

*Five-Year Economic Forecast
and
Revenue Projections*

2022-2026

CAPITAL REVENUE FORECAST

MAJOR CAPITAL REVENUES

Overview

The major revenues that support the City of San José's capital programs are financing proceeds, revenue from other agencies, 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 generally tracking at or above the modified expectations for 2020-2021 and anticipated to end the year approximately 40% above the estimates of the 2021-2025 Adopted CIP. While property resale-related performance will positively influence future years, construction activity in the following five years is expected to moderate from current levels. However, overall revenue estimates of \$370.9 million are 16% higher than the estimate used to develop the 2021-2025 Adopted CIP (\$319.9 million), as the real estate and construction markets have remained relatively strong in spite of the pandemic's other impacts throughout the economy. The Construction-Related Revenue chart included at the end of this section provides a year-by-year comparison of this forecast with the 2021-2025 Adopted CIP.

Capital Revenue Forecast Comparison Summary (\$ in Thousands)

	2021-2025 Adopted	2022-2026 Forecast	Difference	% Change
Construction and Conveyance Tax	\$158,000	\$184,000	\$26,000	16%
Building and Structure Construction Tax	79,000	96,000	17,000	21%
Construction Excise Tax	78,000	86,000	8,000	10%
Municipal Water System Fees	375	375	0	0%
Residential Construction Tax	1,000	1,000	0	0%
Sanitary Sewer Connection Fee	2,500	2,500	0	0%
Storm Drainage Connection Fee	1,000	1,000	0	0%
TOTAL	\$319,875	\$370,875	\$51,000	16%

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

CAPITAL REVENUE FORECAST

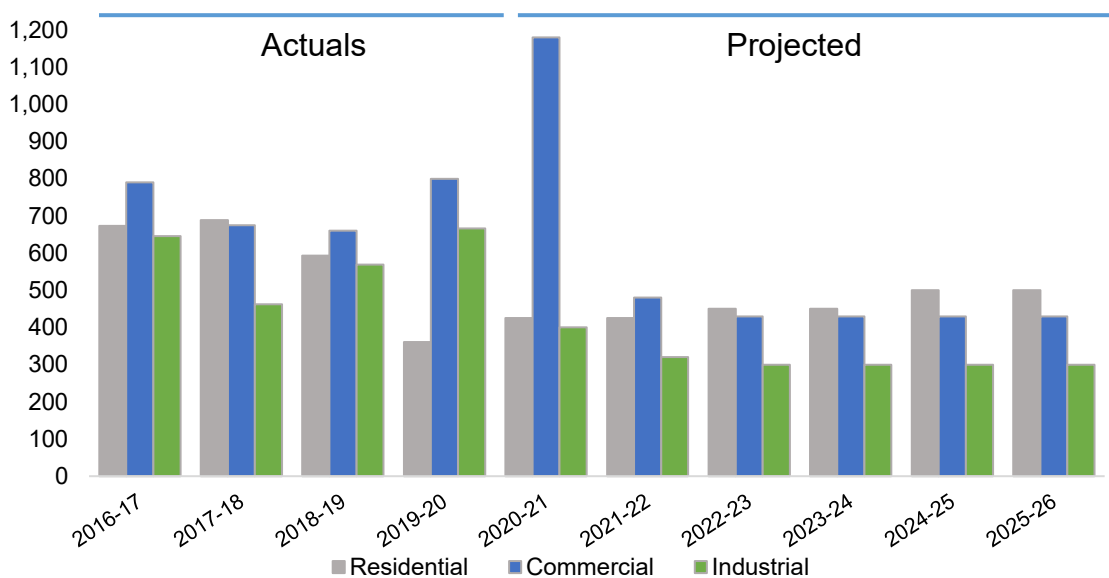
CONSTRUCTION ACTIVITY PROJECTIONS

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 2020 dollars per Bureau of Labor Statistics Consumer Price Index, San Francisco-Oakland-Hayward 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 (2022-2026)”, which is included as Appendix C.

