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Financial Analyst Report: Redevelopment of Vallco Mall

The Vallco Mall redevelopment plan clearly has multiple financial advantages and disadvantages for the city, which shows why there are so many debates about the issue of reconstruction. Generally speaking, redevelopment at Vallco Mall will cause instant chaos for the city of Cupertino as redevelopment will not only cost billions of dollars, but will also create unavoidable traffic congestion throughout the city, which is already congested by the thousands of Apple employees and FUHSD students. This would lead to an economic downfall for the city as the city in general would become less efficient and would have to spend millions of dollars on items such as safety barriers, traffic regulation personnel, road maintenance costs, and much more.

Even though this plan would cost the City of Cupertino millions of unnecessary dollars and create unwanted problems throughout the city, Sand Hill Property has decided to take the financial burden and fund for the full proposal, and give additional benefits to city operations and local groups. Even though the redevelopment plan is estimated to cost above four billion dollars and an estimated loss of \$140 million in traffic mitigation, \$36 million to local schools, and \$110 million in community amenities, Sand Hill Property recognizes these losses and has decided to fund for the losses and donate to the organizations which are being impacted the most.

It makes financial sense to local schools to agree to continue with the redevelopment of Vallco, even though they are estimated to lose about 36 million dollars in the process, as Sand Hill Properties has agreed to pay for those losses by donating 40 million dollars, in total, to all FUHSD and CUSD schools in the area. Sand Hill also agreed to using some of the Vallco land to

build an innovation center for students and teachers so that they could expand their educational environment and have an established location for any meetups such as teacher conferences, student robotics meetings, group educational programs, and more. This will save all local schools both time and money as they would not need to rent out an expensive auditorium or travel far away for special mandatory events. This innovation center would also be used as a student makerspace and a black box theater for drama students and teachers. The money will also be used to fund the CUSD school district as it will allow them to pursue their goals of creating another 700 student elementary school and allow them to replace all portable classrooms at Collins Elementary School. The 40 million dollar check also provides 1 million dollars in endowment for the CUSD 8th grade Yosemite program, allowing the program to continue for many more years. Although schools may lose funding because most of the new housing would most likely be rental units, which would mean less parcel tax funding for FUHSD schools, Sand Hill Property is willing to donate the lost parcel tax money for the rental homes. Thus, the Vallco redevelopment plan will greatly benefit local schools as it will allow them to gain desired funding for a sustainable, and more innovative, future.

The City of Cupertino also benefits from the redevelopment plan as Sand Hill Properties has promised millions of dollars in funding for city programs, as well as to assume all costs of traffic monitoring, fund for the low-income, and any additional maintenance services. The demolition of Vallco Mall will free up 58 acres of land, which will be constructed into office and retail space, as well as housing and low-income homes. As 70% of the land will be used for office space, it will cause some city wide congestion but it would also benefit the city's economy as there will be a positive cash flow through the new employees. In addition, it included 16% of

retail space that will be used to directly support the city's economy per sale. This will also lower the unemployment rate as there will be more opportunities for lower educated people to work and earn money. Sand Hill has also allotted 15% of the space for housing, half of which will be made specifically for low-income residents. This could also have the potential for decreasing the average house price, which stands over 1.5 million dollars if Sand Hill decides to create single family residential units instead of rental. There is, however, a small problem as this plan would not adhere to California's recommendation to have a 1.5 job to home ratio, going over this value by almost double at 2.7. For this reason, the plan may want to reconsider how much space they will allocate to each cause: housing, office, and retail. Overall, this plan would benefit the economy as it will allow many low-income residents to attain a home or cheap property, as well as creating more living spaces for the overcrowded city. Other than housing, the redevelopment plan will promise 30 million dollars of funding for freeway improvements for the North Wolfe Road and the I-280 overpass and interchange. This funding will also be used to fix existing traffic stop lights and create streamline traffic flows through the city. This is another economic benefit, as although Cupertino would suffer a loss with the cost of traffic regulations and city developments, Sand Hill has agreed to fund for all of Cupertino's development and traffic plans, which allows for ease of developments and would not cause any financial tensions for any city wide projects. Sand Hill Property is also promising a better environment for residents of Cupertino as they are giving 4 million dollars towards establishing efficient VTA public transportation lines, donating 6 million dollars towards safer pedestrian and biking trails across the city, 2.5 million towards Cupertino's Monitoring Program (which monitors and solves traffic and overcrowdedness problems, and another \$100k towards public art for viewing pleasure. Each

of these sources of funding financially benefit the city as they will not need to focus on getting funding for important city issues, and can rely on Sand Hill Properties donations and city funding. In the long term, this will allow the city to attain a repository of funds that they could use for any future problems, without financially setting them back.

Overall the plan to establish Vallco Shopping Mall into a new town center will be financially advantageous as it will allow for future city and local school funding. The donations by Sand Hill Property will not only create a financial net for the Cupertino to reserve money for times in need but also fund for existing projects and interest events. The plan will also financially benefit local schools as it provides funding for school renovations, establishments, and programs, which will allow the schools to financially thrive in the upcoming years. Thus, the Vallco Mall redevelopment plan will financially benefit the local economy, setting financial support to all programs for the upcoming years.