

*Five-Year Economic Forecast
and
Revenue Projections*

2017-2021

CAPITAL REVENUE FORECAST

MAJOR CAPITAL REVENUES

Overview

The major revenues that support the City of San José's capital programs are bond proceeds, grants, transfers between funds, and a number of taxes and fees levied on construction and property resale (conveyance) activity. This document provides a five-year forecast for the following taxes and fees: Construction and Conveyance Tax; Building and Structure Construction Tax; Construction Excise Tax; various Municipal Water System Fees; Residential Construction Tax; Sanitary Sewer Connection Fee; and Storm Drainage Connection Fee.

Construction and property resale-related Capital Program revenues are anticipated to increase slightly from the estimates provided in the 2016-2020 Adopted Capital Improvement Program (CIP). Activity in these areas in 2015-2016 is generally in line or slightly exceeding expectations and the continuation of this performance is reflected in the 2017-2021 revenue estimates. There is a projected increase of 2% over the 2016-2020 Adopted CIP, from \$325.6 million in the 2016-2020 Adopted CIP to \$330.5 million in the 2017-2021 Forecast. The Construction-Related Revenue chart included at the end of this section provides a year-by-year comparison of this Forecast with the 2016-2020 Adopted CIP.

FORECAST COMPARISON SUMMARY (\$ in Thousands)

	2016-2020 CIP	2017-2021 Forecast	Difference	% Change
Construction and Conveyance Tax	\$175,000	\$176,000	\$1,000	1%
Building and Structure Construction Tax	62,000	65,000	3,000	5%
Construction Excise Tax	83,000	84,000	1,000	1%
Municipal Water System Fees	500	500	0	0%
Residential Construction Tax	950	875	(75)	(8%)
Sanitary Sewer Connection Fee	3,400	3,250	(150)	(4%)
Storm Drainage Connection Fee	750	875	125	17%
TOTAL	\$325,600	\$330,500	\$4,900	2%

A discussion of major construction activity trends and each of the revenue categories are included in more detail on the following pages.

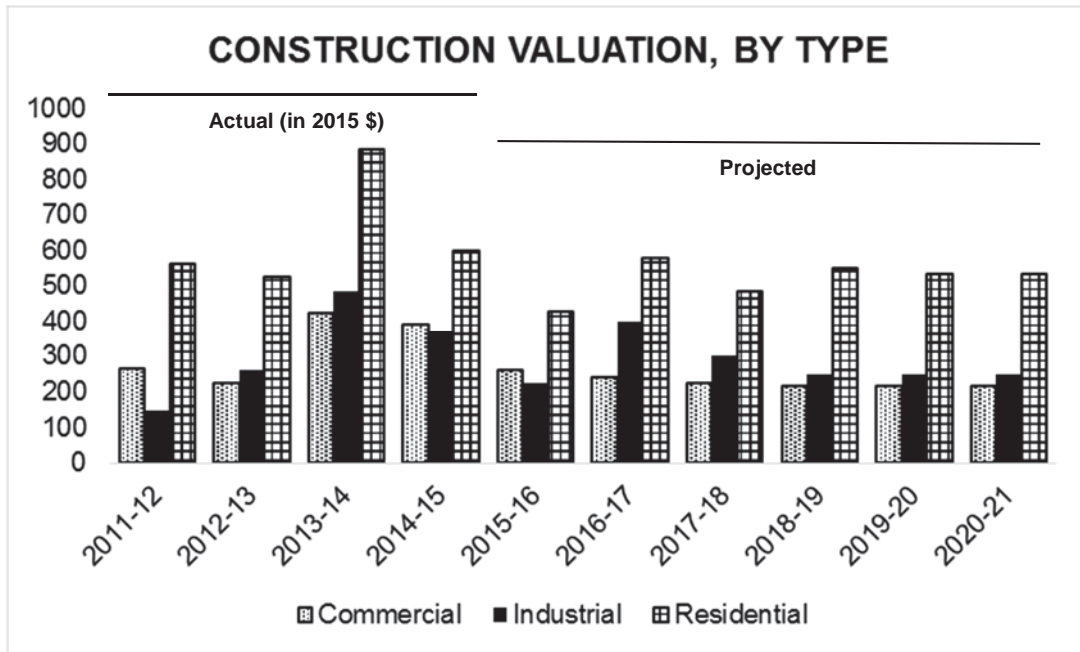
CAPITAL REVENUE FORECAST

CONSTRUCTION ACTIVITY PROJECTIONS

With the exception of the Construction and Conveyance Tax Fund, the capital revenues described in this Forecast are construction-related taxes and fees. Revenue projections are derived from actual revenue collection patterns and construction activity estimates provided by the Planning, Building and Code Enforcement (PBCE) Department. Each year the PBCE Department provides projections of construction activity related to residential, commercial, and industrial development. The valuation figures have been adjusted to 2015 dollars per Bureau of Labor Statistics Consumer Price Index, San José-San Francisco-Oakland all items index. A more complete discussion of these estimates is provided in a technical report prepared by PBCE entitled “Development Activity Highlights and Five-Year Forecast (2017-2021)”, which is included as Appendix C.