Based on projections provided by the PBCE Department, construction activity valuation is anticipated to be higher than the prior year with \$2.0 billion in 2020-2021, a 10% increase compared to \$1.8 billion in 2019-2020. Construction valuation is projected to peak this fiscal year and then estimated to decrease by 40% to \$1.23 billion in 2021-2022, back to a level experienced prior to 2013-2014. For 2022-2023 and 2023-2024, construction activity valuation is expected decrease by another 3.7% to \$1.18 billion and then increase to \$1.23 billion for the last two years of the five-year period due to declining activity levels for both new construction and alternations. As described in Appendix C, while the pandemic led to some interruptions in the local construction sector, the market showed resilience last year and this year as projects already in progress re-started after the shutdown and other permits were pulled for the first time. Though these estimates may be conservative, they are reflective of the uncertain development environment in the future and an acknowledgement that the extremely high levels of activity experienced over the last several years will likely not continue. While there is hope for a return to normalcy in 2021 with the distribution of the COVID-19 vaccines, the pandemic’s effects may be long term.

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

CONSTRUCTION VALUATION, BY TYPE
(in millions)



CAPITAL REVENUE FORECAST

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

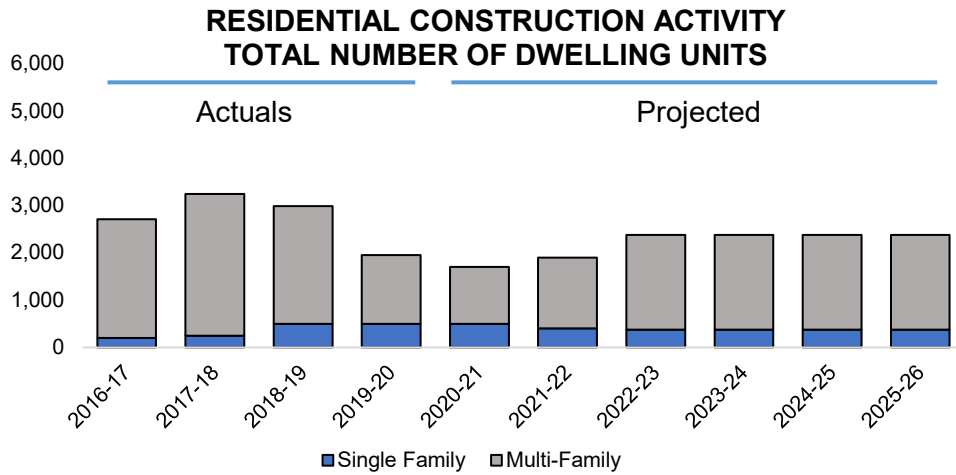
A significant portion of development-related revenue in San José has traditionally been generated by residential construction. New construction activity peaked in 2013-2014 in this sector with a total of 4,724 multi-family and single-family dwelling units, and then decreased the next two years and dropped to 1,692 dwelling units in 2015-2016, rebounded to 3,241 new dwelling units in 2017-2018, and then continued to drop for the next two years, ending with 1,954 new dwelling units in 2019-2020. Residential construction activity is anticipated to drop even further to 1,700 in 2020-2021, a decrease of 13% from the prior year total.

The total value of residential construction activity projected in this forecast is \$2.3 billion, which is a slight decrease from the projected valuation of \$2.5 billion included in the 2021-2025 Forecast. New residential construction slowed down due to the impacts from the COVID-19 pandemic, but are expected to recover slightly in 2020-2021 and continue to improve in the next five years though activity levels are lower compared to prior years. The PBCE Department expects residential construction activity to generate an estimated 1,900 new units in 2021-2022, increase to 2,375 new units in 2022-2023, and then remain flat the remaining years of the forecast. This represents an average of 2,280 units per year or 11,400 units over the forecast period. The activity level has decreased by 18% compared to the 13,825 units included in the 2021-2025 Forecast.

This forecast expects a total of 9,500 multi-family dwelling units or approximately 83% of all dwelling units (single-family and multi-family) to be constructed. This represents a 20% decrease compared to the projections in the 2021-2025 Forecast. The number of new single-family dwelling units is estimated to be 1,900 during this forecast period, which is 3% lower than the projections in the 2021-2025 Forecast. Starting in 2016, the City Council has taken several actions to ease requirements for accessory dwelling units (ADU), and since 2017-2018, the amount of ADU construction has continued to increase. The trend of ADUs comprising a significant portion of single-family units is expected to continue. The following chart shows the number of new units, by housing type, anticipated in San José through 2025-2026.

