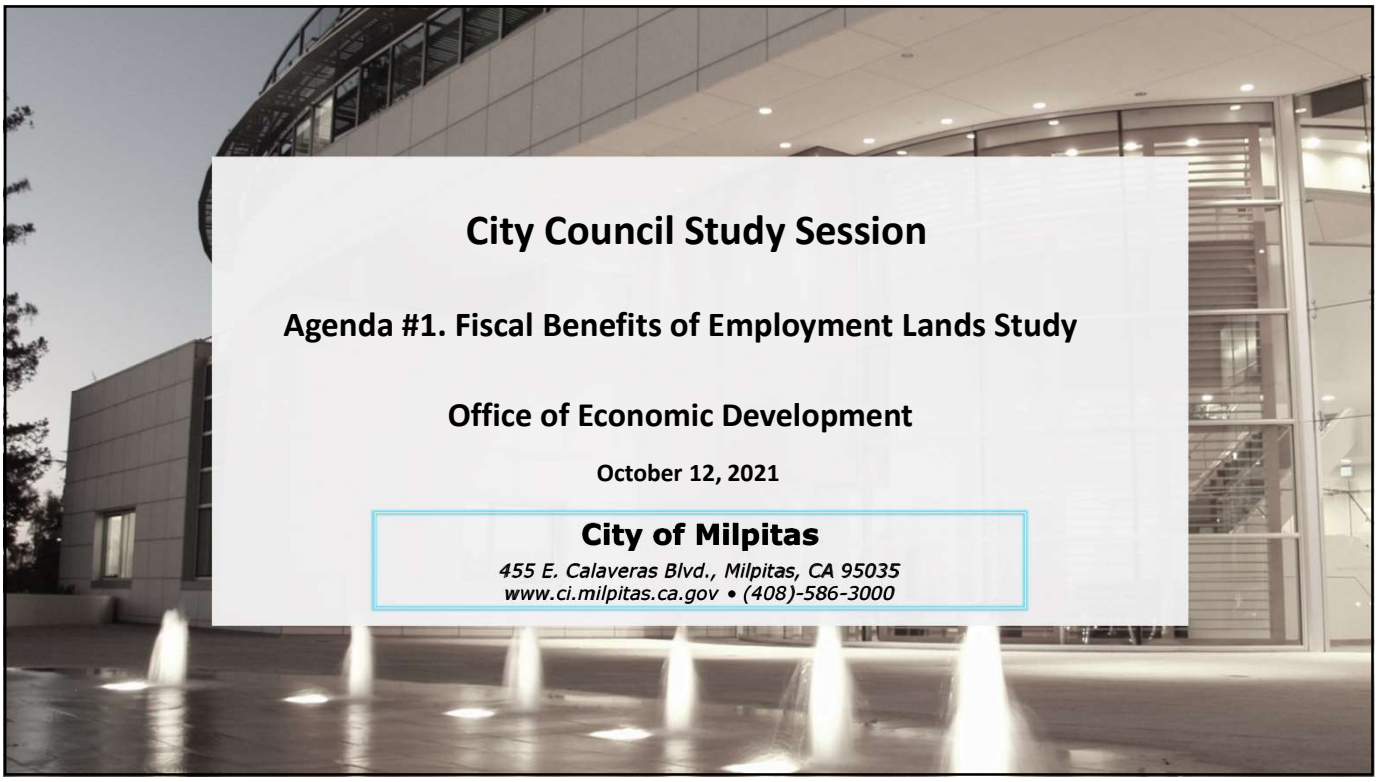

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Presentation Outline

Discussion Topics

Importance of the Fiscal Benefits of Employment Lands

Study, Background, Summary of Findings

Phase 1 Findings – Fiscal Impact Analysis, Occupation & Wage Analysis, Innovation District Development Scenario Analysis, & Residual Land Value Analysis

Phase 2 – Innovation District Framework Plan

Next Steps & Recommendation

CITY OF MILPITAS

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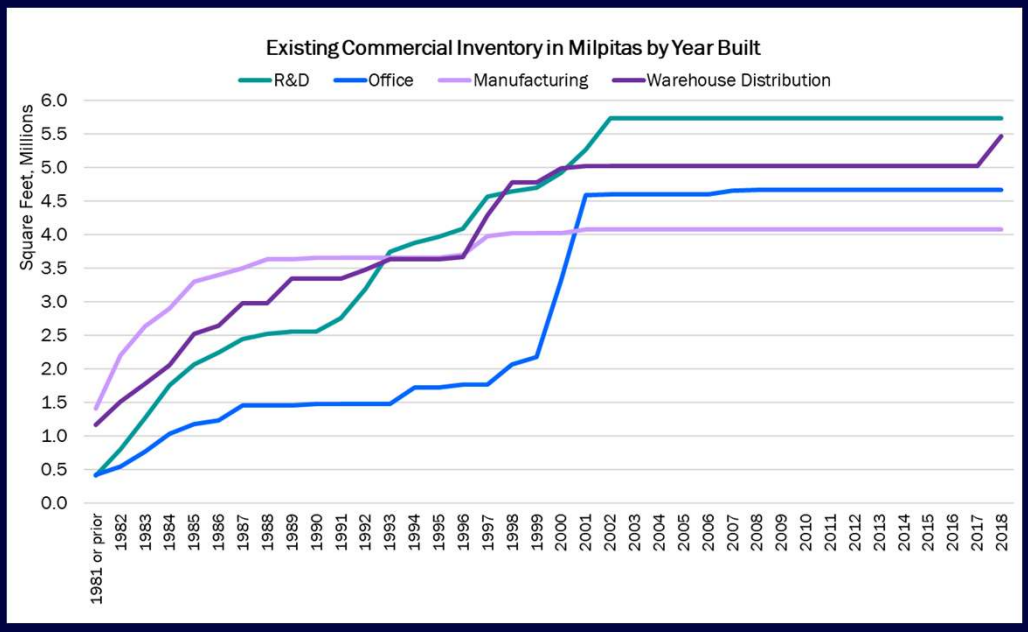
Historical R&D, Manufacturing & Distribution Growth



Source: CoStar, 2019; Strategic Economics, 2019.

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3

Occupational Mix & Diverse Workforce

Occupation	Jobs in Milpitas	Avg Annual Wages
Software Developers and Programmers	2,827	$132,700
Retail Salespersons	1,708	$32,400
Electrical and Electronics Assemblers	1,666	$44,000
Electrical and Electronics Engineers	1,280	$133,900
Fast Food and Counter Workers	1,261	$28,300
Laborers and Material Movers	1,092	$35,800
Engineering Technicians, Except Drafters	996	$68,900
Waiters and Waitresses	985	$31,600
Cashiers	963	$29,700
Cooks	951	$32,000
All Occupations – Including others	Approx. 52,000	

Source: NOVA, Q2 2019; CoStar, 2019; Strategic Economics, 2019.

