area No. 1, Added Area or the Great Mall Redevelopment Project; and

**WHEREAS**, the Sixth Amendment deletes territory for the Great Mall Project and does not change permitted land uses or development standards; and

**WHEREAS**, the land use designations contained in the Amended and Restated Redevelopment Plan are the same as those land use designations contained in the adopted land use map of the City's General Plan; and

**WHEREAS**, the development standards as enforced by the proposed Amended and Restated Redevelopment Plan are the same as the development standards contained in the City's General Plan; and

**WHEREAS,** on December 1, 2009, the Agency, by Resolution No. RA 350, authorized and directed transmittal of the proposed Amended and Restated Redevelopment Plan and the Sixth Amendment to the Planning Commission of the City of Milpitas for its report and recommendation; and

**WHEREAS**, the Planning Commission members have received the proposed Amended and Restated Redevelopment Plan and Sixth Amendment in draft form (attached hereto as Exhibit A);

**NOW THEREFORE**, the Planning Commission of the City of Milpitas hereby finds, determines and resolves as follows:

**Section 1.** The Planning Commission, having reviewed the proposed Amended and Restated Redevelopment Plan and Sixth Amendment, hereby finds and determines that the proposed Amendments are consistent with the City's General Plan because they do not make changes to land uses permitted in the Project Areas or other general development controls, standards and limitations. As they are proposed to be amended, the Project Area No. 1 and Great Mall Redevelopment Plans will continue to provide that the land use designations for the Project Areas, circulation systems, public facilities, proposed projects and programs and development standards will be in conformance with the City's General Plan.

**Section 2.** Pursuant to Government Code Section 65402, the Planning Commission hereby finds and determines that the location, purpose and extent of any real property to be acquired by dedication or otherwise for street, square, park or other public purposes, any real property to be disposed of, any street to be vacated or abandoned and any public buildings or structures to be constructed within Project Area No. 1 and the Added Area, as authorized by the proposed Thirteenth Amendment are in conformity with the City's General Plan, and that the proposed Sixth Amendment does not make any changes affecting the City's General Plan because it is limited to the deletion of territory from the Great Mall Project.

**Section 3.** The Planning Commission hereby recommends the approval and adoption of the proposed Amendments by the Agency and the City Council.

**Section 4.** The Planning Commission hereby authorizes and directs the officers, employees, staff, consultants and attorneys for the Planning Commission to take any action that may be necessary to effectuate the purposes of this resolution or which are appropriate or desirable in the circumstances. In the event that prior to the adoption of the proposed Amendments, the Agency or City Council desires to make any minor technical or clarifying changes to the Amended and Restated Redevelopment Plan or the Sixth Amendment, the Planning Commission hereby finds and determines that any such minor technical or clarifying changes need not be referred back to it for further report and recommendation.

**Section 5.** The Planning Commission hereby finds and determines that this resolution shall constitute the report and recommendation of the Planning Commission to the Agency and the City Council concerning the proposed Amendments.

**Section 6.** The Planning Commission hereby authorizes and directs the Secretary of the Planning Commission to transmit a copy of this resolution to the Agency and the City Council.

**PASSED AND ADOPTED** at a regular meeting of the Planning Commission of the City of Milpitas on December 9, 2009.

Chair

**TO WIT:**

**I HEREBY CERTIFY** that the following resolution was duly adopted at a regular meeting of the Planning Commission of the City of Milpitas on December 9, 2009, and carried by the following roll call vote:

| COMMISSIONER | AYES | NOES | ABSENT | ABSTAIN |
|---|---|---|---|---|
| Cliff Williams | X | | | |
| Aslam Ali | X | | | |
| Lawrence Ciardella | | | X | |
| Alexander Galang | | | X | |
| Sudhir Mandal | X | | | |
| Gurdev Sandhu | X | | | |
| Noella Tabladillo | X | | | |
| Mark Tiernan | X | | | |

# EXHIBIT A

# AMENDED AND RESTATED REDEVELOPMENT PLAN FOR MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 (INCORPORATING THIRTEENTH AMENDMENT)