CAPITAL REVENUE FORECAST

CONSTRUCTION ACTIVITY PROJECTIONS



B. Commercial Construction Activity

In 2019-2020, commercial construction activity totaled \$800 million, an increase of 17% from 2018-2019, and higher by 1% than the previous peak in 2016-2017. In 2020-2021, the PBCE Department expects commercial activity to increase 48% to \$1.2 billion in total permit valuation primarily due to a spike in commercial new construction driven by several large projects in July and August 2020, including the expansion of the Adobe North Tower, a new office building at 200 Park Tower, new construction of two data centers, improvements at Harker Middle School, a new six-story assisted living facility, and a new medical office building at Samaritan Medical Care Center. Going forward, commercial activity is expected to decrease by 60% in 2021-2022 as projects move through the development pipeline and construction is completed.

The total commercial construction valuation projected in this forecast is \$2.2 billion, an increase of 25% from the previous five-year forecast at \$1.8 billion because of an increase in commercial new construction and alterations. As discussed in the attached report provided by the PBCE Department, the most notable commercial project in the planning phase is Google’s Downtown West mixed-use project that includes office, residential, and active use space. The project is anticipated to be entitled in spring 2021. Despite the COVID-19 pandemic and speculation on permanent remote working trends, San José continues to capitalize on the expansion of BART into San José and the continuing entitlement process of Google’s Downtown West project. Although growth is forecasted for the commercial sector, due to the lack of available land for large retail centers, national retail trends to smaller retail centers, and the rise of e-commerce, retail demand faces an uncertain future. The forecast assumes that new commercial construction activity will decrease but stabilize in the next few years as the decline in new commercial construction will be offset by the growing demand for office space.

CAPITAL REVENUE FORECAST

CONSTRUCTION ACTIVITY PROJECTIONS

Information provided by real estate trade groups for the 4th Quarter 2020 compared to the same period in 2019 indicated that the overall San José office vacancy rate increased to 11.7% from 11.2%, research and development (R&D) vacancy rate increased to 14.6% from 13.8%, and retail vacancy rate increased 5.9% from 4.8%¹.

C. Industrial Construction Activity

In 2019-2020, industrial activity totaled \$666 million, an increase of 17% from 2018-2019, primarily driven by an increase in new construction. The PBCE Department expects valuation to decrease to \$400 million in 2020-2021, due to a downward trend in new construction and alteration activity, with permit records showing a decrease in total production of industrial square footage. Valuation then drops to \$320 million annually in 2021-2022 and remains flat at \$300 million annually for remainder of the forecast period, to reflect a lower level of activity.

Information provided by real estate trade groups for the 4th Quarter 2020 indicated that the overall San José vacancy rate for industrial space was 3.6%, increasing from 2.8% in 4th Quarter 2019¹.

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. The City Council approved incentives for high-rise residential developments and a partial suspension for construction taxes for building projects that fall under the refined land use definition of Office, Research and Development and Data Center. How these incentive programs impact the Building and Structure Construction Tax and the Construction Excise Tax are discussed later in this section.

Major Development Activity Data

As part of the attached Development Activity Highlights and Five-Year Forecast (2022-2026) 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 are provided, except for the Almaden, 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.

¹ Cushman and Wakefield, MarketBeat Reports

CAPITAL REVENUE FORECAST

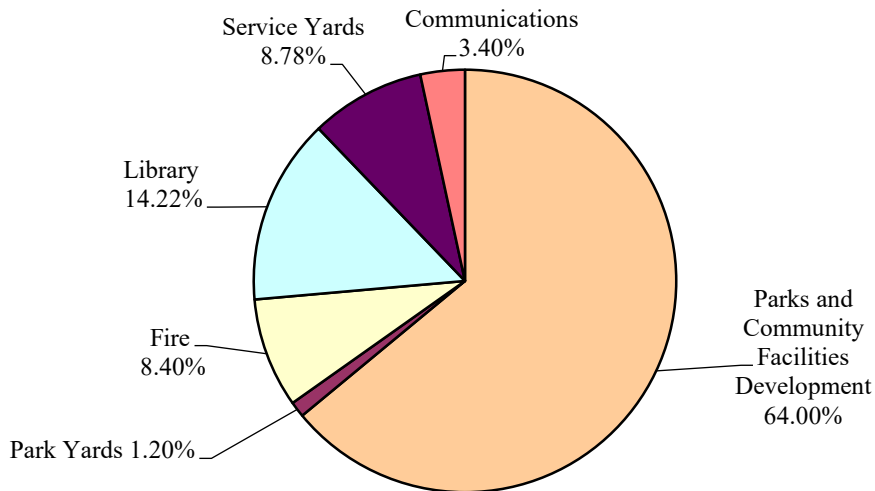
CONSTRUCTION AND CONVEYANCE TAX

The Construction Tax portion of the Construction and Conveyance Tax category is levied on most types of construction. For residential, 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 new 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 \$100. 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:

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.

