THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: SUNSHINE REFORM TASK FORCE	FROM: HARRY MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: APRIL 13, 2007

SUBJECT: RESPONSE TO SUNSHINE REFORM TASK FORCE

BACKGROUND

At the March 1, 2007, Task Force meeting, Task Force member Bob Brownstein presented a proposal on a public process for major public subsidies. While Agency staff addressed the Task Force at the March 1, 2007 meeting regarding Mr. Brownstein's proposal, the Agency agreed to provide additional information at the April 2007 Task Force meeting.

The Redevelopment Agency recognizes the hard work of the Sunshine Task Force and appreciates the opportunity to work with the Task Force on these very important community issues.

ANALYSIS:

California Redevelopment Law was adopted in 1945 as the Community Redevelopment Act. A significant turning point in the history of redevelopment in California occurred with the adoption of a state Constitutional amendment in 1952. The voters of the state approved the financing technique known as tax increment financing, which allowed agencies to become less dependent on federal or state grants and loans for the funding of projects and initiatives.

Redevelopment agencies are the primary local government agencies that have the legal authority, an ongoing funding source, and a mission to reverse the negative effects of physical and economic conditions of blight, all granted by state law. In addition, redevelopment agencies represent the greatest source of public funds available for the production of low and moderate income housing.

To that end, redevelopment activities and projects in San Jose are carried out pursuant to the California Community Redevelopment Law. Section 33020 of the Community Redevelopment Law defines redevelopment as "the planning, development, re-planning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them."

It is important to note that the Redevelopment Agency is an entity legally separate from the City and exists solely to perform certain redevelopment functions for and by authorization of the Redevelopment Agency Board. As previously noted, the core purpose of redevelopment is to eliminate blight in Redevelopment Project Areas. Prior to forming a Redevelopment Project Area, the City Council must find that substantial blight exists in the area, which cannot be remedied without the assistance of the authority provided under Redevelopment Law.

In the expenditure of redevelopment funds, the Redevelopment Agency uses several types of agreements for major projects and investments, including the following agreements typically used to assist private development, which may include expenditures over $1 million:

Disposition and Development Agreements (DDAs):

These agreements are used by the Agency when it is disposing of property owned by it to a developer. The agreement provides for the transfer of the property, as well as the conditions placed on the development by the Agency. The DDA also provides for the Agency's assistance to the project, either in the form of a write down on the value of the land, which must be justified by valuing the use of covenants, or in the purchase of some other public benefit, such as affordable housing covenants or public parking covenants.

Owner Participation Agreements (OPAs):

These agreements are similar in most respects to DDAs, except the land is already owned by the developer and, therefore, no property transfer is involved. The Agency uses these agreements in the issuance of Unreinforced Masonry grants to preserve and activate older buildings. These types of agreements give existing property owners an opportunity to work in partnership and collaboratively with redevelopment agencies in an effort to revitalize communities.

Property Use Agreements:

This type of agreement sets forth the terms of the use of property without transferring possession of the property. For example, the Agency's transaction with BEA Systems Inc. for the Sobrato Office Tower consists of a Property Use Agreement under which the Agency agreed to pay BEA for the use of its parking garage for public parking, in addition to a second Property Use Agreement for BEA's use of an Agency owned surface lot, as well as an office lease agreement.

Leases:

The Agency frequently provides assistance to retail or nonprofit tenants in the form of tenant improvements or reduced rents. The Agency currently has lease agreements with non-profit art organizations, such as MACLA (Latino Arts Organization) and The Stage.

The Redevelopment Agency's mandate to follow Redevelopment Law requires a number of additional reporting requirements that are not necessary for city funded projects. These requirements may significantly increase the amount of time a project is available for public review. It is not uncommon for projects, where the Agency enters into an Exclusive Negotiation Agreement (ENA), to take six to nine months before the DDA is considered by the Agency Board/Council.

The Agency supports the cost benefit analysis pilot program, as adopted by the City Council on April 2, 2007, including the recommendations of the Mayor's Transition Committee to require "after action" reports. This analysis will allow us to learn from past projects, and use this knowledge in the evaluation of future transactions. It must be understood that Agency supported projects, such as Adobe, often require a number of years to generate projected returns, and many urban improvement type projects cannot be evaluated in isolation because the desired results are often delivered when various components of an overall strategy begin to come on line.

The recently adopted report distribution requirements for expenditures of $1 million or more require a 14 calendar day noticing for all policy bodies and requires that the staff report be distributed at the time of public noticing. For Council Committees, reports must be distributed seven days prior to the meeting. By following the new requirements, including the presentation of the item at a Council Committee, staff reports will be available for public review for a minimum of three weeks or 21 days prior Council/Board action. When possible, the Agency will attempt to provide the information sooner, as was the case with the BEA Headquarters project. The Agency believes that the 21 day review period is more than adequate given that the Agency project may have already been available for public review and input for a period of time prior to making it on an Agency Board/Council agenda.