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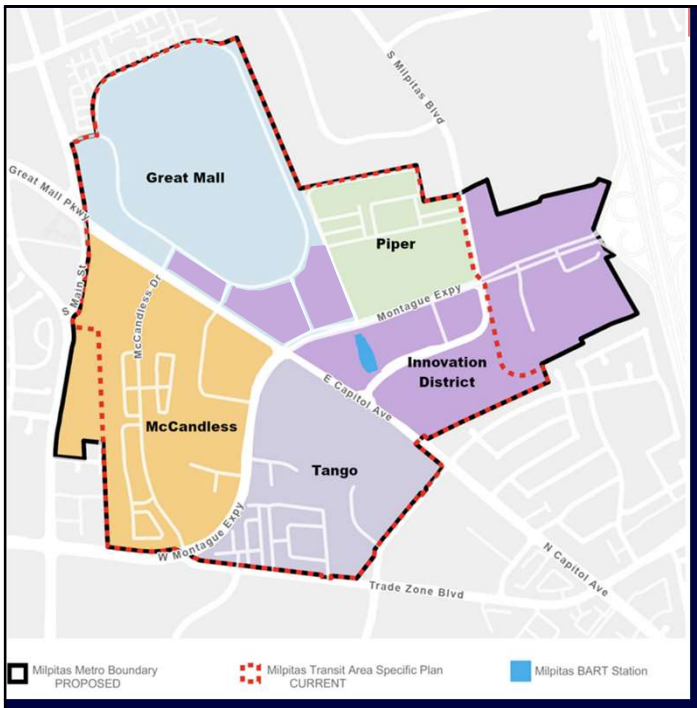

Milpitas Innovation District

Vision:

The Innovation District will be designed as an employment destination with modern office, R&D buildings and flexible space for people to interact through "creative collisions" and placemaking.

The aim is to plan for a well-connected Innovation District with proximity to public transit and infrastructure that supports bike paths, pedestrian scale sidewalks, social gathering places, and high-speed fiber.

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Milpitas Innovation District Benefits

1. Strengthen City's Long-Term Fiscal Sustainability
2. Growing Milpitas Economy
3. Business Attraction & Business Retention in Milpitas
4. Employment and Upskilling Opportunities for Milpitas Residents
5. A Sense of Place for the Milpitas Metro District
6. Connectivity to the Milpitas Transit Center

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PRINCIPLES OF DEVELOPMENT

Shaping the Future

INNOVATION DISTRICT

1. *Protect and preserve employment lands* for greater long-term opportunities.
2. Promote *densification and intensification*.
3. Explore *mixed-use opportunities* with commercial development as primary and residential as secondary.
4. Provide *incentives to encourage development* and creative alternatives to parking challenges.
5. Encourage *parcel assembly* for highest and best use.
6. Promote *pedestrian-oriented streets* and activate public spaces through connecting elements.
7. Explore *information technology infrastructure* such as broadband and utilities.

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Fiscal Benefits of Employment Lands Study

Project Purpose:
Why are we studying our employment lands?

Employment lands are significant contributors to cities fiscal stability as these lands provide substantial net positive revenue to the General Funds to support essential and critical city services.

Only ~28% of total City land. Must preserve and protect employment lands to create high-quality jobs in the future.

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Fiscal Benefits of Employment Lands Study - Scope of Work

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Fiscal Benefits of Employment Lands Study

Summary of Findings Phase 1

1. The City's current employment lands make substantial and positive net fiscal contributions to the City's budget.

2. On average, all types of new development in the City are expected to provide positive fiscal contributions to the City, though to varying degrees.

3. Occupational wages in Milpitas tend to not be as strong as Mountain View, Sunnyvale, and Santa Clara.

4. The successful development of an Innovation District would bring a broad range of substantial benefits.

5. City actions can help spur the evolution and development of the Innovation District.

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Phase 1 Findings: Fiscal Impact Analysis

Fiscal Benefits of Employment Lands

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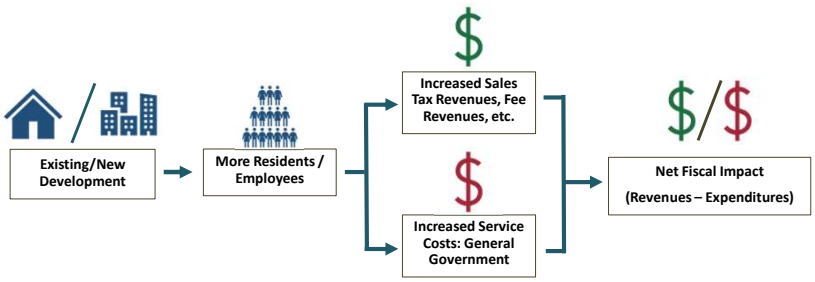
Fiscal Impact Analysis

The Fiscal Impacts Analysis estimates the impact of existing land uses and future developments on the City's General Fund budget.



Source: Economic & Planning Systems, Inc.

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Annual General Fund Net Fiscal Impacts of Existing Land Uses

Table 1

Impacts	Single Family	Multi-Family	Office	Industrial	Retail	Hotel [1]	Other Uses [2]	Total
Total General Fund Revenues	$27,900,000	$10,500,000	$2,000,000	$15,500,000	$17,800,000	$14,300,000	$2,100,000	$90,200,00
Total General Fund Expenditures	$60,400,000	$17,300,000	$3,600,000	$13,200,000	$2,100,000	$950,000	$5,800,000	$103,400,000
Annual Net Impact on General Fund	($32,400,000)	($6,800,000)	($1,600,000)	$2,200,000	$15,700,000	$13,300,000	($3,700,000)	($13,200,000)

[1] More recent information on the City's transient occupancy tax revenues show a significant decline relative to the 2020/2021 budget.
[2] Other uses include hospitals, civic uses, parking lots, and vacant land.

Source: City of Milpitas 2020-2021 Adopted Budget & Financial Plan; Economic & Planning Systems, Inc.

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Annual General Fund Net Fiscal Impacts of New Land Uses

Table 2

Impacts	Mid-Rise Multifamily	High-Rise Multifamily	Class A Office	Class B Office	Office/ R&D	Light Industrial	Warehouse/ Distribution	Retail	Hotel
Total General Fund Revenues	$333,000	$685,000	$773,000	$141,000	$429,000	$165,000	$84,000	$361,000	$2,088,000
Total General Fund Expenditures	$314,000	$629,000	$346,000	$69,000	$173,000	$52,000	$16,000	$41,000	$21,000
Annual Net Impact on General Fund	$18,000	$56,000	$427,000	$71,000	$256,000	$113,000	$68,000	$320,000	$2,066,000

Source: City of Milpitas 2020-2021 Adopted Budget & Financial Plan; Economic & Planning Systems, Inc.