CAPITAL REVENUE FORECAST

CONSTRUCTION AND CONVEYANCE TAX

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 \$184.0 million, which is \$26.0 million higher than the estimate used to develop the 2021-2025 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.

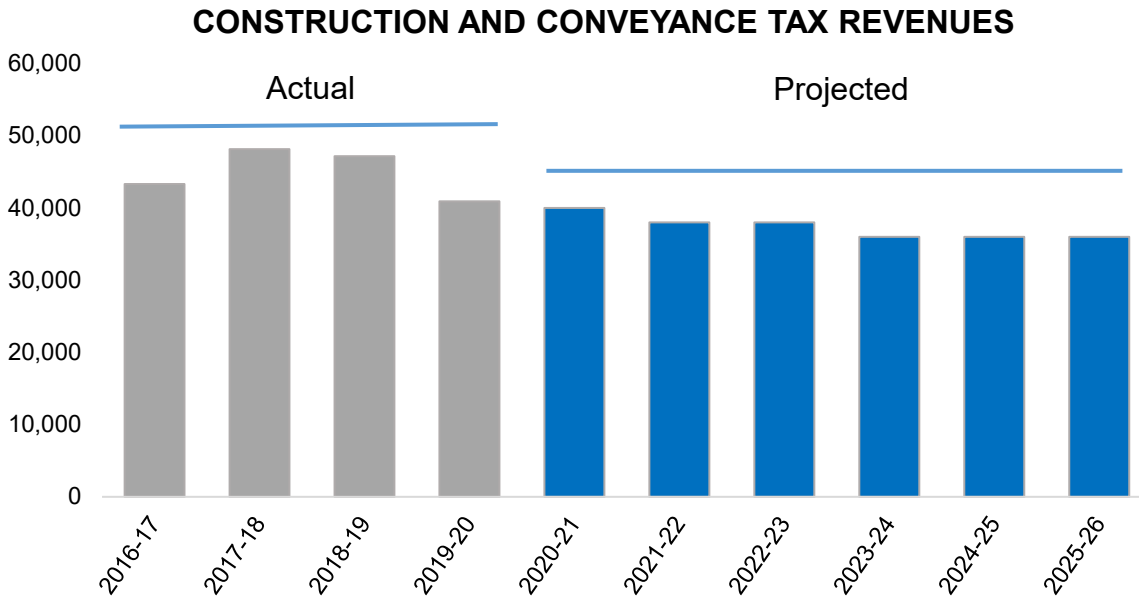
Historically, Construction and Conveyance Tax revenues have been very volatile, reflecting the impacts of the ups and downs of the local economy and particularly the real estate market. After reaching a record setting high of \$49.0 million in 2005-2006, tax collections continuously fell for several years following the real estate slowdown and financial market crisis, dropping to \$20.5 million in 2008-2009. Collections began rebounding again in 2009-2010 and reached peak levels of \$48.1 million in 2017-2018 and \$47.2 million in 2018-2019, before decreasing to \$40.9 million in 2019-2020.

Real estate activity was anticipated to be sluggish in 2020-2021 due to higher unemployment rates coupled with lower consumer confidence. According to data from the Santa Clara County Association of Realtors, the number of property transfers (sales) experienced year-over-year decreases (from the same time period in the prior year) ranging from 10%-54% between the beginning of the shelter-in-place through June. However, beginning in September, the local real estate market once again began to experience year-over-year gains. Through December, there were a total of 4,099 property transfers for all residences, which represents growth of approximately 18% from December 2019 levels. In addition, median single family home prices remain strong. As of December 2020, the median single family home price totaled \$1.23 million, which represents a 14.4% increase from the December 2019 price of \$1.07 million.

