

Financing Guidance

Consistent with the land use, transportation and infrastructure analyses, the financial assessment represents a Study Area-wide, initial assessment designed to highlight potential financing challenges and solutions. In addition to the conduct of more detailed planning, transportation and engineering analyses (all of which would further inform the financial picture), the City should consider the following key issues as further studies are conducted:

1. **Careful consideration should be given to the scale/geography of future infrastructure financing decisions.** The infrastructure improvements list highlights the Study Area-serving nature of many of the major improvements, including the connections across the railroads. Whether future planning efforts occur at a Study Area-wide level or within subareas, successful financing of these improvements may depend on financial contributions from development throughout the Study Area. As a result, Study Area level financing mechanisms, such as a new area development impact fee across the whole Study Area, may be appropriate even if planning and development evolves on a subarea basis.
2. **Some level of flexibility may be required to accommodate the broad range of sites, redevelopment challenges and landowner preferences.** The Study Area includes a broad set of land with variations in parcel size, current uses (vacant vs. occupied) and locational character (adjacency to the Tesla Factory vs. adjacency to future BART station). Some financing tools may only be appropriate and/or applicable to certain subareas/parcels. For example, Community Facilities Districts will require landowner votes and, as such, may be best suited to large vacant or heavily under-utilized parcels.
3. **The application of the citywide development impact fees should be given careful consideration.** Citywide development impact fees provide an important source of funding for capital improvements throughout the City. The City may want to update its development impact fee once a new land use designation has been adopted for the Study Area. Decisions concerning the inclusion of Study Area infrastructure or other improvements (and the associated possibility for fee credits/fee investment in the Study Area) could have a substantial impact on the financing challenge/funding gap.
4. **The alternatives with residential development may provide an overall infrastructure financing benefit.** While the preliminary financing analysis does not point to a clear advantage for any one alternative, the inclusion of residential development in the land use program may support infrastructure financing. Specifically, the additional product diversity created, the higher potential improved land values and the potential for faster absorption may provide a stronger development feasibility basis. Consistent with the point above, this will only be true if a financing strategy is devised Study Area-wide.
5. **The City should consider the establishment of an Infrastructure Financing District (IFD).** Without availability of redevelopment financing, IFDs may provide the best approach to closing funding gaps that remain after other measures have been taken. While IFDs are complex to establish and do directly impact property tax flows to the General Fund, there may be an opportunity for IFD financing to support Study Area development that also provides a net positive impact on the City's General Fund.

FISCAL AND ECONOMIC ANALYSIS

The fiscal and economic impacts analysis consists of three components: fiscal impact analysis; employment and wage analysis; and economic impacts. These analyses are tools to compare the relative fiscal revenues/costs and combination of economic benefits provided under each land use alternative. There are seven key findings that relate to each of the three analytical components. Each set is noted here along with the key charts or tables that relate to those findings.

Fiscal Impact Findings

The fiscal impact analysis examined the impact of growth/new development on the City’s General Fund by projecting costs and revenues for the City under each alternative, thus arriving at the alternative’s “net fiscal benefit”, i.e. the net loss or gain to the City’s General Fund. The key findings of the fiscal impact analysis presented along with relevant graphics to provide supporting data are as follows:

1. The net fiscal benefit is positive for all alternatives (see Figure 14)
 - * Alternative 1 provides the highest revenue relative to costs
 - * Alternative 3 provides the greatest total revenue
2. Property value increases drive tax revenue increases (see Figure 15)
 - * Such revenues include property tax, property transfer tax and vehicle license fee revenues linked to property tax increases
3. Public safety collectively drives the greatest cost increases (see Figure 16)
 - * Such costs include police and fire services