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Phase 1 Findings: Occupation & Wage Analysis

Fiscal Benefits of Employment Lands

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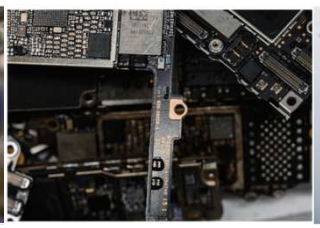
Occupation & Wage Analysis

The Occupational and Wage Analysis estimates the expected number of jobs and wages generated by development and occupancy of different commercial developments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Methodology

Downloaded wages and number of jobs by city and industry from U.S. Census Bureau

Example: 889 Information jobs in Milpitas pay average annual wage of $142,000.

Mapped 11 industries to 7 land use types

Example: Information; Finance; Professional Services → Class A Office

Calculated average wage by city and land use type as weighted average of wage and number of jobs

Example: Class A Office jobs in Milpitas pay average annual wage of $121,500.

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Annual Wages by Land Use/Development Type

Table 4

Land Use/Development Type	Milpitas	Santa Clara	Sunnyvale	Mountain View [1]
Class A Office	$121,500	$112,400	$120,900	$130,500
Class A Office/R&D	$122,100	$120,600	$135,700	$145,900
Class B Office	$78,200	$88,300	$55,300	$80,500
Light Industrial	$89,500	$120,600	$135,600	$120,600
Warehouse/Distribution [1]	$39,300	$43,600	$75,200	-
Retail	$34,000	$31,300	$41,100	$51,000
Hotel	$33,900	$21,700	$23,600	$25,800

[1] Mountain View has a low number of warehouse/distribution jobs, providing insufficient data to provide a meaningful average.

Source: Economic & Planning Systems; U.S. Census Bureau

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Phase 1 Findings: Innovation District Development Scenarios Analysis

Fiscal Benefits of Employment Lands

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Innovation District Development Scenarios Analysis

The Innovation District Development Scenarios Analysis estimates the different levels of development, jobs, salaries, and fiscal impacts based on the buildout of various Innovation District land use scenarios.

Today

Future

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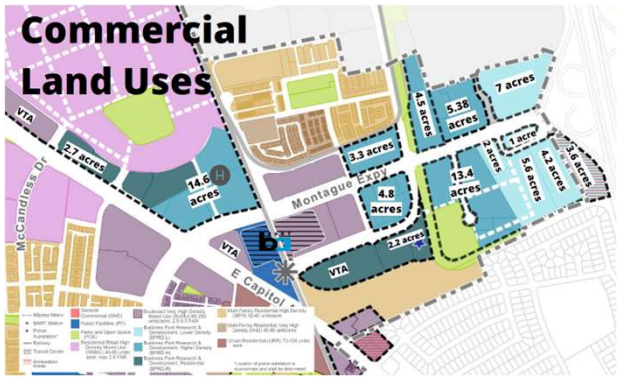
Methodology



Defined 4 innovation district scenarios by building square footage and land use mix

Applied Fiscal Impact Analysis and Occupation and Wage Analysis results to scenarios

Calculated expected net fiscal impact, employment, and salaries for each scenario

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Innovation District Scenario By Land Use

Table 8

Scenario [1]	Employment Lands								Non-Employment Lands	
	Class A Office	Class A Office/R&D	Class B Office	Industrial	Warehouse/ Distribution	Hotel	Commercia/ Retail	Total	Housing	Other [2]
Scenario 1 Current Uses	0%	0%	13%	12%	43%	9%	2%	**79%**	0%	21%
Scenario 2 Retail and Warehouse	5%	6%	0%	0%	31%	6%	48%	**96%**	0%	4%
Scenario 3 Office/R&D/Industrial	23%	27%	0%	31%	0%	9%	0%	**91%**	5%	4%
Scenario 4 Class A Office/R&D	42%	45%	0%	0%	0%	9%	0%	**96%**	0%	4%

[1] Innovation District is a total of 74.4 acres.
[2] Other uses include Open Space, Assembly, Vacant lands.

Source: Economic & Planning Systems; U.S. Census Bureau

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Projected Employment, Wages, Net Impact by Scenario

Table 10-15

Scenario	Total Employment Lands Building Square Footage	Class A Office and R&D as % of Total Employment Lands	Employees	Total Annual Salaries [1]	Annual Net Fiscal Impact
Scenario 1 Current Uses	1,630,000	0%	2,006	$140,500,000	$6,500,000
Scenario 2 Retail and Warehouse	1,743,000	24.5%	3,488	$306,800,000	$6,800,000
Scenario 3 Office/R&D/Industrial Blend	2,987,000	67.1%	9,441	$1,213,700,000	$8,700,000
Scenario 4 Class A Office/R&D	3,860,000	90.4%	14,183	$1,868,800,000	$10,000,000

[1] Total annual salaries represents estimated total salaries associated with the New Employees in the Innovation District

Source: Economic & Planning Systems; U.S. Census Bureau

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Phase 1 Findings: Residual Land Value Analysis

Fiscal Benefits of Employment Lands

CITY OF MILPITAS

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Residual Land Value Analysis

A Residual Land Value Analysis estimates the development revenues to development costs to determine if a development project "pencils out."

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Developer Decisions – Revenues vs. Costs

Land Costs - Are good sites (infrastructure, size, adjacent uses) available and at what cost?

Construction Costs/ Hard Costs - Material Costs (Lumber; Steel; etc.) and Construction Labor

Soft Costs - Architecture + Engineering; Marketing; Financing; Project Management

City Permits and Fees - Entitlement Costs/ Timing; Impact Fees; Affordable Housing Fees

REVENUES
Developer Return - Hurdle Level of Return; sufficient Revenue to repay Lenders/ Investors, and make risk of investment worthwhile

Source: Economic & Planning Systems

Developers compare Revenues and Development Costs to see if a project "Pencils Out"

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Development Costs Categories

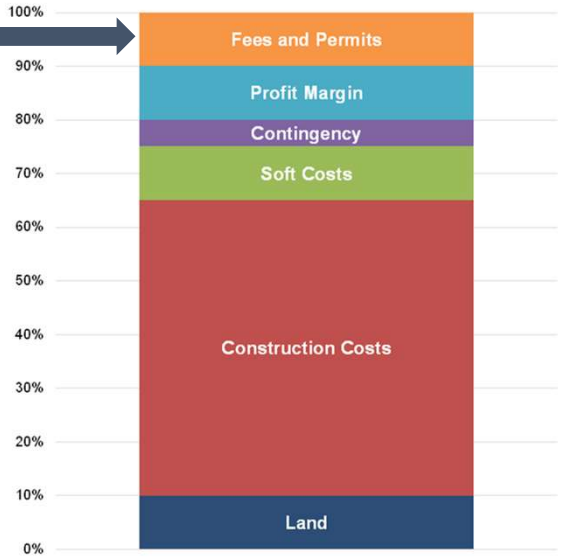
City Influence on Development Costs

Many costs are outside of City control, though several are determined by City policy, including:

- Development Impact Fees
- Limits on Land Uses
- Setbacks/Heights Limits
- Parking Requirements
- Ground Floor Retail

Fees are set by Cities or Other Agencies to cover impacts and provide public improvements

Source: Economic & Planning Systems



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Results of Residual Land Value Analysis

Light Industrial

Warehouse and Distribution

Townhomes

Mid-Rise Residential

Class A Office *(5,8 Story)*

Class A Office/ R&D *(4-5 Story)*

High-Rise Residential *(12 Story)*

These uses are supported by current Development Economics and are being built.