CAPITAL REVENUE FORECAST

CONSTRUCTION AND CONVEYANCE TAX

C&C collections in 2020-2021 are projected to end the year at \$40.0 million. This collection level is 2% below the actual receipts received in 2019-2020 (\$40.9 million), which is reflective of the strong housing market despite the pandemic. Collections in this extremely volatile revenue category are forecasted to drop to \$38.0 million in 2021-2022 and 2022-2023, and then drop further to \$36.0 million the remainder of the forecast period. The graph below shows actual and projected revenues for the combined Construction and Conveyance Tax revenues over a 10-year period.



CONSTRUCTION VALUATION TAX RATES

The primary ongoing revenue stream for the Traffic Capital Program, which rehabilitates and improves the City’s transportation infrastructure, is supplied by taxes levied on the valuation of private new construction and alteration activity. The two main taxes are the Building and Structure Construction Tax and the Construction Excise Tax. To balance the need to promote San José’s job growth and economic development with necessary investment in transportation infrastructure, these tax rates have seen temporary suspensions regarding the definition of commercial and industrial classification of uses over the past several years. The tables below display the permanent tax rates without suspensions, and the rates in effect through March 31, 2024 with partial suspensions resulting from the identification of specific uses as approved by the City Council.

CAPITAL REVENUE FORECAST

CONSTRUCTION VALUATION TAX RATES

Permanent Tax Rates without Partial Suspension:

Percentage Tax Based on Building Official's Valuation			
Category	Building and Structure Construction Tax	Construction Excise Tax	Combined Tax Rate
Residential	1.75 % (of 88% of valuation)	2.75 % (of 88% of valuation)	4.5% (of 88% of valuation)
Commercial	1.5%	3.0%	4.5%
Industrial	1.0%	-	1.0%

Tax Rates with Partial Suspension from April 1, 2019 through March 31, 2024:

Percentage Tax Based on Building Official's Valuation			
Category	Building and Structure Construction Tax	Construction Excise Tax	Combined Tax Rate
Residential	1.75 % (of 88% of valuation)	2.75 % (of 88% of valuation)	4.5% (of 88% of valuation)
Commercial	1.5%	3.0%	4.5%
Office - General Business	1.5%	0.5%	2.0%
Office - Research and Development	1.5%	0.5%	2.0%
Data Centers	1.0%	-	1.0%
Industrial	1.0%	-	1.0%

Historically, revenues received from the Building and Structure Construction Tax and the Construction Excise Tax generally tracked in alignment with each other, though years of heavy industrial investment have always favored Building and Structure Construction Tax collections. However, starting in 2019-2020, the change in tax rates and strong office development have resulted in a more pronounced variance between the two revenue sources, with Building and Structure Construction Tax achieving significantly higher collections and Construction Excise Tax tracking consistently compared to historical levels. Even as industrial activity descends from its elevated levels, the partial suspension of the tax rates is designed to incent office-related development, while also directing a greater proportion of revenue into the Building and Structure Construction Tax Fund that restricts funding for improvements to major arterial and collector streets.

CAPITAL REVENUE FORECAST

CONSTRUCTION VALUATION TAX RATES

The City Council approved incentives for high-rise residential developments in 2007 and incentives remain in effect today. Completion deadlines of the current Downtown High-Rise Residential Development Incentive Program were extended by the City Council in September 2019 until December 31, 2023 for construction related taxes such as the Building and Structure Construction Tax and the Construction Excise Tax and the Affordable Housing Impact Fee.

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. 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.

In 2020-2021, Building and Structure Construction Tax receipts through January totaled \$18.2 million, up 3% from the \$17.6 million collected through the same period last year, and on track to exceed the 2020-2021 Adopted Budget estimate of \$19.0 million. Based on these strong collections, actions were included in the 2020-2021 Mid-Year Budget Review to increase the budgeted estimates by \$6.0 million to \$25.0 million.

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 total \$96.0 million, \$17.0 million above the estimate included in the 2021-2025 Adopted CIP. It is projected that collections will drop from the 2020-2021 estimate of \$28 million to \$20 million in 2021-2022 and to \$19 million for the remainder of the forecast period as projects are completed and activity levels 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 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 that 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,

CAPITAL REVENUE FORECAST

BUILDING AND STRUCTURE CONSTRUCTION TAX

Manager's Budget Addendum #8 described a funding strategy to address the funding gap. The approved funding strategy dedicates 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. It is anticipated that there will be several new major projects under construction in the North San José area during the forecast period. As the budget for the 2022-2026 Traffic Capital Program is developed, an estimate of the tax revenue from these projects will be set aside so that funding is available for the construction of North San José and Route 101/Mabury Road transportation improvement projects.

