

# MEMORANDUM

Office of the City Manager



**DATE:** January 10, 2022

**TO:** Mayor and Council

**THROUGH:** Steve McHarris, City Manager *Steve McHarris*

**FROM:** Ashwini Kantak, Assistant City Manager *Ashwini Kantak*

**SUBJECT:** Status of CSCDA Turing Project Proposal

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This Information Memorandum provides an update on the ongoing discussions with the Project Team related to the Turing/CSCDA project.

On November 1, 2021, the Council directed staff to continue to pursue the proposal and return with a framework and goals for evaluating the Turing proposal as well as similar CSCDA proposals that may come before the Council in the future. The framework and goals would address the issues identified by staff in the November 1st Council agenda report and would provide the basis for preparing the Public Benefit and Regulatory Agreements to authorize the property transfer. Council also supported a staff recommendation to require the Turing Project Team to provide additional funds to complete the remaining staff, City Attorney, and consultant work. The Council further directed staff to return by the end of January with a recommendation.

While meaningful discussions have occurred with the Turing Team since the Council meeting in November, it will not be feasible to present a draft agreement for Council consideration in January due to pending information from the Turing Team.

Following is a summary of progress made since the November 1<sup>st</sup> Council meeting:

- 1) To further address questions regarding the potential financial risk exposure to the City, staff has retained Fieldman and Rolapp, a recognized expert in municipal bond financing, to analyze the CSCDA bond structure for the Turing proposal. Funds for the bond analysis are being paid for the Turing Team
- 2) Necessary information to complete the bond analysis was requested by Fieldman and Rolapp on December 10th. This information from the Turing Team is still pending. The bond analysis is necessary for understanding the financial aspects and City risks associated with the CSCDA bonds and for completing the framework and goals. The delay in the bond analysis is a primary factor affecting the need to shift the Council date for this agenda item.
- 3) Agreement was reached on the amount of the annual Host Fee (\$361,970 for 2022) that would be paid through project income to fully cover the City's lost property taxes and property tax in lieu of vehicle license fees (PTILVLF). The Turing project would continue to pay property taxes for the retail portion of the project.
- 4) It has been confirmed that the Milpitas Unified School District's lost property tax revenue would be backfilled by the State, but that the San Jose-Evergreen Community College District, as a "Basic

Aid" district, would not qualify for a property tax backfill. Further, the Turing property tax bill includes general obligation bonds issued by the County, the School Districts, and other agencies. These obligations would no longer be levied on the property, but the property tax on other properties in the issuers' territories would slightly increase to fulfill the debt service obligation.

- 5) The Turing Team has submitted provisions to include in the Public Benefit Agreement to partially respond to the staff recommendations outlined in the November 1<sup>st</sup> Council agenda report. These provisions include Regulatory Agreement reporting, capital improvement funding during the full bond term, property management, and annual property performance and maintenance reports.
- 6) On December 17th, a framework with draft goals and performance measures for evaluating CSCDA proposals was provided to the Turing Team for review. The framework largely incorporates the staff and consultant recommendations that were previously presented to the Council. The Turing Team was requested to submit a consolidated proposal or draft agreements that indicate the extent of compliance with the draft goals and performance measures. Staff is awaiting a response.
- 7) In response to Council comments, staff will continue to discuss with the Turing Team the feasibility of improving the affordability of the project and ensuring that the dwelling units will serve moderate and lower-income households as defined by the California Department of Housing and Community Development (HCD) for Santa Clara County. The present affordability proposal allows maximum rents to exceed HCD moderate-income rent limits for a large percentage of the units.

Staff will continue to keep the Council apprised on the status of the CSCDA Turing proposal and will confirm a Council agenda date once the bond analysis, draft goals and performance measures, and draft agreement are ready for Council consideration and action.