Source: Economic & Planning Systems

Future Opportunities

Not currently supported **BUT** may be accommodated in the ID by protecting and preserving employment lands; Policy Levers; etc.

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Baseline vs Improved RLV Results by Development Prototype

Table 7

Prototype	Building SF/ Units	Costs	Value	Residual Land Value
Class A Office/ 5-story				
Baseline	217,800	$157,400,000	$104,700,000	($52,700,000)
Improved	217,800	$138,100,000	$145,100,000	$7,000,000
Class A Office/ 8-story				
Baseline	326,700	$250,000,000	$157,100,000	($92,900,000)
Improved	326,700	$217,200,000	$217,600,000	$400,000
Class A Office/ R&D				
Baseline	217,800	$128,800,000	$96,300,000	($32,500,000)
Improved	217,800	$117,800,000	$123,000,000	$5,200,000
High-Rise Residential				
Baseline	360	$234,700,000	$229,600,000	($5,100,000)
Improved	360	$234,700,000	$237,800,000	$3,100,000

Source: Economic & Planning Systems

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Phase 2: Innovation District Framework Plan

Fiscal Benefits of Employment Lands

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Innovation District Framework Plan

- Phase 2 currently in progress
- Case Studies: Mission Bay (SF); Seaport District (Boston); Fremont (Warm Springs/South Fremont); Sunnyvale (Peery Park District)
- Develop a set of potential policies and actions to support Innovation District implementation

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Next Steps and Recommendation

Fiscal Benefits of Employment Lands

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Policy Options

- *Protect & preserve employment lands* through land use designations
- *Offer flexibility in density & height* to support development economics
- Consider *reduced parking requirements* for employment uses in a transit-oriented area
- Consider *reduced development impact fees* on future Office & R&D projects
- Expedite the *entitlement and permit processes* through Development Agreements & facilitating pre-development meetings
- City's investment in *public infrastructure* benefits the community

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Next Steps

Economic Development & Trade Commission, Milpitas Chamber Board

Mar 2021

Phase 1: Technical Analyses

Jun-Oct 2021

Phase 2: Innovation District Framework Plan

Currently In Progress

City Council, Economic Development & Trade Commission

Oct 2021

We Are Here

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Fiscal Benefits of Employment Lands

Discussion Questions:

1. Does the City Council agree with the vision and direction of the Innovation District?

2. Does the City Council agree with the 7 Principles of Development for the Innovation District or are there other principles that should be considered?

3. Does the City Council agree with the proposed policy actions, or are there other policy actions that the City Council may want to explore?

4. Does the City Council have feedback on the Phase I Technical Report and its summary of findings?

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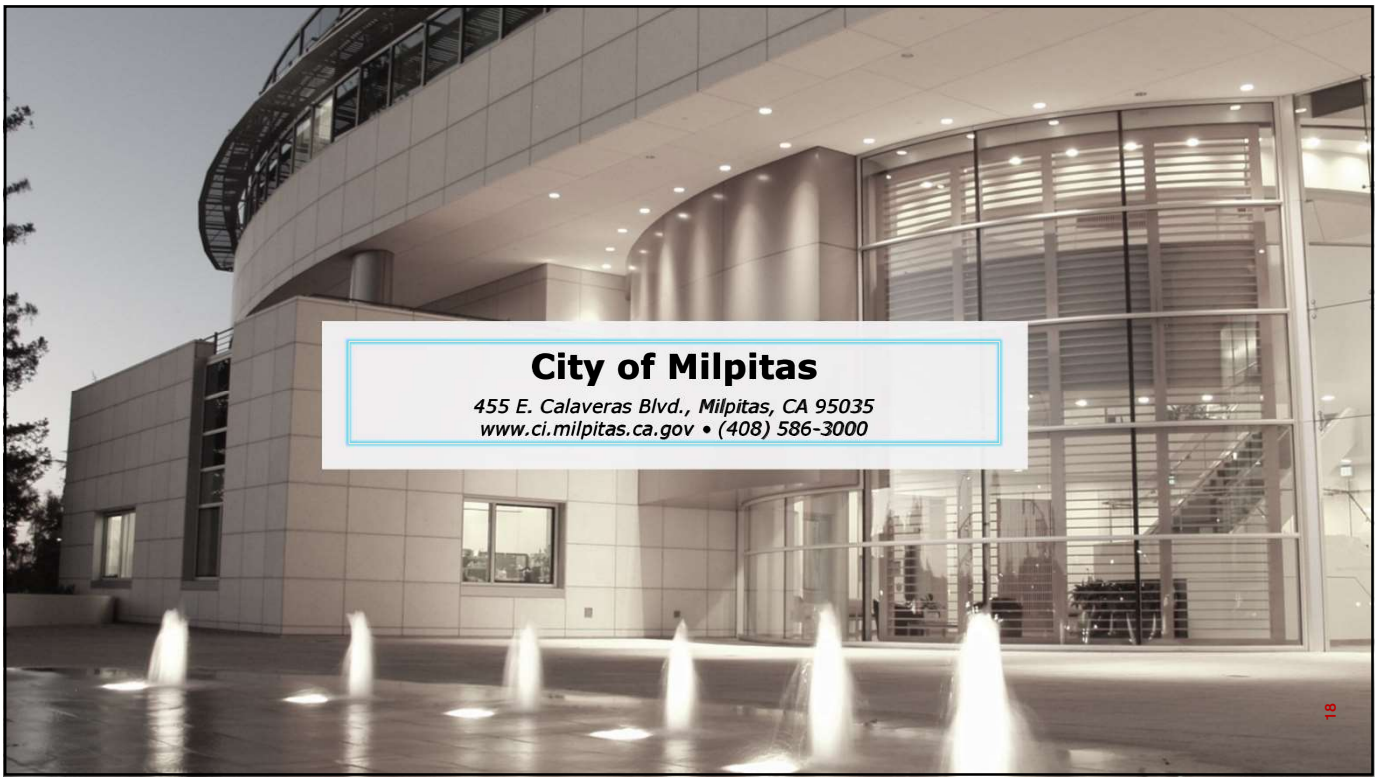

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Table 1. Annual General Fund Net Fiscal Impacts of Existing Land Uses