Based on projections provided by the PBCE Department, construction activity valuation is anticipated to be lower than the prior year: \$915 million for 2015-2016, a 33% decrease compared to \$1.4 billion in 2014-2015. This level of activity is expected to increase to \$1.2 billion in 2016-2017, then drop to approximately \$1 billion each year in the out years of the forecast as projects are anticipated to be completed.

The following graph illustrates the level of projected construction activity by type.



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CONSTRUCTION ACTIVITY PROJECTIONS

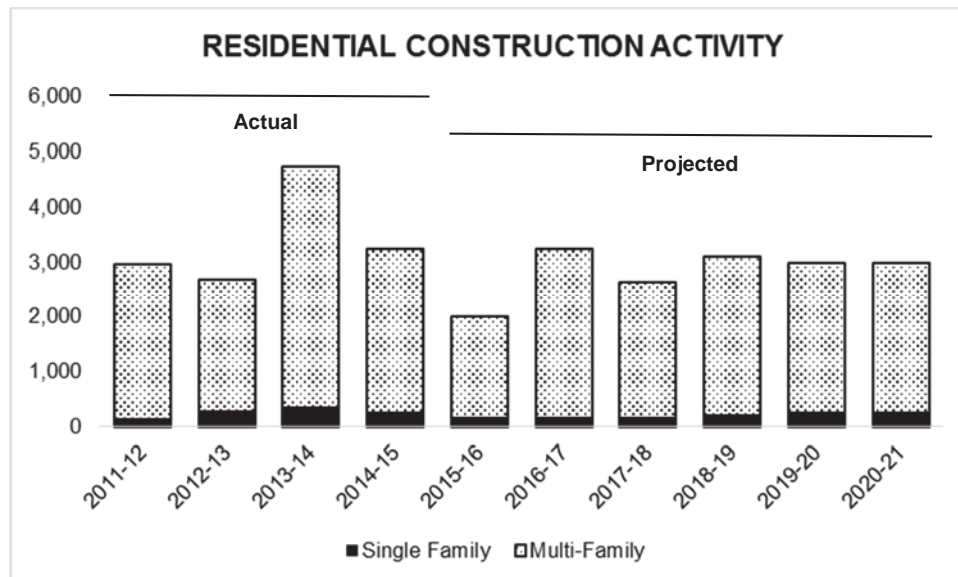
A summary of the PBCE Department construction activity projections and the corresponding revenue estimates are provided below. It should be noted that due to the highly volatile nature of the construction market, the reliability of the estimates can be expected to change over the period of the forecast. As new information becomes available, these estimates will be refined.

A. Residential Construction Activity

A significant portion of development-related revenue in San José has traditionally been generated by residential construction. New construction activity peaked in 2013-2014 in this sector with a total of 4,724 dwelling units, reached 3,241 dwelling units in 2014-2015, and is projected to total 2,000 new dwelling units in 2015-2016, a significant decrease from the prior year of 38%.

The total value of residential construction activity projected in this Forecast is \$2.7 billion, which is the same as the projected valuation included in the 2016-2020 Forecast. The PBCE Department expects residential construction activity to generate an estimated 3,250 new units in 2016-2017, 2,650 new units in 2017-2018, 3,100 new units in 2018-2019, and 3,000 new units in 2019-2020 and 2020-2021. This represents an average of 3,000 units per year or 15,000 units over the forecast period. This activity level has increased slightly by 3% compared to the 14,600 units included in the 2016-2020 Forecast.

This forecast expects a total of 14,000 multi-family dwelling units or approximately 93% of all dwelling units (single-family and multi-family) to be constructed. This figure represents a 5% increase compared to the projections in the 2016-2020 Forecast for this category. Only 1,000 new single-family dwelling units are anticipated during this forecast period, which is slightly lower than the projections in the 2016-2020 Forecast, demonstrating that high-density developments will continue to be strong. The following chart shows the number of new units, by housing type, anticipated in San José through 2020-2021.