Figure 14: Comparison of General Fund Revenues and Costs

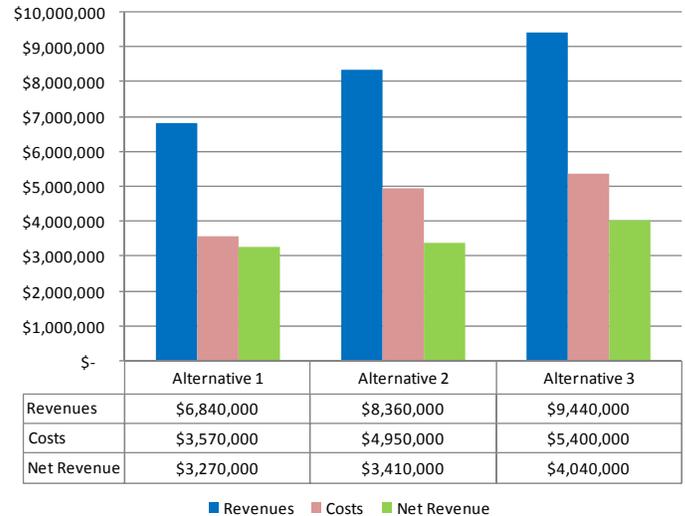


Figure 15: Composition of Revenues by Alternative

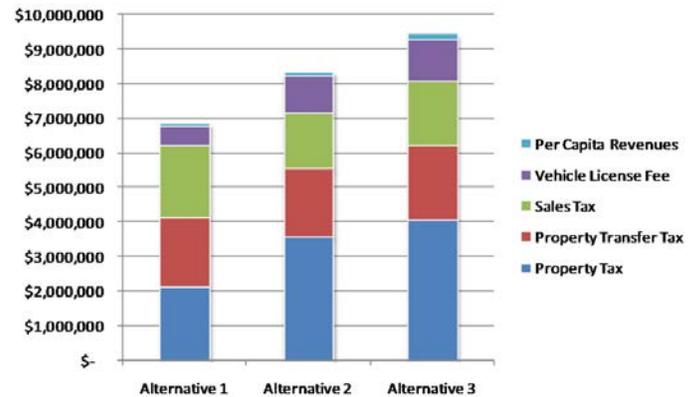
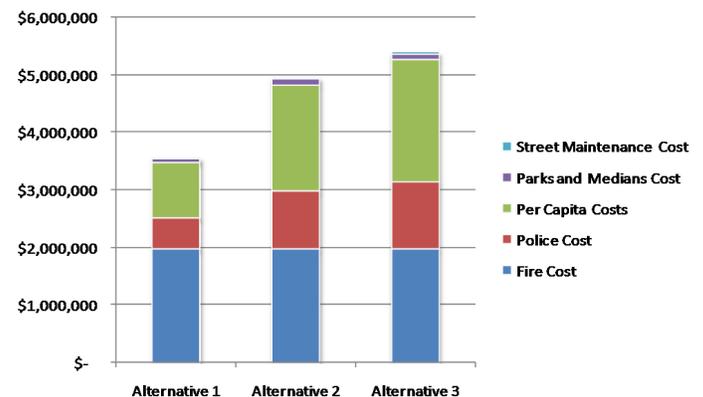


Figure 16: Composition of Costs by Alternative



Employment and Wage Findings

4. Alternative 1 represents the highest aggregate compensation due to the number of jobs (see Figure 17).
5. Alternative 1 provides more production, distribution, and installation/repair/maintenance jobs. Alternatives 2 and 3 include relatively more jobs associated with research and development and office uses (such as management, architecture and engineering, and the sciences). Alternative 3 also includes more jobs associated with retail, restaurants, and personal services (see Figure 18).

Economic Impacts Analysis Findings

The economic impact analysis measures the “ripple effect” of a dollar circulating through the regional economy. It measures additional jobs, “output” (sales of goods/services/materials) and worker earnings in the Bay Area (see Figure 19).

6. Alternative 1 provides the highest overall benefits
7. Alternatives 2 and 3 generate higher regional earnings, jobs, and output impacts per worker than Alternative 1, but total impacts for those alternatives are lower since they contain fewer jobs than Alternative 1.”

Figure 17: Jobs and Average Wages

Land Use Designation	Study Area Jobs	Average Compensation per Job
Alternative 1	23,200	\$ 100,500
Alternative 2	17,700	\$ 100,600
Alternative 3	18,800	\$ 102,300

Source: BLS, 2010 and 2011; Strategic Economics, 2011..

Figure 18: Top Occupations for Land Use Alternatives

Occupation Type	Alt 1 % of Total	Alt 2 % of Total	Alt 3 % of Total	Mean Annual Wage (Oakland-Fremont MSA)
Computer and Mathematical	26%	22%	22%	\$85,400
Office and Administrative Support	16%	15%	15%	\$41,370
Production	9%	9%	6%	\$37,890
Installation, Maintenance, and Repair	9%	7%	7%	\$53,130
Management	8%	9%	9%	\$121,970
Architecture and Engineering	8%	9%	10%	\$90,170
Sales and Related	7%	7%	7%	\$43,420
Business and Financial Operations	7%	7%	7%	\$77,810
Transportation and Material Moving	3%	3%	2%	\$38,980
Life, Physical, and Social Sciences	2%	5%	6%	\$79,470
Other	5%	7%	8%	N/A
Total (All Occupations)	100%	100%	100%	\$56,360

Source: OES, 2010; BLS, 2010 and 2011; Strategic Economics, 2011.

Figure 19: Total Regional Economic Impacts of Land Use Alternatives

	Aggregate Earnings	Study Area and Regional Jobs	Output
Alternative 1	\$ 4,387,500,000	59,300	\$ 13,825,800,000
Alternative 2	\$ 3,488,100,000	49,000	\$ 11,012,700,000
Alternative 3	\$ 3,821,100,000	54,200	\$ 12,002,500,000

Source: Sources: BEA, 2011; BLS, 2010 and 2011; Strategic Economics, 2011.