Annual General Fund Impacts	Single Family[1]	Multi-Family[1]	Office	Industrial	Retail	Hotel	Other Uses	Total
General Fund Revenues								
Property Tax	$14,774,099	$6,671,212	$544,022	$6,251,994	$1,931,997	$627,253	$941,356	$31,741,933
Property Tax In-Lieu of VLF	$3,696,107	$1,668,969	$136,100	$1,564,091	$483,337	$156,923	$235,503	$7,941,031
Sales Taxes	$3,752,701	$1,076,926	$822,258	$6,950,982	$15,514,270	$34,669	$220,146	$28,371,951
Real Estate Transfer Tax	$370,582	$167,335	$13,646	$156,820	$48,461	$15,734	$23,612	$796,190
Business License Tax	$0	$0	$54,661	$199,016	$32,036	$14,356	$65,582	$365,650
Motor Vehicle In-Lieu	$26,708	$7,665	$0	$0	$0	$0	$647	$35,020
Other Taxes	$397,290	$175,000	$68,307	$355,836	$80,496	$30,089	$89,841	$1,196,860
Franchise Fees	$3,221,727	$924,550	$192,907	$702,353	$113,058	$50,663	$309,528	$5,514,787
Transient Occupancy Tax	$0	$0	$0	$0	$0	$13,452,683	$0	$13,452,683
Licenses, Permits, and Fines	$5,787,719	$1,660,922	$346,551	$1,261,752	$203,105	$91,015	$556,055	$9,907,120
Total Revenues	**$27,933,537**	**$10,508,610**	**$1,974,045**	**$15,522,917**	**$17,842,927**	**$14,286,373**	**$2,116,925**	**$90,185,334**
	31%	*12%*	*2%*	*17%*	*20%*	*16%*	*2%*	*100%*
General Fund Expenditures								
General Government	$2,511,645	$720,775	$150,390	$547,551	$88,140	$39,497	$241,306	$4,299,304
Economic Development	$534,026	$153,251	$31,976	$116,420	$18,740	$8,398	$51,307	$914,118
Building Safety & Housing	$4,032,635	$1,157,260	$241,462	$879,135	$141,515	$63,415	$387,436	$6,902,858
Engineering	$1,367,502	$392,437	$81,882	$298,122	$47,989	$21,505	$131,383	$2,340,819
Finance	$2,545,109	$730,379	$152,393	$554,847	$89,314	$40,023	$244,521	$4,356,586
Fire	$16,252,557	$4,664,053	$973,154	$3,543,140	$570,341	$255,581	$1,561,465	$27,820,292
Human Resources	$1,227,784	$352,341	$73,516	$267,663	$43,086	$19,308	$117,959	$2,101,657
Information Technology	$2,174,120	$623,915	$130,180	$473,969	$76,295	$34,189	$208,879	$3,721,547
Planning	$579,456	$166,289	$34,696	$126,324	$20,334	$9,112	$55,671	$991,883
Police	$21,940,150	$6,296,242	$1,313,710	$4,783,064	$769,932	$345,021	$2,107,901	$37,556,020
Public Works	$5,348,454	$1,534,865	$320,249	$1,165,990	$187,690	$84,107	$513,853	$9,155,209
Recreation & Community Services	$1,905,131	$546,722	$114,074	$415,328	$66,856	$29,959	$183,036	$3,261,106
Total Expenditures	**$60,418,568**	**$17,338,528**	**$3,617,682**	**$13,171,555**	**$2,120,232**	**$950,116**	**$5,804,717**	**$103,421,399**
	58%	*17%*	*3%*	*13%*	*2%*	*1%*	*6%*	*100%*
Annual Net Impact on General Fund	**($32,485,031)**	**($6,829,918)**	**($1,643,637)**	**$2,351,362**	**$15,722,695**	**$13,336,257**	**($3,687,792)**	**($13,236,065)**

[1] Residential developments in the TASP/CFD area pay an additional annual CFD special tax toward the provision of public services throughout the TASP. These revenues do not flow into the City's General Fund and therefore are omitted from this table.

Source: Economic & Planning Systems

CITY OF MILPITAS

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Table 2. Annual General Fund Net Fiscal Impacts of New Land Uses

Annual General Fund Impacts	Mid-Rise Multifamily[1]	High-Rise Multifamily[1]	Class A Office	Class B Office	Office/ R&D	Light Industrial	Warehouse/ Distribution	Retail	Hotel
General Fund Revenues									
Property Tax	$191,702	$397,211	$352,556	$59,768	$199,254	$78,611	$39,374	$68,201	$126,707
Property Tax In-Lieu of VLF	$47,959	$99,372	$88,201	$14,952	$49,848	$19,666	$9,850	$17,062	$31,699
Sales Taxes	$28,005	$57,993	$156,730	$31,010	$91,922	$40,181	$25,964	$254,244	$801
Real Estate Transfer Tax	$5,207	$10,788	$4,788	$812	$2,706	$1,068	$535	$926	$1,721
Business License Tax	$0	$0	$10,032	$2,006	$5,016	$1,505	$463	$1,191	$614
Motor Vehicle In-Lieu	$218	$437	$0	$0	$0	$0	$0	$0	$0
Other Taxes	$5,425	$11,225	$14,820	$2,818	$7,722	$2,572	$998	$2,118	$2,335
Franchise Fees	$21,341	$42,681	$57,382	$11,476	$28,691	$8,607	$2,648	$6,814	$3,513
Transient Occupancy Tax	$0	$0	$0	$0	$0	$0	$0	$0	$1,916,250
Licenses, Permits, and Fines	$38,338	$76,675	$103,086	$20,617	$51,543	$15,463	$4,758	$12,241	$6,311
Total Revenues	**$332,770**	**$685,158**	**$772,774**	**$140,642**	**$428,980**	**$165,101**	**$83,592**	**$360,681**	**$2,087,616**
per Acre	*$166,385*	*$342,579*	*$154,555*	*$28,128*	*$85,796*	*$33,020*	*$16,718*	*$72,136*	*$835,046*
General Fund Expenditures									
General Government	$3,217	$6,433	$3,537	$707	$1,768	$530	$163	$420	$217
Economic Development	$1,368	$2,736	$1,504	$301	$752	$226	$69	$179	$92
Building Safety & Housing	$10,329	$20,658	$11,357	$2,271	$5,678	$1,703	$524	$1,349	$695
Engineering	$3,503	$7,005	$3,851	$770	$1,926	$578	$178	$457	$236
Finance	$3,260	$6,519	$3,584	$717	$1,792	$538	$165	$426	$219
Fire	$104,073	$208,146	$114,425	$22,885	$57,212	$17,164	$5,281	$13,588	$7,005
Human Resources	$1,572	$3,145	$1,729	$346	$864	$259	$80	$205	$106
Information Technology	$2,784	$5,569	$3,061	$612	$1,531	$459	$141	$364	$187
Planning	$1,484	$2,968	$1,632	$326	$816	$245	$75	$194	$100
Police	$140,493	$280,986	$154,468	$30,894	$77,234	$23,170	$7,129	$18,343	$9,456
Public Works	$34,249	$68,497	$37,655	$7,531	$18,828	$5,648	$1,738	$4,472	$2,305
Recreation & Community Services	$8,133	$16,266	$8,942	$1,788	$4,471	$1,341	$413	$1,062	$547
Total Expenditures	**$314,464**	**$628,929**	**$345,743**	**$69,149**	**$172,872**	**$51,861**	**$15,957**	**$41,057**	**$21,166**
per Acre	*$157,232*	*$314,464*	*$69,149*	*$13,830*	*$34,574*	*$10,372*	*$3,191*	*$8,211*	*$8,466*
Annual Net Impact on General Fund	**$18,305**	**$56,229**	**$427,031**	**$71,493**	**$256,109**	**$113,239**	**$67,635**	**$319,624**	**$2,066,450**
per Acre	*$9,153*	*$28,115*	*$85,406*	*$14,299*	*$51,222*	*$22,648*	*$13,527*	*$63,925*	*$826,580*