# AND

# SIXTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE GREAT MALL REDEVLELOPMENT PROJECT

Appendix K

Fiscal Impact Report
on the Proposed Milpitas RDA
Thirteenth Amendment (Base Year Report)

**County of Santa Clara**
Finance Agency
Controller-Treasurer Department

County Government Center
70 West Hedding Street, East Wing 2nd floor
San Jose, California 95110-1705
(408) 299-5200 FAX 289-8629

October 21, 2009

Ms. Emma Karlen
Executive Director
City of Milpitas Redevelopment Agency
455 E. Calaveras Blvd.
Milpitas, CA 95035-5479

Subject: Fiscal Impact Report on the Proposed Milpitas RDA Amendment #13

Dear Ms. Emma:

The Milpitas Redevelopment Agency has stated their intention to establish Amendment #13 to their existing merged project area.

The State Board of Equalization finds no non-operating and non-unitary assessed values the 2009/10 tax year, and the Assessor's Office has provided the local assessed values.

The assessed values for the properties within the designated boundaries of the Milpitas Amendment #13 Project are summarized below:

| | FY2009/10 (Proposed base year) | FY2008/09 |
|---|---|---|
| Secured | $629,257,876 | $610,928,356 |
| Unsecured | 227,133,219 | 214,283,906 |
| State Utility | 0 | n/a |
| TOTAL | $856,391,095 | $825,212,262 |

The homeowners' exemption value of $28,000 and $21,000 is included in the secured values for FY2009/10 and FY2008/09 respectively. There are non-taxable exemptions totaling $53,686,070 and $35,667,983 that have been deducted from the gross assessed values for FY2009/10 and FY2008/09 respectively.

As required by State Code, we have calculated the allocation of tax on the 2009/10 base values, and the net countywide AB 8 tax for the affected jurisdictions for fiscal year 2009/10. We have also included the percentage of total tax that the base tax represents for each affected jurisdiction for your reference. The table below provides this data.

| Taxing Agency | 1% Tax revenue for the proposed base year (FY2009/10) | FY 2009/10 Countywide Gross AB8 tax revenue | FY 2009/10 Countywide Existing RDA Increment | FY2009/10 Net Countywide AB8 tax revenue | Proposed amended #13 to countywide 1% tax revenue |
|---|---|---|---|---|---|
| *H&S code 33328(b)* | *H&S code 33328(c)* | *H&S code 33328(d)* | | | |
| | *A* | B | C | D=B-C | E=A/D |
| Santa Clara County | 2,042,551 | 455,986,468 | 93,908,264 | 362,078,204 | 0.56% |
| Santa Clara County Library | 367,071 | 22,001,819 | 2,800,086 | 19,201,733 | 1.91% |
| Milpitas | 1,649,994 | 19,064,721 | 7,246,117 | 11,818,603 | 13.96% |
| Milpitas Unified | 3,432,809 | 48,194,992 | 15,075,129 | 33,119,863 | 10.36% |
| San Jose-Evergreen Community College | 556,617 | 74,326,541 | 10,803,912 | 63,522,630 | 0.88% |
| County School Service | 270,912 | 106,255,851 | 11,679,276 | 94,576,575 | 0.29% |
| Santa Clara Valley Water District East Zone 1 | 155,978 | 11,535,028 | 1,998,745 | 9,536,283 | 1.64% |
| Santa Clara Valley Water District | 15,224 | 5,919,646 | 708,105 | 5,211,541 | 0.29% |
| Bay Area Air Quality Management District | 15,775 | 6,173,367 | 725,286 | 5,448,081 | 0.29% |
| Santa Clara County Importation Water-Misc District | 45,302 | 16,312,147 | 2,082,822 | 14,229,325 | 0.32% |
| Santa Clara Valley Water District West Zone 4 | 11,677 | 3,880,858 | 510,017 | 3,370,841 | 0.35% |
| | 8,563,911 | 769,651,438 | 147,537,759 | 622,113,679 | |

The Project may be eligible for tax increment revenue in tax year 2010/11.

Please contact me at (408) 299-5260 if you have any questions concerning this information.