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CONSTRUCTION ACTIVITY PROJECTIONS

B. Commercial Construction Activity

In 2014-2015, commercial construction activity totaled \$392 million, a decrease of 7% from 2013-2014. In 2015-2016, the PBCE Department expects commercial activity to drop by another 34% to \$260 million in total permit valuation. This decline from 2013-2014 peak levels is the result of projects moving through the development pipeline and completing construction. As fewer new projects enter the pipeline, the valuation continues to decline slightly in 2016-2017 and beyond.

The total commercial construction valuation projected in this Forecast remained flat from the previous five-year forecast at \$1.1 billion. As discussed in the attached report provided by the PBCE Department, a majority of commercial developments occurred in the last few years such as the San José Earthquakes Stadium, Coleman Landing Shopping Center, and the Hitachi Site along Cottle Road. It is projected that new commercial construction activity will remain modest in the next five years partly due to the lack of large vacant sites available. Information provided by real estate trade groups for the 4th Quarter 2015 indicated that the San José office and research and development (R&D) vacancy rate was 12.1% and the retail vacancy rate was 5.2%¹.

C. Industrial Construction Activity

In 2014-2015, industrial activity remained strong with total valuation of \$372 million, but a decrease of 23% from 2013-2014 as a result of new construction tapering off. The PBCE Department expects valuation to decrease to \$225 million in 2015-2016. In 2016-2017, valuation is anticipated to increase to \$400 million due to several major projects going under construction in Downtown and North San José, and then drop to \$300 million in 2017-2018 and further decrease to \$250 million annually in 2018-2019 through 2020-2021 to reflect a more moderate level of activity. Information provided by real estate trade groups for the 4th Quarter 2015 indicated that the San José vacancy rate for industrial space was 3.0%¹.

It should be noted that the City Council has undertaken several actions to reduce the cost of new development in San José to create a predictable and competitive environment that supports the City's economic development goals of filling industrial buildings and encouraging new workplace development. To that end, in November 2013, the City Council extended a partial suspension of construction taxes placed on new construction or alteration of office, research and development uses, data center uses and installation of solar photovoltaic systems until March 31, 2017 (R&D Facilities Incentive). Additionally, the City Council enacted the Downtown High Rise Incentive Program in May 2012 that reduced construction taxes by 50% for new downtown residential, commercial, and industrial projects. This program was effectively replaced by the Downtown Commercial High Rise Development Incentive Program approved by the City Council in December 2014, which suspends the collection of the Building and Structure Construction Tax

¹ Cushman and Wakefield, MarketBeat Reports, Q4 2015

CAPITAL REVENUE FORECAST

CONSTRUCTION ACTIVITY PROJECTIONS

and the Construction Excise Tax for a single commercial high rise development project that obtains a building permit by December 31, 2016. How these incentive programs are applied to the Building and Structure Construction Tax and the Construction Excise Tax are discussed in the following pages.

Major Development Activity Data

As part of the attached Development Activity Highlights and Five-Year Forecast (2017-2021) document prepared by the PBCE Department, information is provided on development activity that serves as the foundation for their forecast. Data is provided on “major” projects (residential projects greater than 50 units, commercial projects greater than 25,000 square feet, and industrial projects greater than 75,000 square feet), and is broken down by the three major land use categories – residential, commercial, and industrial. The projects are further subdivided into four categories based on their status (completed, under construction, approved but construction not yet commenced, and pending City approval). In addition, the City is divided into 15 planning areas and individual maps that show the projects in all status categories submitted since January 1, 2008 are provided, except for the Calero, Coyote, and San Felipe planning areas as no major development activity has occurred and/or these areas are outside the City’s Urban Service Area and Urban Growth Boundary. These maps can be used in conjunction with the activity data to help analyze the rate, type, and location of major development activity in San José.

CONSTRUCTION AND CONVEYANCE TAX

The Construction Tax portion of the Construction and Conveyance Tax category is levied on most types of construction. For residential construction, the tax rate is based upon the number of units constructed and ranges from \$75 per unit located in a building containing at least 20 dwelling units to \$150 for a single-family residence. The commercial and industrial rate is eight cents per square foot of floor area constructed. The Construction Tax accounts for a very small portion (approximately 1%) of the total Construction and Conveyance Taxes collected.