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 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.

In 2020-2021, tax receipts through January for the Construction Excise Tax Fund totaled \$13.7 million, 15% above the \$11.9 million collected through the same period last year and on pace to exceed the 2020-2021 Adopted Budget estimate of \$14.0 million. Based on these strong collections, actions were included in the 2020-2021 Mid-Year Budget Review to increase the budgeted estimates by \$7.0 million to \$21.0 million.

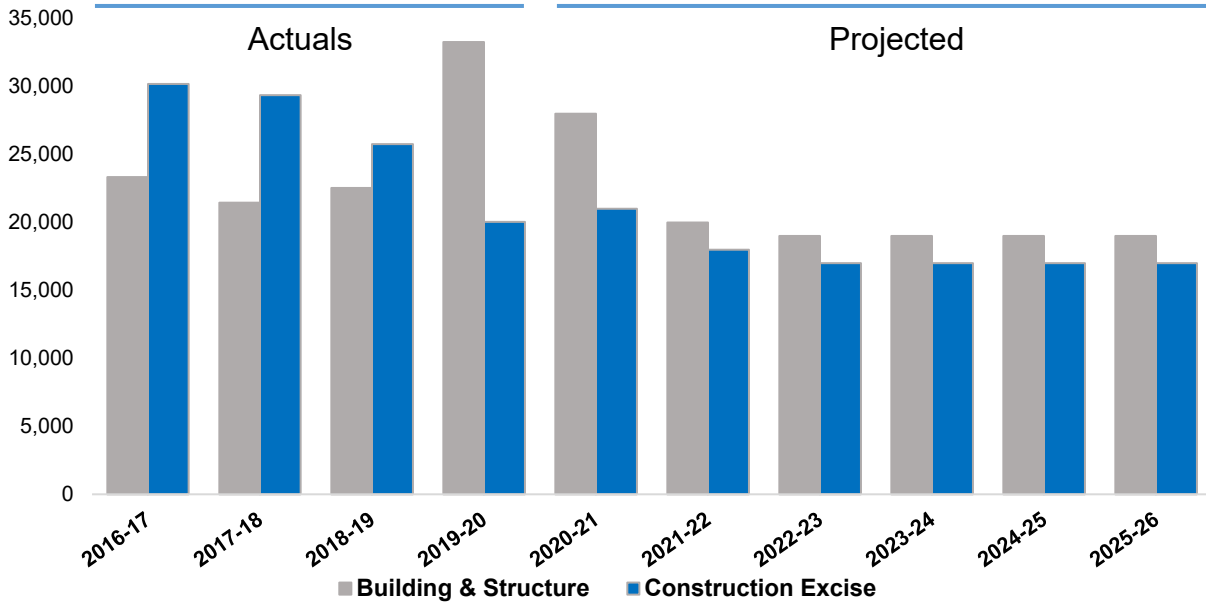
Based upon the construction projections provided by the PBCE Department and an analysis of actual collection patterns, Construction Excise Tax collections are projected to total \$86.0 million over the five-year forecast period, \$8.0 million above the estimate included in the 2021-2025 Adopted CIP. It is projected that collections will drop from the 2020-2021 estimate of \$21.0 million to \$18.0 million in 2021-2022 and to \$17.0 million for the remainder of the forecast period as projects are completed and activity levels decrease.

A comparison of the five-year forecast with actual collections in previous years for the Building and Structure Construction Tax and Construction Excise Tax are shown in the chart that follows.

CAPITAL REVENUE FORECAST

CONSTRUCTION EXCISE TAX

MAJOR CONSTRUCTION-RELATED TAX REVENUES (in thousands)



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 remain at \$375,000 over the forecast period. These fees are detailed in the chart below.