Sincerely,

Jacelyn Ma
Property Tax Manager
Controller-Treasurer Dept.
County of Santa Clara

cc: John V. Guthrie, Santa Clara County Director of Finance
Vinod K. Sharma, Santa Clara County Controller-Treasurer
Irene Lui, Division Manager, Disbursement and Property Tax, Santa Clara County, County Library, City of Milpitas,
Milpitas Unified School District, San Jose Evergreen Community College District, County Office of Education, Santa Clara Valley Water District, Bay Area Air Quality Management District

Appendix L

Santa Clara Valley Water District letter
Dated 9/16/09

Santa Clara Valley Water District

5750 ALMADEN EXPWY
SAN JOSE, CA 95118-3686
TELEPHONE (408) 265-2600
FACSIMILE (408) 266-0271
www.scvwd.dst.ca.us
AN EQUAL OPPORTUNITY EMPLOYER

September 16, 2009

Ms. Diana Barnhart
Economic Development manager
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035-5479

Dear Ms. Barnhart:

On behalf of the Santa Clara Valley Water District Board of Directors (Board), thank you for your letter, received September 14, 2009, informing the District of the City's intent to amend the redevelopment plan.

Your letter has been shared with our entire Board, noted, and filed.

Thank you for your interest in the District.

Sincerely,

Cathy Paramo

*Cathy Paramo*
*Staff Analyst*
*Office of CEO*

cmp/

cc: Board of Directors (7), M. Diltz (COB)

Appendix M

Milpitas Unified School District letter
Dated 9/16/09

Valued ☆ Challenged ☆ Successful

# Milpitas Unified School District

1331 E. Calaveras Blvd., Milpitas, CA 95035
Web site: www.musd.org

**Karl N. Black, Ed.D.**
**Superintendent**
Tel. (408) 635-2600 ext. 6013 Fax (408) 635-2616
E-mail: kblack@musd.org

September 16, 2009

City of Milpitas
c/o Diana Barnhart
Economic Development Manager
455 East Calaveras Boulevard
Milpitas, CA 95035-5479

Dear Diana:

I have enclosed the Milpitas Unified School District's response to your request for Information for Preparation of Report to the Department of Finance Pursuant to Section 33328.1 (b)(2) of the California Health and Safety Code for the Thirteenth Amendment to the Redevelopment Plan for the Milpitas Redevelopment Project No. 1.

I have also enclosed an updated (2008) Student Generation Rate (SGR) table from Enrollment Projection Consultants.

Best wishes,

Karl N. Black, Ed.D.
Superintendent

Valued ☆ Challenged ☆ Successful

# Milpitas Unified School District

**1331 E. Calaveras Blvd., Milpitas, CA 95035**
**Web site: www.musd.org**

**Karl N. Black, Ed.D.**
**Superintendent**
**Tel. (408) 635-2600 ext. 6013 Fax (408) 635-2616**
**E-mail: kblack@musd.org**

September 16, 2009

City of Milpitas
c/o Diana Barnhart
Economic Development Manager
455 East Calaveras Boulevard
Milpitas, CA 95035-5479

Re: Response to Request for Information for Preparation of Report to the Department of Finance Pursuant to Section 33328.1(b)(2) of the California Health and Safety Code for the Thirteenth Amendment to the Redevelopment Plan for the Milpitas Redevelopment Project No. 1

Dear Ms. Barnhart,

Thank you for contacting us. We understand that you are proposing to add a significant new geographic area of the city to the Milpitas Redevelopment Area. As requested, following is our response regarding assumptions of enrollment growth and associated facility needs for the zoning proposed within this redevelopment plan amendment area.

Per our consultant, Enrollment Projection Consultants, based on more recent data for new housing built between late 1999 and September of 2007 (enclosed), the student generation rates have increased from those that you have used in your letter. Following are the current student generation rates:

| | |
|---|---|
| Single Family Detached | .64 students/unit |
| Regular Attached Multi-family | .19 students/unit |
| Below Market Rate Units | .38 students/unit |

<u>Existing Land Use</u>
The City estimates 487 existing housing units in this area including 20% affordable units. The District will rely on the City's estimate of number of units. The District will also rely on the City's estimate of existing students from this area. For consistency the student generation rates above should be applied.

| | | |
|---|---|---|
| Regular Attached Multi-family | 487 x .80 x .19 = | 74.02 students |
| Below Market Rate Units | 487 x .20 x .38 = | <u>37.01</u> students |
| | | 111.03 students |

<u>Proposed New Dwelling Units</u>
The City has estimated 1,896 new housing units but failed to account for the City's policy that a minimum of 20% of the new units will be affordable housing.

