



COUNCIL AGENDA: 6/24/08
ITEM: 9.3

Memorandum

TO: HONORABLE MAYOR, CITY
COUNCIL AND REDEVELOPMENT
AGENCY BOARD

FROM: Debra Figone
Harry S. Mavrogenes

SUBJECT: AMENDMENT OF SAN JOSE
DAY NURSERY AGREEMENT

DATE: June 13, 2008

Council District: 3

RECOMMENDATION

It is recommended that the City Council and Redevelopment Agency Board approve the third amendment to the agreement between the San Jose Day Nursery, the City of San Jose and the Redevelopment Agency, increasing the Agency contribution by \$150,000, for a total City/Agency contribution not to exceed \$1,450,000, to provide funding for the completion of improvements to San Jose Day Nursery's existing facilities located at 33 North Eighth Street, and also extending the duration of the Smart Start covenants for the property from 30 years to 35 years as consideration for the increase in funding.

OUTCOME

Approval of the proposed amendment will ensure that the infant center at the San Jose Day Nursery completes construction, opens on schedule, and provides 24 Smart Start childcare spaces for infants.

BACKGROUND

The San Jose Day Nursery, the oldest day care in Downtown San Jose, is one of only two infant centers in the Downtown. It has a great reputation for providing high quality child care for all families, including families in need.

On March 30, 2004, the City Council and Agency Board authorized the negotiation and execution of an agreement with San Jose Day Nursery in the amount of \$856,000 for the renovation of its existing facility to accommodate a Smart Start San Jose Early Care and Education Center for an additional 40 children (12 infant, 28 preschool) for a total of 112 children. The Project is being constructed in two Phases. Phase 1 is the renovation of an existing structure to increase childcare /preschool capacity by 28 spaces. Phase 2 is the installation of a modular building to accommodate infant care center providing 12 new child care spaces for a total of 24 Smart Start child care spaces.

The agreement was executed on September 27, 2004, and a ground breaking ceremony was held on June 15, 2005. On March 28, 2006, the City Council and Agency Board approved the first amendment to the San Jose Day Nursery agreement, authorizing an additional \$144,000 for Phase 1. Phase 1 has been completed and a grand opening was held on October 6, 2006. On December 12, 2006, the City Council and Agency Board approved the second amendment to the San Jose Day Nursery agreement, amending the terms of the covenants from 20 to 30 years and authorizing \$300,000 for Phase 2 due to increased costs associated with the rehabilitation of an existing building and the increased costs of the manufactured modular building.

ANALYSIS

Construction on Phase 2, consisting of: building demolition, new modular building construction and placement, site work, fire alarm system, outdoor play area, and ADA compliant walkways, commenced in February 2008 and is 90% complete. San Jose Day Nursery has met all project timelines thus far and is in compliance with the Phase 2 Project timelines.

Anticipated funding solicitations by San Jose Day Nursery have not materialized and although efforts to identify funding sources continue, amounts secured would not be available until well after construction is complete. San Jose Day Nursery has requested Agency assistance in closing the funding gap for Phase 2. The proposed amendment will augment Phase 2 project funds with an additional \$150,000 of Agency funds.

To place a value on our Smart Start investment, Keyser Marston Associates (KMA) performed an analysis in June 2006. Based on this analysis it can be established that the additional funding of \$150,000 for a total amount of \$450,000 City and Agency contribution, in conjunction with increase of Smart Start Covenants to thirty five years for the San Jose Day Nursery Expansion of the infant center, will return public benefits in the amount of \$1.2 to \$2.7 million in cost savings.

In consideration of the additional funds, the term of the Smart Start covenants will be extended from 30 years to 35 years. These covenants require operation of the facility consistent with the City's Smart Start standards and give priority to Project Area residents.

EVALUATION AND FOLLOW-UP

The construction progress for the Phase 2 infant center is being reported through the Monthly Construction Reports to the Board and is available on the Redevelopment Agency's website.

PUBLIC OUTREACH/INTEREST

The proposed action does not meet any of the criteria noted below for added outreach efforts. This staff report will be posted on the City's website and made available for public review.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.

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- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criterion 3:** Consideration of proposed changes to service delivery, programs, or staffing that may have impacts to community services and have been identified by staff, the Board or Council, or a community group that requires special outreach.

COORDINATION

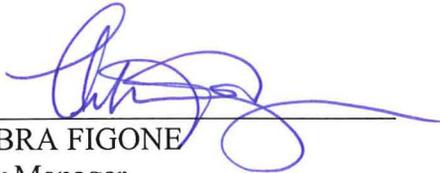
Development of this recommendation was coordinated with the Library Department, Mayor's Office and the Agency's General Counsel.

COST IMPLICATIONS

Funding is provided in the Redevelopment Agency's Adopted FY 2007-08 Capital Budget, Child Care Development Fund project line in the Merged Redevelopment Area.

CEQA

Exempt, File No. CP05-002



DEBRA FIGONE
City Manager



HARRY S. MAVROGENES
Executive Director