[1] The current CFD special tax rate is about $650 per unit annually. As a result, mid-rise residential developments (see prototypes above) in the TASP/CFD area generate a significant additional annual $117,000 in tax revenue per acre of development and high-rise developments an additional $234,000 per acre. The City uses these revenue streams to support additional public safety services in the TASP.

Source: Economic & Planning Systems

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Table 4. Industries and Annual Wages by Land Use/Development Type

Land Use/ Development Type	Milpitas	Santa Clara	Sunnyvale	Mountain View	Primary Industry Sectors
Office/ Industrial					
Class A Office	$121,500	$112,400	$120,900	$130,500	Information; Professional; Management
Class A Office/ R&D	$122,100	$120,600	$135,700	$145,900	Professional; Scientific; Technical
Class B Office	$78,200	$88,300	$55,300	$80,500	Finance, Insurance; Real Estate
Light Industrial	$89,500	$120,600	$135,600	$120,600	Manufacturing
Warehouse/ Distribution [1]	$39,300	$43,600	$75,200	-	Transportation and Warehousing
Retail/ Hotel					
Retail	$34,000	$31,300	$41,100	$51,000	Retail Trade
Hotel	$33,900	$21,700	$23,600	$25,800	Accommodation and Food Services

[1] Mountain View has a low number of warehouse/ distribution jobs, therefore skewing the salary data. For this reason, an average salary is not used in this category as it does not provide a representative comparison.

Source: 2019 1-Year ACS Estimates, Table S2413; U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics.

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Table 7. Baseline vs. Improved Residual Land Value Results by Development Prototype

Prototype	Building SF/ Units	Costs	Value	Residual Land Value	Per Acre Land Value
Class A Office/ 5-Story					
Baseline	217,800	$157,400,000	$104,700,000	($52,700,000)	($10,540,000)
Improved	217,800	$138,100,000	$145,100,000	$7,000,000	$1,400,000
Class A Office/ 8-Story					
Baseline	326,700	$250,000,000	$157,100,000	($92,900,000)	($18,580,000)
Improved	326,700	$217,200,000	$217,600,000	$400,000	$80,000
Class A Office/ R&D					
Baseline	217,800	$128,800,000	$96,300,000	($32,500,000)	($6,500,000)
Improved	217,800	$117,800,000	$123,000,000	$5,200,000	$1,040,000
High-Rise Residential					
Baseline	360	$234,700,000	$229,600,000	($5,100,000)	($2,550,000)
Improved	360	$234,700,000	$237,800,000	$3,100,000	$1,550,000

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Table 8. Innovation District Scenario Acres by Land Use

Land Use	Scen. 1 Acres	Scen. 1 %	Scen. 2 Acres	Scen. 2 %	Scen. 3 Acres	Scen. 3 %	Scen. 4 Acres	Scen. 4 %
Employment Lands								
Class A Office	0.0	0%	3.6	5%	17.2	23%	31.2	42%
Class A Office/R&D	0.0	0%	4.3	6%	20.2	27%	33.3	45%
Class B Office	9.7	13%	0.0	0%	0.0	0%	0.0	0%
Industrial	8.9	12%	0.0	0%	23.4	31%	0.0	0%
Warehouse/Distribution	32.1	43%	23.4	31%	0	0%	0.0	0%
Hotel	6.8	9%	4.5	6%	6.8	9%	6.8	9%
Commercial/ Retail	1.5	2%	35.5	48%	0.0	0%	0.0	0%
Employment Lands Subtotal	**59.0**	**79%**	**71.3**	**96%**	**67.6**	**91%**	**71.3**	**96%**
Nonemployment Lands								
Housing	0.0	0%	0.0	0%	3.7	5%	0.0	0%
Open Space	0.0	0%	3.1	4%	3.1	4%	3.1	4%
Assembly	10.6	14%	0.0	0%	0	0%	0.0	0%
Vacant	4.8	6%	0.0	0%	0.0	0%	0.0	0%
Nonemployment Lands Subtotal	**15.4**	**21%**	**3.1**	**4%**	**6.8**	**9%**	**3.1**	**4%**
Total	**74.4**	**100%**	**74.4**	**100%**	**74.4**	**100%**	**74.4**	**100%**

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Table 10. Residential Units and Employment Lands Building Sq. Ft. by Scenario

Area	Scen. 1	Scen. 2	Scen. 3	Scen. 4
Employment Lands				
Class A Office	0	235,224	1,125,155	2,039,784
Class A Office/ R&D	0	187,308	879,825	1,449,677
Class B Office	168,664	0	0	0
Industrial	232,454	0	611,582	0
Warehouse/Distribution	839,122	611,582	0	0
Hotel	370,260	245,025	370,260	370,260
Commercial/ Retail	19,406	463,888	0	0
Total Employment Lands (Building Sq. Ft.)	**1,629,906**	**1,743,027**	**2,986,822**	**3,859,721**
Residential Units	0	0	331	0

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Table 11. Scenario 1 Summary: Developed Acres, Building Square Footage, Employees, and Salaries

Land Use	Acres	Units/ Sq. ft.	# of Employees	Employees/ Acre	Salary/ Job	Total Annual Salaries
Employment Lands						
Class A Office	0.0	0	0	0	$135,000	$0
Class A Office/ R&D	0.0	0	0	0	$132,000	$0
Class B Office	9.7	168,664	562	58	$77,000	$43,291,000
Industrial	8.9	232,454	465	52	$118,000	$54,859,000
Warehouse/Distribution	32.1	839,122	645	20	$51,000	$32,919,000
Hotel	6.8	370,260	285	42	$25,000	$7,120,000
Commercial/ Retail	1.5	19,406	49	33	$47,000	$2,280,000
Total	**59.0**	**1,629,906**	**2,006**	**34**	**$70,000**	**$140,469,000**
Residential	0.0	0	na	na	na	na

* Excludes any open space, assembly uses, and vacant land.