Applying the District consultant's student generation rate to these figures:

| | | | |
|---|---|---|---|
| Single Family | 80 units x .64 = | | 51.20 students |
| Attached Units: | | | |
| MF High Density | 957 units | | |
| MF Very High Density | 480 units | | |
| Boulevard Mixed Use | 379 units | | |
| | 1,816 units | 20% = 363 below market units x .38 = | 137.94 students |
| | | 80% = 1,453 units x .19 = | 276.07 students |
| | | | 465.21 students |

However, of greater concern is the City's estimate of new housing units. Your letter states that the proposed new dwelling unit figures are the same as those previously projected in the Transit Area Specific Plan. It should be noted that the City's unit calculation is less than the mid-point of the zoning range. For instance Multifamily High Density at 30 units per acre (mid-point of 21-40) would be 1,377 units, not the 957 listed. Similarly Multifamily Very High Density at 50 units per acre (mid-point of 41-60) would be 590 units, not the 480 listed. These changes would bring the total mid-range assumption of new units to 2,426 versus the 1,896 listed.

Applying the District consultant's student generation rate to these figures:

| | | | |
|---|---|---|---|
| Single Family | 80 units x .64 = | | 51.20 students |
| Attached Units: | | | |
| MF High Density | 1,377 units | | |
| MF Very High Density | 590 units | | |
| Boulevard Mixed Use | 379 units | | |
| | 2,346 units | 20% = 469 below market units x .38 = | 178.22 students |
| | | 80% = 1,877 units x .19 = | 356.63 students |
| | | | 586.05 students |

Enrollment grade distribution will vary across the years, but based upon recent housing developments, could be expected to be in the range of 310 elementary, 88 middle, and 188 high school students in the early years of build-out.

Please provide us an explanation of why your projection would be less than the mid-point of the zoning range, along with clarification of which assumption you would recommend we use for planning purposes. Please also confirm assumptions used for the new housing unit figures used in the TASP, as our facilities strategic plan is based on those figures. Obviously if build-out exceeds these estimates, the District facility needs will be greater. As we revisit our long range facilities plan, we will want to update our assumptions using the best current projection of housing units and student generation rates.

Facility Needs

There are no school sites within the proposed Thirteenth Amendment territory.

The school facility need for students generated from housing units in the area of this Thirteenth Amendment that is part of the Transit Area Specific Plan have already been taken into account in the District's Enrollment Growth Facility Study (June 11, 2007) which was prepared to assess the impact of the Transit Area Specific Plan as a cumulative addition to enrollment growth otherwise expected in the community. The results of that study indicate the following facility needs. Please refer to that study for more detailed information.

- New elementary school in the Transit Plan area to serve 766 students

- Zanker Elementary: new multi-purpose building and 2 additional classrooms
- Spangler Elementary: replacement of old portable classrooms with a permanent 10 classroom building
- Expansion of Murphy site to serve as a Middle School (relocate Rancho students); joint use of City park for fields
- Russell Middle: add four portable classroom buildings
- Expansion of the Rancho Middle site to serve as a High School

The primary impact of the residential development in this Redevelopment Amendment area will be the need to build a new elementary school, currently planned to be located in the Transit Plan area, as there is no elementary school located in this area and the need exceeds capacity of schools in adjacent neighborhoods. The District's High School enrollment is nearing capacity and the projected enrollment growth drives the need to establish a new High School in the southern area of the City. Middle School expansion will also be needed to accommodate the additional students.

Students living in the Transit Plan portion of the proposed Redevelopment Amendment area will attend the new elementary school to be built in the Transit Plan area, the new Middle School to be established at the Murphy site, and the new High School to be established at the Rancho site.