CAPITAL REVENUE FORECAST

MUNICIPAL WATER SYSTEM FEES

MUNICIPAL WATER SYSTEM FEES

(\$ in Thousands)

	2021-2025	2022-2026		%
	CIP	Forecast	Difference	Change
Advance System Design Fee	125	125	-	0%
Meter Installation Fee	125	125	-	0%
Service Connection Fee	125	125	-	0%
TOTAL	375	375	-	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 \$90 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 2020-2021, receipts are projected to total \$200,000 based on year-to-date activity levels. This collection level is on target to meet the budgeted estimates of \$200,000. due strong residential development activity. Based upon construction estimates by the PBCE Department and the actual collection pattern for this tax, collections are expected to remain at \$200,000 in the forecast as a result of development remaining strong. A total of \$1 million is expected over the five-year period of this forecast, which is equal to the total in the 2021-2025 Adopted CIP of \$1.0 million.

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 2020-2021, receipts are projected to total \$500,000 based on year-to-date activity levels, which is equal to the budgeted estimate of \$500,000. The five-year forecast for Sanitary Sewer Connection Fees totals \$2.5 million, with annual receipts of \$500,000 for the period from 2021-2022 to 2025-2026. This collection level is equal to the estimate included in the 2021-2025 Adopted CIP of \$2.5 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 2020-2021, receipts are projected to total \$100,000 based on year-to-date activity levels, which is a decrease from the budgeted estimate of \$200,000. The five-year forecast for Storm Drainage Connection Fees totals \$1.0 million, with annual receipts of \$200,000 for the period from 2021-2022 to 2025-2026. This collection level is equal to the estimate included in the 2021-2025 Adopted CIP of \$1.0 million.

ATTACHMENT A

CONSTRUCTION-RELATED REVENUE 2022-2026 FORECAST (in \$ thousands)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	5 Yr Total
Construction and Conveyance Tax							
2021-2025 Adopted CIP	30,000	26,000	34,000	34,000	34,000	N/A	158,000
2022-2026 FORECAST	40,000	38,000	38,000	36,000	36,000	36,000	184,000
Difference	10,000	12,000	4,000	2,000	2,000	N/A	26,000
Building and Structure Construction Tax							
2021-2025 Adopted CIP	19,000	15,000	15,000	15,000	15,000	N/A	79,000
2022-2026 FORECAST	28,000	20,000	19,000	19,000	19,000	19,000	96,000
Difference	9,000	5,000	4,000	4,000	4,000	N/A	17,000
Construction Excise Tax							
2021-2025 Adopted CIP	14,000	13,000	17,000	17,000	17,000	N/A	78,000
2022-2026 FORECAST	21,000	18,000	17,000	17,000	17,000	17,000	86,000
Difference	7,000	5,000	-	-	-	N/A	8,000
Municipal Water Advance System Design Fee							
2021-2025 Adopted CIP	25	25	25	25	25	N/A	125
2022-2026 FORECAST	25	25	25	25	25	25	125
Difference	-	-	-	-	-	N/A	-
Municipal Water Meter Installation Fee							
2021-2025 Adopted CIP	25	25	25	25	25	N/A	125
2022-2026 FORECAST	25	25	25	25	25	25	125
Difference	-	-	-	-	-	N/A	-
Municipal Water Service Connection Fee							
2021-2025 Adopted CIP	25	25	25	25	25	N/A	125
2022-2026 FORECAST	25	25	25	25	25	25	125
Difference	-	-	-	-	-	N/A	-
Residential Construction Tax							
2021-2025 Adopted CIP	200	200	200	200	200	N/A	1,000
2022-2026 FORECAST	200	200	200	200	200	200	1,000
Difference	-	-	-	-	-	N/A	-
Sanitary Sewer Connection Fee							
2021-2025 Adopted CIP	500	500	500	500	500	N/A	2,500
2022-2026 FORECAST	500	500	500	500	500	500	2,500
Difference	-	-	-	-	-	N/A	-
Storm Drainage Connection Fee							
2021-2025 Adopted CIP	200	200	200	200	200	N/A	1,000
2022-2026 FORECAST	100	200	200	200	200	200	1,000
Difference	(100)	-	-	-	-	N/A	-
TOTAL							
2021-2025 Adopted CIP	63,975	54,975	66,975	66,975	66,975	N/A	319,875
2022-2026 FORECAST	89,875	76,975	74,975	72,975	72,975	72,975	370,875
Difference	25,900	22,000	8,000	6,000	6,000	N/A	51,000
 % Change from 2021-2025 CIP	 40%	 40%	 12%	 9%	 9%	 N/A	 16%