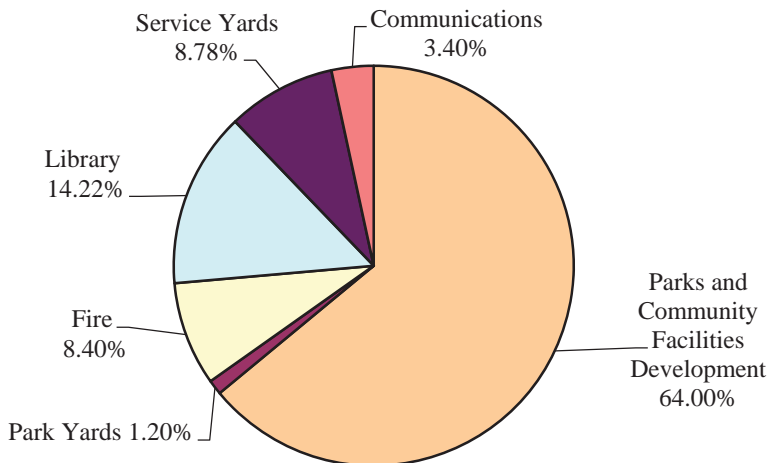
The Conveyance Tax portion of the Construction and Conveyance Tax category is imposed upon each transfer of real property where the value of the property exceeds one hundred dollars. The tax is imposed at a rate of \$1.65 for each \$500 of the value of the property. The Conveyance Tax accounts for approximately 99% of the total Construction and Conveyance Taxes collected.

Under current ordinance, Construction and Conveyance Tax receipts are allocated to six different capital programs per the following distribution formula:

CAPITAL REVENUE FORECAST

CONSTRUCTION AND CONVEYANCE TAX

CONSTRUCTION AND CONVEYANCE TAX DISTRIBUTION



Under the current City ordinance, the combined proceeds from the Construction and Conveyance Tax may be used for facility acquisition, construction, equipment, furnishings, and limited operating and maintenance expenses.

Consistent with the Construction and Conveyance Tax Task Force recommendations adopted by the City Council in June 1989, the Parks and Community Facilities Development portion of the estimated revenues, less non-construction costs and transfers to the General Fund, is allocated for all years of the forecast using a two-to-one ratio, with two-thirds of the proceeds going to neighborhood/district park projects and one-third to city-wide park projects. Per the current City Council policy, 20% of funds for neighborhood/district projects are set aside and equally allocated to meet special needs. The balance of the funds is then distributed to district funds based on a formula using the following criteria:

- neighborhood and community-serving park acres per 1,000 population;
- developed neighborhood and community-serving park acres per 1,000 population;
- square feet of neighborhood and community-serving center space per 1,000 population; and
- developed park acres and/or facilities in good condition per 1,000 population.

The five-year projection for Construction and Conveyance Tax revenue totals \$176 million, which is consistent with the estimate of \$175 million used to develop the 2016-2020 Adopted CIP. The Construction and Conveyance Tax revenue projections are based upon: 1) a review of prior year collection trends; 2) a review of year-to-date residential sales activity in San José; 3) a review of year-to-date tax receipts; and 4) projections of the future strength of the San José real estate market.

