



KEYSER MARSTON ASSOCIATES™  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:  
REAL ESTATE  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**To:** Reed Moulds, Managing Director  
Sand Hill Property Management

BERKELEY  
A. JERRY KEYSER  
TIMOTHY C. KELLY  
DEBBIE M. KERN  
DAVID DOEZEMA

**From:** Debbie Kern

**Date:** March 23, 2022

LOS ANGELES  
KATHLEEN H. HEAD  
JAMES A. RABE  
GREGORY D. SOO-HOO  
KEVIN E. ENGSTROM  
JULIE L. ROMEY  
TIM BRETZ

**Subject:** The amount of office space in The Rise will generate additional fiscal surplus beyond that of the amount to be generated by the office space originally evaluated in 2018 by this firm

SAN DIEGO  
PAUL C. MARRA

In accordance with your request, Keyser Marston Associates has reviewed the annual fiscal impact to the City of Cupertino that would be generated by the proposal to increase the amount of office space at the Vallco project from 1,810,000 square feet to 1,981,447 feet. Based on the assumptions of the fiscal analysis that we prepared of the Vallco project in 2018, the additional office space would increase the project's overall net annual fiscal surplus to the City. The 2018 analysis indicated that the base Vallco project would annually generate a net fiscal surplus to the City of Cupertino of \$4.1 million per year. With the additional office space, the annual net surplus is anticipated to total \$4.3 million per year. A summary comparison of the annual fiscal impacts of the project reflecting 1,981,447 square feet of office and 1,810,000 square feet of office is presented in the attached Table 1.

**Satisfaction of General Plan Requirement**

Our firm reviewed the project, which included 1,810,000 square feet of office, when the development application was submitted in 2018. The result of that application was the approval of the project with an actual office component of 1,981,447 square feet of office. That project, as well as the project as presently modified, will continue to generate significant fiscal benefits when compared to the pre-existing mall, consistent with the General Plan strategy.

Please let me know if we could be of further assistance.

**Table 1**

**Comparison of Fiscal Impacts of Vallco Project with 1,810,000 square feet as evaluated in 2018 to Fiscal Impacts of Vallco Project with 1,981,447 square feet  
Cupertino, CA**

<b>Summary of Net General Fund Impact</b>	<b>Total Annual Impact Upon Buildout</b>		
	<i>Project with 1,981,447 SF of Office</i>	<i>Project with 1,810,000 SF of Office</i>	<i>Difference</i>
<b>Annual Direct General Fund</b>			
Sales and Use Tax	\$2,693,000	\$2,624,000	\$69,000
Property Taxes	\$2,569,000	\$2,442,000	\$127,000
Property Tax In-Lieu of MVLF	\$1,395,000	\$1,322,000	\$73,000
Utility User Tax	\$387,000	\$375,000	\$12,000
Franchise Fees	\$367,000	\$356,000	\$11,000
Business License Tax	\$24,000	\$24,000	\$0
Fines, Forfeitures and Other Fees	\$74,000	\$72,000	\$2,000
Gas Tax	\$0	\$0	\$0
Charges for Services	\$0	\$0	\$0
Property Transfer Tax	\$60,000	\$60,000	\$0
<b>Total Direct GF Revenues</b>	<b>\$7,569,000</b>	<b>\$7,275,000</b>	<b>\$294,000</b>
<b>Annual General Fund Expenditures</b>			
Public Works	\$1,479,000	\$1,434,000	\$45,000
Law Enforcement	\$843,000	\$817,000	\$26,000
Transfers Out	\$666,000	\$646,000	\$20,000
Recreation Services	\$404,000	\$392,000	\$12,000
Administration	\$150,000	\$145,000	\$5,000
Administrative Services	\$94,000	\$91,000	\$3,000
Councils and Commissions	\$26,000	\$25,000	\$1,000
Public Affairs	-\$1,000	-\$1,000	\$0
Community Development	\$0	\$0	\$0
<b>Total GF Expenditures</b>	<b>\$3,661,000</b>	<b>\$3,549,000</b>	<b>\$112,000</b>
<b>Net Annual Direct GF Revenue</b>	<b>\$3,908,000</b>	<b>\$3,726,000</b>	<b>\$182,000</b>
<b>Additional Annual Indirect General Fund Revenues</b>			
Sales Tax: Resident Spending	\$318,000	\$318,000	\$0
Sales Tax: Retail Employee Spending	\$5,000	\$5,000	\$0
Sales Tax: Office Employee Spending	\$68,000	\$62,000	\$6,000
<b>Total Indirect GF Revenues</b>	<b>\$391,000</b>	<b>\$385,000</b>	<b>\$6,000</b>
<b>Net Annual Dir. and Indir. GF Rev.</b>	<b>\$4,299,000</b>	<b>\$4,111,000</b>	<b>\$188,000</b>