

MANAGER'S BUDGET AMENDMENT #18



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jim Ortbal
Jennifer A. Maguire

SUBJECT: US 101/ OAKLAND/
MABURY TRANSPORTATION
FUNDING STRATEGY

DATE: May 22, 2015

Approved by

D. D. Syl

Date

5/22/15

RECOMMENDATION

Approval of the following actions to provide up to \$9 million in funds identified as the City of San Jose's contribution toward the \$80 million cost of the interchange improvements identified in the proposed amendment to the US-101/Oakland/Mabury Transportation Development Policy.

- 1) Dedicate future Building and Structure Construction Tax revenues generated from new development in the US 101/Oakland/Mabury area (estimated at \$4.5 million) toward the cost of the interchange improvements at US 101/Oakland Road and at US 101/Mabury Road; and
- 2) From the North San José Transportation Improvements Reserve, as included in the 2015-2016 Proposed Capital Budget and 2016-2020 Capital Improvement Program, allocate up to \$4.5 million toward the cost of the interchange improvements at US-101/Oakland Road and at US-101/Mabury Road.

BACKGROUND

The proposed amendment to the US 101/Oakland/Mabury Transportation Development Policy (TDP), approved by the Planning Commission and scheduled for City Council approval on June 2, 2015, includes an update to the finance plan. The total cost of the interchange improvements was updated by the Santa Clara Valley Transportation Authority (VTA) to \$80 million in the Valley Transportation Plan 2040 adopted in fall 2014. The finance plan included in the proposed amendment is as follows:

Finance Plan for US 101/Oakland/Mabury Transportation Improvements (2014 \$)

FUNDING SOURCE	AMOUNT
Traffic Impact Fee	\$36 million
Regional Funding	\$35 million
City of San José	\$9 million
TOTAL	\$80 million

The table shows that a contribution from the City in the amount of \$9 million is required to supplement contributions of \$36 million from a US 101/Oakland/Mabury Traffic Impact Fee and other mitigation payments from development, and \$35 million in regional funding. The recommended actions identify and commit the sources of funds that will be used to fulfill the City's obligation.

ANALYSIS

Approximately half of the City's contribution is recommended to come from Building and Structures Construction Tax (B&S Tax) generated primarily from two major projects occurring in the US 101/Oakland/Mabury area: Flea Market (Zoning File No. PDC09-006/PDC03-108) and King & Dobbin (Zoning File No. PDC07-015). Staff estimates that the remaining development on the Flea Market, King & Dobbin and other smaller sites in the US 101/Oakland/Mabury area will generate about \$4.5 million in B&S Tax. About 2,730 residential units are estimated to yield about \$3.9 million in B&S Tax, while 380,000 sq ft of commercial development is estimated to generate about \$600,000 in B&S Tax. The breakdown of the B&S Tax amounts by project is provided below:

Additional Building and Structures Construction Tax to be dedicated to US-101/Oakland/Mabury Project

Development	Residential (# units)	Commercial (sq ft)	B&S Tax (Estimated)
Flea Market	2,080	246,500	\$3,370,000
King & Dobbin	650	13,000	\$950,000
Other	0	120,500	\$180,000
Total	2,730	380,000	\$4,500,000

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Once the B&S Tax revenues from these projects are received, they will be allocated to a reserve for future build out of the infrastructure included in the TDP. This approach deliberately excludes the following projects already approved, or in the approval pipeline, and whose expected tax revenue is already assumed in the 2016-2020 Proposed Traffic Capital Improvement Program:

- Previous phases of Flea Market: PD08-027, PD08-069, PD12-031
- Previous phases of King & Dobbin: PD07-067, PD07-099, PD13-023, PD14-054

The remaining \$4.5 million is recommended to come from funds already included in the North San José Transportation Improvements Reserve, currently \$8.0 million as displayed in the 2016-2020 Proposed Traffic Capital Program. The North San José Development Policy and related studies showed that traffic from the build out of North San José would impact the existing US 101/Oakland Road interchange and the new US 101/Mabury Road interchange. Therefore, the funding plan for North San José included funding to mitigate those traffic impacts at the two interchanges. As both the US 101/Oakland/Mabury Transportation Development Policy and the North San José Development Policy share in the obligation to improve the two interchanges, staff recommends that \$4.5 million from the North San Jose Transportation Development Reserve, as included in the 2016-2020 Traffic Capital Improvement Program, be allocated toward the cost of the interchange improvements at US 101/Oakland Road and at US 101/Mabury Road to address their respective transportation impacts. If this recommendation is approved, the description for the North San José Transportation Improvements Reserve will be modified in the 2015-2016 Adopted Capital Budget to reflect this commitment.

It is important to note that the North San José Development Policy assumed a much larger contribution toward the US 101/Oakland Road and US 101/Mabury Road improvements; however, that funding was assumed to be contributed later in the fourth and final phase of development. The update of the North San Jose Development Policy and Environmental Impact Report, scheduled to begin in 2015-16, will recognize this modification in an updated financing plan.

COORDINATION

This memorandum was prepared in coordination with the Planning, Building and Code Enforcement Department and the City Attorney's Office.

/s/

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Interim Director of Transportation

Margaret McCahan for
JENNIFER A. MAGUIRE
Senior Deputy City Manager/
Budget Director

For questions please contact Paul Smith, Deputy Director of Transportation Planning and Project Delivery, at 408-535-3835.