

**SUMMARY OF THE JDEDZ TRANSPORTATION IMPROVEMENT
AND COST ALLOCATION AGREEMENT WITH
COSTCO WHOLESALE CORPORATION**

PARTIES: City of Pleasanton and Costco Wholesale Corporation, 999 Lake Drive, Issaquah, Washington.

TERM OF AGREEMENT: The Agreement takes effect the later of: (a) the date the Agreement is signed by both Parties; (b) the date when all of the JDEDZ Approvals are effective and (c) the date of the enactment of JDEDZ Transportation Fee (the “Effective Date”).

The term of the Agreement begins on the Effective Date and ends the soonest of: (a) the date that the City reimburses Costco for constructing the required JDEDZ street improvements pursuant to the provisions of the Agreement; (b) the first November 1st, following the end of the twenty-fifth (25th) Fiscal Year following the Opening of the Costco Store, subject to a year-for-year tolling in the event of a Force Majeure Event; and (c) termination pursuant to the provisions of the Agreement.

COST ALLOCATION STRUCTURE: The Agreement commits the City to allocate 40% of the sales tax generated by the Pleasanton Costco store to Costco to repay the \$6.8 million advance at 1.5% interest that Costco will make to help fund the required JDEDZ street improvements as well as repay Costco for 50% of the costs at no interest to acquire the right of way required for the JDEDZ street improvements. City staff estimate that 40% of the sales tax generated in the Costco store to be approximately \$370,000 in year one. The proposed JDEDZ Transportation Fee that the City intends to charge future developers in the JDEDZ will also help repay the Costco advance. City staff estimates that without the proposed JDEDZ Transportation Fee, it could take between 14 to 20 years to repay Costco through sharing 40% of the sales tax generated by the Pleasanton Costco store.

The \$6.4 million in Traffic Development Fee revenues that the Agreement commits the City to provide to help fund the Stoneridge Drive and I-680 Onramp project is included in the FY 2018/19 Capital Improvement Plan (CIP) budget that was approved by City Council in June of 2017.

PUBLIC PURPOSE: The purpose of the JDEDZ and the Agreement is to:

- transform the Johnson Drive area into a thriving commercial corridor that capitalizes on its location at the intersection of the I-580 and I-680 freeways; and
- create opportunities for new uses and services in the community, generating new tax revenue to support City services and programs without increasing anyone’s taxes by broadening the City’s economic activities.

The JDEDZ and the Agreement also furthers a number of policies contained in the City's General Plan, including the following:

Land Use Element

Program 2.2: Encourage the reuse of vacant and underutilized parcels and buildings within existing urban areas.

Policy 13: Ensure that neighborhood, community, and regional commercial centers provide goods and services needed by residents and businesses of Pleasanton and its market area.

Economic and Fiscal Element

Goal 2: Sustain the community's quality of life with a vigorous and diverse economy.

Policy 1: Enhance Pleasanton's diversified economic base through an aggressive business retention and expansion program.

Policy 3: Strengthen the retail sector.

Goal 4: Maintain a diverse and stable revenue system.

Policy 8: Undertake programs which will diversify and help to keep the City's revenue system stable from short-term fluctuations in any one revenue source.

Program 8.2: Continue to investigate and utilize potential new revenue sources, particularly those which will not add to the tax burden of residents and local businesses.

Program 18.1: Promote a diverse economic base by implementing the Economic Development Strategic Plan.

PROJECTED TAX REVENUE TO THE CITY: The JDEDZ would result in positive fiscal benefits for the City, including a projected \$1.4 to \$1.7 million annual tax revenue to the City's General Fund (after tax allocation payment to Costco) at the completion of the first phase (which includes club retail and hotel uses). Of this amount, approximately \$1 to \$1.3 million is attributed to the Costco store.

ESTIMATED NUMBER OF JOBS CREATED:

Full Time: 125
Part-time: 125
Temporary: 50 annually