



COUNCIL AGENDA: 3/28/06
ITEM: 9.1

Memorandum

TO: HONORABLE MAYOR, CITY
COUNCIL, AND REDEVELOPMENT
AGENCY BOARD

FROM: Les White
Harry S. Mavrogenes

SUBJECT: AMENDMENT OF SAN JOSE DAY NURSERY
DATE: March 9, 2006

Council District: 3

RECOMMENDATION

It is recommended that the City Council and Redevelopment Agency Board approve the first amendment to the agreement with San Jose Day Nursery, increasing the City/Agency contribution by \$144,000, for a total City/Agency contribution not to exceed \$1,000,000, for the development and renovation of San Jose Day Nursery's existing facilities located at 33 North Eighth Street, to be operated as a Smart Start Early Care and Education Center, amending the covenants from a 15-year to a 20-year period, reallocating \$144,800 from Phase 2 to Phase 1 of the project, and making other technical changes.

BACKGROUND

On March 30, 2004, the City Council authorized the negotiation and execution of an agreement with San Jose Day Nursery to provide assistance in the renovation of its existing facility to accommodate a Smart Start San Jose Early Care and Education Center serving 112 children, an increase from 72, in seven classrooms. The Project was scheduled for construction in two phases: Phase 1, the renovation of an existing structure to increase childcare capacity by 28 spaces, and Phase 2, the installation of a modular building to accommodate an infant care center, providing 12 new spaces. On September 27, 2004, that agreement was executed. On June 15, 2005, San Jose Day Nursery held its groundbreaking for this project.

ANALYSIS

Since the groundbreaking, the project has been challenged by delays that have resulted in significantly higher construction costs, some of which are related to the historic rehabilitation component of the project. Overall, San Jose Day Nursery has encountered unexpected increases in material costs, unforeseen conditions in the existing structure, and associated construction delays. San Jose Day Nursery has initiated extensive fundraising efforts to help them close a \$500,000 shortfall. Library and Agency staffs have reviewed the project carefully to identify areas for cost cutting and to continue closely monitoring the project.

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Amendment of San Day Nursery Agreement

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The proposed amendment will augment Phase 1 project funds with \$144,000 of Agency funds, and will move a portion of the Phase 2 funding to Phase 1 to ensure that the main center will open this summer. The nature of the Phase 2 projects costs is more predictable; installation of a modular unit rather than rehabilitation of an historic structure. San Jose Day Nursery will need to continue fundraising efforts for Phase 2. If the timelines for commencement of Phase 2 are not met, the amendment provides that the City can terminate the agreement and reallocate unused funds for another project.

In consideration of the increased funds, the term of the Smart Start covenants will be extended from 15 to 20 years. These covenants require operation of the facility consistent with the City's Smart Start standards, and give priority to Project Area residents.

COORDINATION

Development of this amendment was coordinated with the City of San Jose Early Care and Education office in the Library Department, the Mayor's Office, the City Attorney and the Agency's General Counsel.

BUDGET REFERENCE

Funding provided in the Redevelopment Agency's Adopted FY 2005-06 Capital Budget, Child Care Development Fund Project line in the Merged Redevelopment Area (Re: A-85).

CEQA

Exempt, File No. PP04-062.



LES WHITE
City Manager



HARRY S. MAVROGENES
Executive Director