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Table 12. Scenario 2 Summary: Developed Acres, Building Square Footage, Employees, and Salaries

Land Use	Acres	Units/ Sq. ft.	# of Employees	Employees/ Acre	Salary/ Job	Total Annual Salaries
Employment Lands						
Class A Office	3.6	235,224	1,045	290	$135,000	$141,134,000
Class A Office/ R&D	4.3	187,308	624	145	$132,000	$82,416,000
Class B Office	0.0	0	0	0	$77,000	$0
Industrial	0.0	0	0	0	$118,000	$0
Warehouse/Distribution	23.4	611,582	470	20	$51,000	$23,993,000
Hotel	4.5	245,025	188	42	$25,000	$4,712,000
Commercial/ Retail	35.5	463,888	1,160	33	$47,000	$54,507,000
Total	**71.3**	**1,743,027**	**3,488**	**49**	**$88,000**	**$306,762,000**
Residential	0	0	na	na	na	na

* Excludes any open space, assembly uses, and vacant land.

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Table 13. Scenario 3 Summary: Developed Acres, Building Square Footage, Employees, and Salaries

Land Use	Acres	Units/ Sq. ft.	# of Employees	Employees/ Acre	Salary/ Job	Total Annual Salaries
Employment Lands						
Class A Office	17.2	1,125,155	5,001	290	$135,000	$675,093,000
Class A Office/ R&D	20.2	879,825	2,933	145	$132,000	$387,123,000
Class B Office	0.0	0	0	0	$77,000	$0
Industrial	23.4	611,582	1,223	52	$118,000	$144,333,000
Warehouse/Distribution	0.0	0	0	0	0	0
Hotel	6.8	370,260	285	42	$25,000	$7,120,000
Commercial/ Retail	0.0	0	0	0	$47,000	$0
Total	**67.6**	**2,986,822**	**9,441**	**140**	**$128,547**	**$1,213,669,000**
Residential	3.7	331	na	na	na	na

* Excludes any open space, assembly uses, and vacant land.

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Table 14. Scenario 4 Summary: Developed Acres, Building Square Footage, Employees, and Salaries

Land Use	Acres	Units/ Sq. ft.	# of Employees	Employees/ Acre	Salary/ Job	Total Annual Salaries
Employment Lands						
Class A Office	31.2	2,039,784	9,066	290	$135,000	$1,223,870,000
Class A Office/ R&D	33.3	1,449,677	4,832	145	$132,000	$637,858,000
Class B Office	0.0	0	0	0	$77,000	$0
Industrial	0.0	0	0	0	$118,000	$0
Warehouse/Distribution	0.0	0	0	0	0	0
Hotel	6.8	370,260	285	42	$25,000	$7,120,000
Commercial/ Retail	0.0	0	0	0	$47,000	$0
Total	71.3	3,859,721	14,183	199	$131,769	$1,868,848,000
Residential	0.0	0	na	na	na	na

* Excludes any open space, assembly uses, and vacant land.

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Table 15. Annual Net Fiscal Impacts by Innovation District Scenario

Land Use	Annual Net Fiscal Impact				
	Per Acre	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Employment Lands					
Class A Office	*$85,406*	$0	$307,462	$1,470,694	$2,666,210
Class A Office/ R&D	*$51,222*	$0	$220,253	$1,034,577	$1,704,659
Class B Office	*$14,299*	$138,414	$0	$0	$0
Industrial	*$22,648*	$201,430	$0	$529,961	$0
Warehouse/Distribution	*$13,527*	$434,295	$316,530	$0	$0
Hotel	*$826,580*	$5,620,744	$3,719,610	$5,620,744	$5,620,744
Commercial/ Retail	*$63,925*	$94,929	$2,269,210	$0	$0
Employment Lands Subtotal		$6,489,812	$6,833,065	$8,655,975	$9,991,613
Residential	*$9,153*	$0	$0	$33,682	$0
Scenario Total		**$6,489,812**	**$6,833,065**	**$8,689,657**	**$9,991,613**

Source: Economic & Planning Systems

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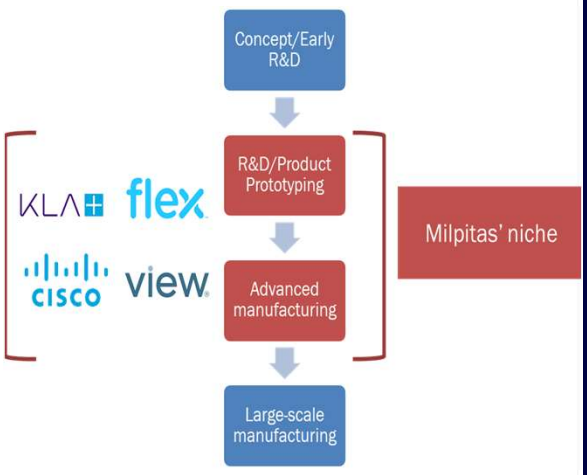
Milpitas' Niche R&D/Advanced Manufacturing

LEVERAGE SILICON VALLEY

Advanced manufacturing businesses often locate in Milpitas as they shift into R&D/design & prototyping/small scale production phase of their lifecycle. They're drawn to Milpitas by workforce access & the flexible building stock. Milpitas can leverage existing specialization to capture additional future growth of this industry group in Silicon Valley.



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Fiscal Impact Methodology

Net General Fund Fiscal Impact = Revenues - Expenditures

Revenue Items

- Property Tax
- Sales Taxes
- Other Taxes
- Franchise Fees
- Transient Occupancy Tax
- Licenses, Permits, and Fines

Expenditure Items

- General Government
  - Economic Development
  - Building Safety & Housing
  - Engineering
  - Finance
  - Fire
  - Human Resources
  - Information Technology
  - Planning
  - Police
  - Public Works
  - Recreation Services

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Sensitivity Analysis

Updated Residual Land Value Analysis

Considers outcomes under different conditions/assumptions.

Adjustment #1: Market Improvements

Over time, increasing demand for space pushes by lease rates in Silicon Valley; new scenario assumes lease rates close to San Jose rents.

Adjustment #2: Policy Levers

City Policies can reduce development costs through reductions in fees (e.g., TADIF) and in parking requirements thereby supporting development feasibility.

Improved Residual Land Value Analysis

Considers outcomes with both market and policy level adjustments.

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City Levers/Tools

What City levers can make difference and impact development:

- FAR/Height/Density Flexibility
- Streamlining Entitlement/Permitting Process
- Parking Requirement reductions
- Development Impact Fees (temporarily reduce where needed; maintain where manageable)
- Other Infrastructure Funding - local, regional, State, Federal
- Investments in Infrastructure/Amenities/Services
- Economic Development Outreach to Potential Businesses/Developers

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Policy Levers To Support The Innovation District

A successful Innovation District will require the City to use a range of policy tools/levers such as:

- Protect and Preserve employment lands through land use designations.
- Invest Revenues in ID-supporting public improvements/infrastructure.
- Offer flexibility in terms of density and height to support development economics.
- Consider reduced parking requirements for employment uses in Transit District.
- Consider reduced Development Impact Fees on Office and Office/R&D uses.