Students generated from residential area off Calaveras Boulevard will attend Rose Elementary, Russell Middle, and the new High School at the Rancho site. Students generated from the residential areas off Dempsey Road and Sinclair Frontage Boulevard will attend Randall Elementary, the new Middle School at the Murphy site, and the new High School at the Rancho site.

Per James Lindsey, the Redevelopment Thirteenth Amendment does not change the zoning of the residential areas near Calaveras Boulevard and along Dempsey. They will remain zoned R3 Multifamily Residential, 21-40 units/acre, and thus do not add to the District's current enrollment projections. The property zoned single family along Sinclair Frontage Road is the only other change that would affect District enrollment and facility needs. It appears that the new students generated from this residential area can be accommodated within the District's capacity once the new facilities listed above have been built.

This response is based on the land use zoning and housing unit projections the City has provided for the residentially zoned land in the proposed Thirteenth Amendment Added Area, dated 8/24/09. Student generation figures and school facility needs will need to be re-evaluated if the City's TASP unit projections were not mid-point of the allowable zoning range. Student generation figures and school facility needs will also need to be re-evaluated if and when any zoning changes to those depicted on this Amendment map are made.

We look forward to receiving your clarification of the housing unit projections so that we can confirm the future enrollment growth impact on our facility needs. Please do not hesitate to call if you have questions or need additional information.

Sincerely,

Dr. Karl Black
Superintendent

EPC 2007-08 REPORT Table 6: Average Student Generation Rates (SGRs) from Sampled Recently Built Housing Units
**REVISED SEPTEMBER 2009 WITH OCTOBER 2008 STUDENT COUNTS**

| Category of New Housing in Developments BUILT AFTER 1999 AND FINISHED BEFORE OCT. 2007 | Number of Units in Sample | Current District-Enrolled Resident Student Population by Grade Range | | | | | Current K-12 SGR |
|---|---|---|---|---|---|---|---|
| | | K-2 | 3-5 | 6-8 | 9-12 | K-12 | |
| **Single-Family Detached (SFD)** | 44 | 10 | 5 | 7 | 6 | 28 | **0.64** |
| **Regular Attached Developments** | 735 | 52 | 30 | 19 | 36 | 137 | **0.19** |
| **Below-Market-Rate (BMR) Developments** | 306 | 38 | 27 | 24 | 28 | 117 | **0.38** |

Notes: "Below-Market-Rate" (BMR) developments are those with at least 50% of the units available to renters and/or owners with incomes below specified levels, such as 80% of the county median income. (The sampled BMR development, which is the most recent in the MUSD, had first occupancies in 1999.) The other SGR categories include small percentages of BMR units. "Attached" includes condos, townhouses, plexes and apartments. Underway developments (in Oct. 2007) are excluded from the samples due to inconsistencies that can occur from such data.

Appendix N

Santa Clara County Department of Planning letter
Dated 10/7/09

# County of Santa Clara

**Department of Planning and Development**

County Government Center, East Wing
70 West Hedding Street, 7th Floor
San Jose, California 95110

| | Administration | Development Services | Fire Marshal | Planning |
|---|---|---|---|---|
| Phone: | (408) 299-6740 | (408) 299-5700 | (408) 299-5760 | (408) 299-5770 |
| Fax: | (408) 299-6757 | (408) 279-8537 | (408) 287-9308 | (408) 288-9198 |


October 7, 2009

Diane Burnhart, Economic Development Manager
City of Milpitas Redevelopment Agency
455 E. Calaveras Blvd.
Milpitas, CA 95035-5479

Dear Ms. Burnhart:

Your September 11, 2009 correspondence to Jeffrey V. Smith, County Executive of Santa Clara County Board of Supervisors, Notice of Intent to Amend the Milpitas Redevelopment Plan, were referred to my office for review.

We have no comment at this time and look forward to review the Plan Amendment when drafted.

Sincerely,

Jody Hall Esser

Jody Hall Esser, Director
Department of Planning and Development

C: Jeffrey V. Smith, County Executive
Gary A. Graves, Chief Operating Officer
Sylvia Gallegos, Deputy County Executive
Michael Lopez, Planning Manager