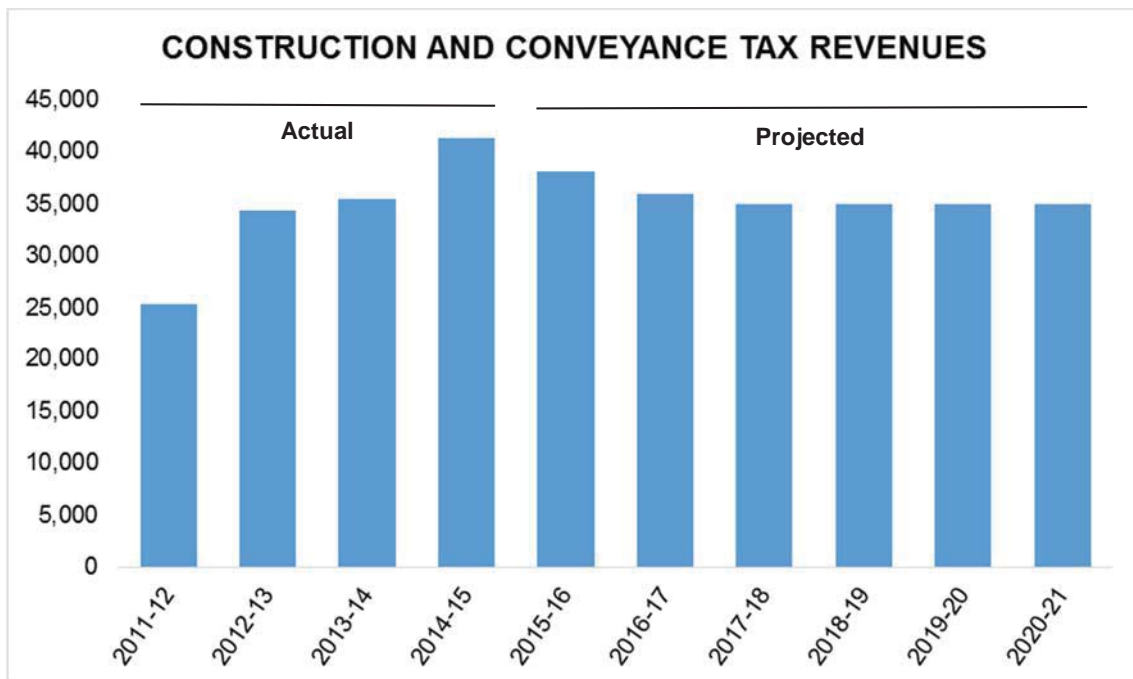
CAPITAL REVENUE FORECAST

CONSTRUCTION AND CONVEYANCE TAX

Historically, Construction and Conveyance Tax revenues have been very volatile, reflecting the impacts of the ups and downs of the local economy and particularly the real estate market. After reaching a record setting high of \$49 million in 2005-2006, tax collections continuously fell for several years following the real estate slowdown and financial market crisis, dropping to \$20.5 million in 2008-2009. However, collections have rebounded in recent years with revenues reaching \$41.2 million in 2014-2015.

While below the most recent peak in 2014-2015, revenues are expected to remain strong in 2015-2016. The median single-family home price in December 2015 was \$825,000, which is an increase of 10% from the December 2014 price of \$750,000. The number of listings of new single-family and multi-family dwellings on the market has increased 7.3%, from 300 listings in December 2014 to 322 in December 2015. As a result of the higher level of inventory, the number of property transfers (sales) for all types of residences increased 11.1%, from 613 in December 2014 to 681 in December 2015. However, the average days on market for single-family and multi-family homes increased 35% from 20 days in December 2014 to 27 days in December 2015. Based on increased home prices and property transfers through December and the expectation for relatively strong performance in the second half of the year, collections in 2015-2016 are projected to conservatively end the year at \$38 million, higher than the estimated \$35 million in the 2016-2020 Adopted CIP. However, to hedge against volatility in this category, collections are programmed to decrease slightly to \$36 million in 2016-2017, then slightly down again to \$35 million annually throughout the remaining forecast period.

The graph below shows actual and projected revenues for the combined Construction and Conveyance Tax revenues over a 10-year period.



CAPITAL REVENUE FORECAST

BUILDING AND STRUCTURE CONSTRUCTION TAX

The Building and Structure Construction Tax is imposed upon the construction, repair or improvement of any building or structure where a building permit is required. Current rates are:

- 1) Residential – 1.75% of 88% of the Building Official’s valuation.
- 2) Commercial – 1.5% of the Building Official’s valuation.
- 3) Industrial – 1.0% of the Building Official’s valuation.

The proceeds from the Building and Structure Construction Tax are restricted by ordinance for use for traffic capital improvements on major arterials and collectors. These improvements can include the acquisition of land and interest in land and the construction, reconstruction, replacement, widening, modification and alteration (but not maintenance) of City streets. This tax revenue provides the Traffic Capital program with funds to complete major street infrastructure projects, particularly those that improve the Level of Service (LOS). LOS refers to the efficiency with which streets and roadways accommodate peak level traffic.

As discussed above, the R&D Facilities Incentive and the Downtown Commercial High Rise Development Incentive Programs impact the Building and Structure Construction Tax. The R&D Facilities Incentive acts to reclassify buildings that were previously identified as commercial – such as research and development facilities and data centers – and treats them as industrial, which results in projects moving from a tax rate of 1.5% to 1.0%. The Downtown Commercial High Rise Development Incentive Program waives taxes for the first commercial tower that receives a building permit prior to December 31, 2016. It is anticipated that several major projects in Downtown will be under construction in 2016-2017, which is reflected in the projected increase for industrial valuation; however, because one of the major projects will qualify for this incentive, the estimated Building and Structure Construction Tax revenues from the project is not included.

In 2015-2016, Building and Structure Construction Tax receipts through January totaled \$9.1 million, down 7% from the \$9.8 million collected through the same period last year. The 2015-2016 Adopted Budget estimate of \$14 million allows for a drop of 15% from the prior year. If collections continue at the current pace, revenues are expected to meet or slightly exceed the 2015-2016 Adopted Budget estimate by year-end.

Based on the construction activity forecasts supplied by the PBCE Department and an analysis of actual collection patterns, the five-year projection for the Building and Structure Construction Tax collections totals \$65 million, an increase of \$3 million (5%) from the estimate included in the 2016-2020 Adopted Capital Improvement Program (CIP). It is projected that collections will drop from the 2015-2016 estimate of \$14 million to annual receipts of \$13 million in the forecast as projects are completed and activity levels slightly decrease.