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Fiscal Impact Analysis Key Takeaways

Phase 1 Findings

Takeaway #1

Existing employment lands make up 55% of the City's General Fund total revenues.

Takeaway #2

Existing employment lands make up 19% of the City's General Fund total expenditures.

Takeaway #3

Existing Industrial, Retail, and Hotel land uses contribute positively to the City's General Fund.

Takeaway #4

Existing Single Family, Multi-Family, and Office land uses have net negative impacts.

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Fiscal Impact Analysis Key Takeaways (cont.)

Phase 1 Findings

Takeaway #5

All new development prototypes have positive impacts.

Takeaway #6

Highest positives from Hotel, Class A Office, and Office/R&D uses.

Takeaway #7

New Class A Office and Office/R&D developments are expected to generate about $770K in new General Fund revenues annually.

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Occupation & Wage Analysis Key Takeaways

Phase 1 Findings

Takeaway #1

Occupational wages in Milpitas tend not to be as strong as Mountain View, Sunnyvale, and Santa Clara.

Takeaway #2

The strongest annual wages by land use/development types in Milpitas are associated with Class A Office/R&D and Class A Office.

Takeaway #3

The lowest annual wages by land use and development types in Milpitas are associated with Hotel, Retail, and Warehouse/Distribution.

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Innovation District Development Scenarios Key Takeaways

Phase 1 Findings

Takeaway #1

The ID has the potential to accommodate a significant amount of new Class A Office and R&D development as well as Hotel and other commercial uses

Takeaway #2

The ID is expected to create between 1.74M and 3.86M square feet of commercial development.

Takeaway #3

It is projected that at full buildout of the ID the result may be future revenues in the range of $6.5M to $10M annually.

Takeaway #4

Approximately 2,000 to 14,200 jobs may be created providing almost $140M to $2B in annual wages.

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Residual Land Value Analysis Key Takeaways

Phase 1 Findings

Takeaway #1

Class A Office (5-Story), Class A Office (8-Story), and Class A Office/R&D (4-5 Story) uses are not currently economically feasible.

Takeaway #2

Warehouse/Distribution and Mid-Rise Residential (7-Story) are more likely to occur if employment lands are not protected and preserved for innovative business uses.

Takeaway #3

City actions can help spur business attraction and development of the ID.

Takeaway #4

Specific policy adjustments help reduce development costs for Class A Office (5-Story), Class A Office (8-Story), and Class A Office/R&D (4-5 Story) uses.

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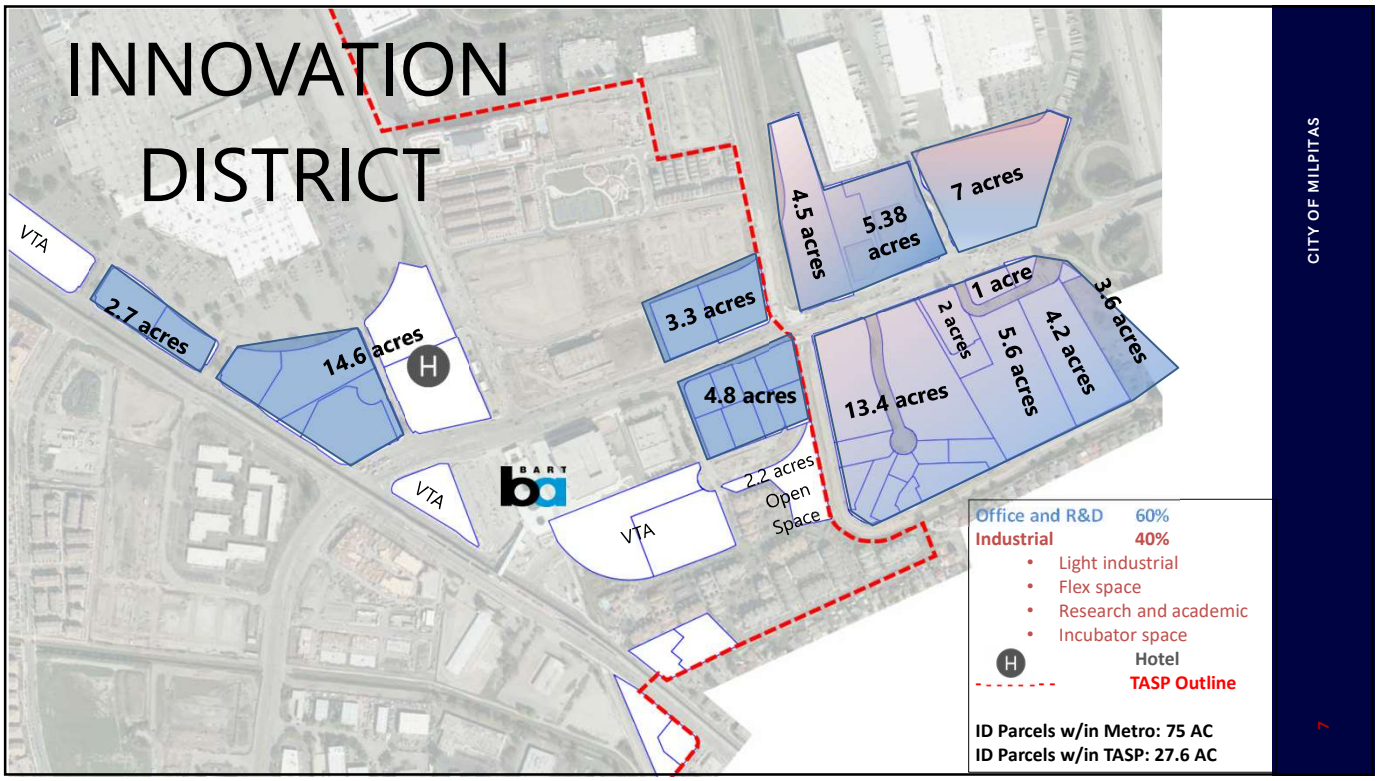
INNOVATION DISTRICT
VTA
2.7 acres
14.6 acres
H
VTA
BART
VTA
3.3 acres
4.8 acres
2.2 acres
Open Space
4.5 acres
5.38 acres
7 acres
13.4 acres
2 acres
1 acre
5.6 acres
4.2 acres
3.6 acres
Office and R&D 60%
Industrial 40%
• Light industrial
• Flex space
• Research and academic
• Incubator space
H Hotel
TASP Outline
ID Parcels w/in Metro: 75 AC
ID Parcels w/in TASP: 27.6 AC
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