In 2005, the City Council adopted the North San José Area Development Policy (Policy), which established a policy framework to guide the ongoing development of the area as an important employment center for San José. In order to provide public infrastructure requirements and to

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BUILDING AND STRUCTURE CONSTRUCTION TAX

fund roadway improvements to mitigate the impacts of increased traffic generated by new development under the Policy, the City Council adopted the North San José Traffic Impact Fee to fund these improvements. In January 2012, the City Council adopted the North San José Traffic Impact Fee Incentive Program which reduced the traffic impact fee imposed on industrial development projects. This Program was amended in February 2013 and again in December 2013, further reducing the traffic impact fee to entice commercial/job-oriented development in North San José. With the lowering of the impact fees and the loss of San Jose Redevelopment Agency contributions, a large traffic infrastructure funding gap was created. In June 2014, as part of the Mayor's June Budget Message for Fiscal Year 2014-2015, as approved by the City Council, Manager's Budget Addendum #8 described a new funding strategy to address the funding gap. The approved funding strategy will dedicate future Building and Structure Construction Tax revenues generated from new development in North San José to be held in reserve for North San José transportation projects. As stated previously, it is anticipated that there will be several new major projects under construction in the North San José area in 2016-2017; however, because these projects fall within the North San José Area Development Policy, the estimated Building and Structure Construction Tax revenues are not included in this Forecast. A comparison of the five-year forecast with actual collections in previous years for the Building and Structure Construction Tax is shown in the chart that follows the discussion of Construction Excise Tax performance.

CONSTRUCTION EXCISE TAX

The Construction Excise Tax (also referred to as the Commercial-Residential-Mobile Home Park Building Tax) is imposed upon the construction, alteration, repair or improvement of any building or structure that is for residential or commercial purposes or is associated with a mobile home. This general purpose tax may be used for any "usual current expenses" of the City. However, the City Council has historically used the majority of these funds for traffic improvements. The current rates are:

- 1) Residential – 2.75% of 88% of the Building Official's valuation.
- 2) Commercial – 3.0% of the Building Official's valuation.

As mentioned above, this tax is a general purpose tax; however, the majority of the proceeds have generally been used for a variety of essential Traffic Capital projects that cannot be funded by the Building and Structure Construction Tax or grants. Typical projects funded with this tax include street maintenance and resurfacing, streetlights, bicycle and pedestrian facilities, and most strategic planning programs, which improve the City's ability to obtain State and federal grants for transportation projects. A portion of these taxes has also been used as a budget balancing solution to address General Fund shortfalls in prior years.

Unlike the Building and Structure Construction Tax, this tax does not apply to industrial development. As a result, changes in industrial building activity do not affect these tax receipts.

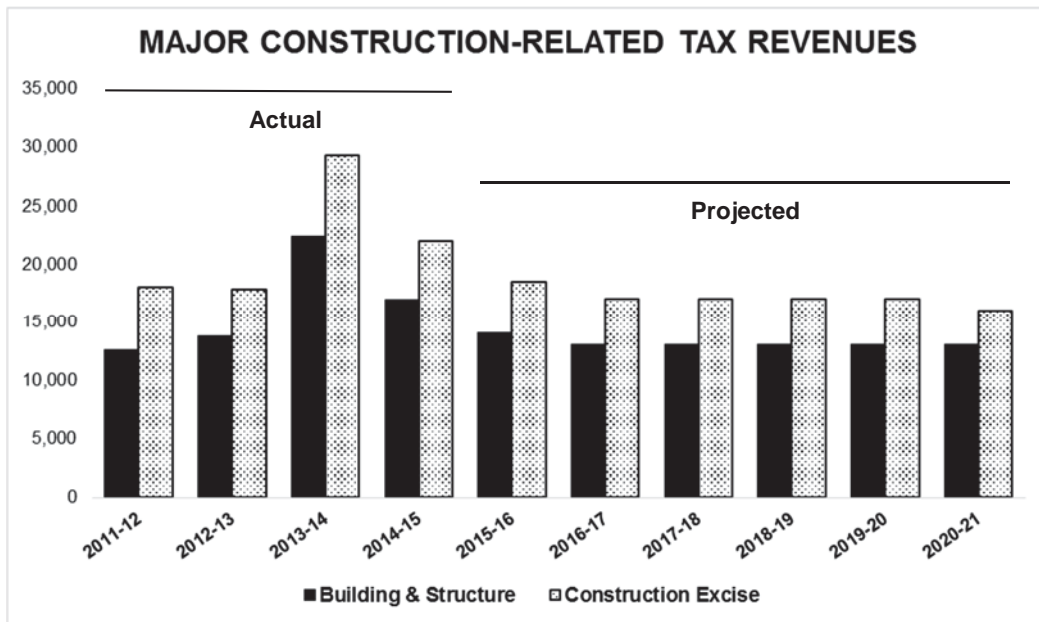
CAPITAL REVENUE FORECAST

CONSTRUCTION EXCISE TAX

It is important to note that the R&D Facility Incentive reclassifies certain building uses from commercial to industrial. As the Construction Excise Tax does not levy a tax on industrial uses, these facilities are exempt, resulting in the R&D Facility Incentive having a larger impact on the Construction Excise Tax than the Building and Structure Construction Tax. The Downtown Commercial High Rise Development Incentive waives taxes for the first commercial tower that receives a building permit prior to December 31, 2016. It is anticipated that several major projects in Downtown will be under construction in 2016-2017, which is reflected in the projected increase for industrial valuation; however, because one of the major projects will qualify for this incentive, the estimated Construction Excise Tax revenues from the project is not included.

In 2015-2016, tax receipts through January for the Construction Excise Tax Fund totaled \$10.8 million, 16% below the \$12.9 million collected through the same period last year. The 2015-2016 Adopted Budget estimate of \$19 million allows for a drop of 12% from the prior year. Collections are expected to end the year at \$18.5 million, slightly below its 2015-2016 Adopted Budget estimate as a result of decreased residential development activity.

Based upon the construction projections provided by the PBCE Department and actual collections on this tax, Construction Excise Tax collections are projected to total \$84 million over the five-year forecast period, with proceeds estimated at \$17 million annually in 2016-2017 through 2019-2020, then dropping to \$16 million in 2020-2021. This collection level represents a slight increase of \$1 million (1%) from the 2016-2020 Adopted CIP. A comparison of the five-year forecast with actual collections in previous years for the Construction Excise Tax is shown in the chart that follows.



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MUNICIPAL WATER SYSTEM FEES

Various Municipal Water System fees are charged for connecting to the City's water system. These fees include the Advance System Design Fee, Meter Installation Fee, and Service Connection Fee. Advance System Design Fees are charged to developers to cover engineering and inspection costs for water facilities required in new developments. Meter Installation Fees are charged to developers to recover costs based on the size of the meter and/or fire hydrant installation necessary. Service Connection Fees are charged to developers to recover the actual costs associated with the construction of water main or fire hydrant installations when improvements are constructed by the City.

Based on projected activity and collection trends, the Municipal Water System fees are projected to stay flat at \$500,000 over the Forecast period. These fees are detailed in the chart below.

MUNICIPAL WATER SYSTEM FEES

(\$ in Thousands)

	2016-2020	2017-2021		
	CIP	Forecast	Difference	
Advance System Design Fee	125	125	0	0%
Meter Installation Fee	125	125	0	0%
Service Connection Fee	250	250	0	0%
TOTAL	500	500	0	0%

RESIDENTIAL CONSTRUCTION TAX

The Residential Construction Tax is imposed upon the construction of residential dwelling units and mobile home lots in the City. The rates are imposed on each dwelling unit and differ according to the number of units located in the building. Rates vary from \$99 for each unit in a building of at least 20 dwelling units to \$180 for a single-family residence.

This tax is collected and placed in the Residential Construction Tax Contribution Fund and is used to reimburse developers that have constructed a wider arterial street than their residential development required. The funds are also used to construct median island landscaping and other street improvements.

In 2015-2016, receipts are projected to total \$200,000 based on year-to-date activity levels. This collection level is lower than the budget of \$250,000 as a result of less residential development activity. Based upon construction estimates by the PBCE Department and the actual collection pattern for this tax, collections are expected to drop to \$175,000 in the forecast as a result of development activity returning to more moderate levels. A total of \$875,000 is expected over the five-year period of this forecast, which is slightly lower than the total in the 2016-2020 Adopted CIP of \$950,000.

CAPITAL REVENUE FORECAST

SANITARY SEWER CONNECTION FEE

The Sanitary Sewer Connection Fee is charged for connecting undeveloped parcels to the City's sewer system. The fees collected may only be used for the construction and reconstruction, including land acquisition, of the San José sanitary sewer system. The fee is based on the number of single and multi-family residential units built and the acres developed on commercial and industrial properties.

In 2015-2016, receipts are projected to total \$700,000 based on year-to-date activity levels, which is below the budgeted estimate of \$800,000. Annual collections are expected to drop to \$650,000 in the forecast. The 2017-2021 Forecast projection for this fee is \$3.3 million, which is a 4% decrease from the 2016-2020 Adopted CIP estimate of \$3.4 million.

STORM DRAINAGE CONNECTION FEE

The Storm Drainage Connection Fee is charged to developers as a connection fee for any project that will discharge storm water, surface water or ground water runoff into the City's storm drainage system. The fees are charged by acreage or lot and vary by land use and by the number of units located in the development. Storm Drainage Connection Fees may only be used for the construction, reconstruction, land acquisition and maintenance of the San José storm drainage system.

In 2015-2016, receipts are projected to total \$200,000 based on year-to-date activity levels, which is above the budgeted estimate of \$150,000. The five-year forecast for Storm Drainage Connection Fees totals \$875,000, with annual receipts of \$175,000. This collection level is higher than the estimate included in the 2016-2020 Adopted CIP of \$750,000.

ATTACHMENT A

**CONSTRUCTION-RELATED REVENUE
2017-2021 FORECAST
(in \$ thousands)**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	5 Yr Total
Construction and Conveyance Tax							
2016-2020 Adopted CIP	35,000	35,000	35,000	35,000	35,000	N/A	175,000
2017-2021 FORECAST	38,000	36,000	35,000	35,000	35,000	35,000	176,000
Difference	3,000	1,000	-	-	-	N/A	1,000
Building and Structure Construction Tax*							
2016-2020 Adopted CIP	14,000	12,000	12,000	12,000	12,000	N/A	62,000
2017-2021 FORECAST	14,000	13,000	13,000	13,000	13,000	13,000	65,000
Difference	-	1,000	1,000	1,000	1,000	N/A	3,000
Construction Excise Tax							
2016-2020 Adopted CIP	19,000	16,000	16,000	16,000	16,000	N/A	83,000
2017-2021 FORECAST	18,500	17,000	17,000	17,000	17,000	16,000	84,000
Difference	(500)	1,000	1,000	1,000	1,000	N/A	1,000
Municipal Water Advance System Design Fee							
2016-2020 Adopted CIP	25	25	25	25	25	N/A	125
2017-2021 FORECAST	25	25	25	25	25	25	125
Difference	-	-	-	-	-	N/A	-
Municipal Water Meter Installation Fee							
2016-2020 Adopted CIP	25	25	25	25	25	N/A	125
2017-2021 FORECAST	25	25	25	25	25	25	125
Difference	-	-	-	-	-	N/A	-
Municipal Water Service Connection Fee							
2016-2020 Adopted CIP	50	50	50	50	50	N/A	250
2017-2021 FORECAST	50	50	50	50	50	50	250
Difference	-	-	-	-	-	N/A	-
Residential Construction Tax							
2016-2020 Adopted CIP	250	175	175	175	175	N/A	950
2017-2021 FORECAST	200	175	175	175	175	175	875
Difference	(50)	-	-	-	-	N/A	(75)
Sanitary Sewer Connection Fee							
2016-2020 Adopted CIP	800	650	650	650	650	N/A	3,400
2017-2021 FORECAST	700	650	650	650	650	650	3,250
Difference	(100)	-	-	-	-	N/A	(150)
Storm Drainage Connection Fee							
2016-2020 Adopted CIP	150	150	150	150	150	N/A	750
2017-2021 FORECAST	200	175	175	175	175	175	875
Difference	50	25	25	25	25	N/A	125
TOTAL							
2016-2020 Adopted CIP	69,300	64,075	64,075	64,075	64,075	N/A	325,600
2017-2021 FORECAST	71,700	67,100	66,100	66,100	66,100	65,100	330,500
Difference	2,400	3,025	2,025	2,025	2,025	N/A	4,900
% Change from 2016-2020 CIP	3%	5%	3%	3%	3%	N/A	2%

* While it is projected that industrial activity will increase in 2016-2017 and 2017-2018, the revenue estimates for Building and Structure Construction Tax do not assume this increased activity because it is anticipated that a majority of the projects will fall within the North San José Area Development Policy or the Downtown Incentive Program. Under the North San José Area Development Policy, any Building and Structure Construction Tax collected for new developments will need to be set aside in a reserve for future transportation improvements within the area, and under the Downtown High Rise Development Incentives Program, a single new high rise project for employment uses (Office R&D, Hotel, and Office) to obtain building permits by December 31, 2016 within the Downtown area will be exempt from the Building and Structure Construction Tax and the Construction Excise Tax.

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