In terms of project impacts on city services, consideration should also be given to current requirements. On capital projects having Operating and Maintenance (O&M) impacts, the Agency is required to provide an assessment as to what those O&M impacts may consist of. Attached for your review is the "Operations and Management Study" that the Agency performed for the California Theater. On potential project impacts to neighborhoods, Agency projects are required to include some level of environmental assessment, including Environmental Impact Reports (EIRs), whereby the report must be publicly circulated, comments from the public noted, mitigations to impacts identified, and the document certified. If not done properly, these documents may, and have been, challenged in court.

Finally, as it relates to Housing, it is worth noting again that redevelopment agencies are the single greatest source of public funds available for housing. Redevelopment law requires an agency to use 20% of Tax Increment revenues to increase, improve, or preserve the community's supply of low and moderate income housing. The Agency in partnership with the City's Housing Department is considered a statewide model for meeting or exceeding its fiscal obligation for the production of affordable housing. In accordance with Section 33334.5 of California Redevelopment Law low and moderate income dwelling units displaced by a redevelopment project must be replaced with an equal number of units and be made available to low and moderate income persons within four years.

In its "Annual Report of Financial Transactions" to the State Comptroller, the Agency must provide a "Housing Activity Report" to the state's Department of Housing and Community Development. The report provides a detailed history of the expenditure of the Housing Set Aside dollars and other expenditures to increase or preserve the affordable housing stock.

We are hopeful that this report provides you with a snapshot of the numerous public disclosure related requirements that redevelopment agencies throughout California must follow by law.

I look forward to answering your questions and hearing your comments and input at the April 19, 2007 Task Force meeting.

HARRY S. MAVROGENES
Executive Director

ATTACHMENTS

Attachment A: Includes the various reports distributed to the Board on the recently approved BEA headquarters project.

Attachment B: Includes a summary report pursuant to Section 33433 of the California Redevelopment Law for the Plaza Housing project.

Attachment C: Includes an Operations and Management Study Summary Report for the Fox Theater Project now the California Theater.

Attachment D: Includes a list of items approved by the Agency Board requiring early distribution for the period of June 20, 2006 through March 27, 2007.

Attachment A

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

REDEVELOPMENT AGENCY BOARD

HARRY S. MAVROGENES
EXECUTIVE DIRECTOR

SEE BELOW

FEBRUARY 23, 2007

INFORMATION

SUBJECT: BEA SYSTEMS ACQUISITION OF THE SOBRATO TOWER AND SUBSEQUENT RELOCATION FROM NORTH SAN JOSE TO DOWNTOWN SAN JOSE

Since early November 2006, Redevelopment Agency staff and BEA Systems executives, in coordination with the Sobrato Development Companies, have been exploring opportunities for the move of the BEA Systems headquarters to the "Sobrato Building" at 488 Almaden Boulevard in Downtown San Jose. BEA Systems currently leases 225,000 sf of space on North First Street.

On Thursday, February 22, 2007, BEA Systems announced its intention to acquire the building at 488 Almaden Boulevard, with assistance from the San Jose Redevelopment Agency, and executed a Letter of Intent with the Redevelopment Agency to pursue a Property Use Agreement. Escrow is expected to close in April 2007.

This item is being brought to the Agency Board's attention because of the major significance of this site to the economic vitality of the Downtown and because of recent public and media interest. This acquisition and the occupancy of all 380,000 square feet will reduce the Class A building vacancy rate from 18.6% to 10.8%. It is estimated that over 1,000 BEA employees and contract workers will be housed in the building generating multiplier impacts on the downtown economy. An article regarding the BEA acquisition of the site appeared in the San Jose Mercury News this morning.

The Agency's discussions with BEA since last Fall has centered on issues that would help close the financial gap between the sale and purchase price of the 488 Almaden Blvd. building.

Agency staff has negotiated a term sheet with BEA Systems and prepared a cost/benefit analysis, market analysis, and related due diligence as required under

Redevelopment Law so that we could determine practical alternatives to present to the Agency Board. Staff is prepared to submit the terms and conditions of the Property Use Agreement to the Agency Board for its consideration and approval at the March 20, 2007 Board meeting. The goal is to release the staff report on March 6, 2007, two weeks prior to the Board meeting, as required under the Council/Agency policy. The summary of the deal terms and the executed Letter of Intent between the Agency and BEA System is attached for your reference.

HARRY S. MAVROGENES
Executive Director

Encl.

ATTACHMENT

BEA SYSTEMS – SUMMARY HIGHLIGHTS

About BEA:

- BEA is the world's leading $1.4 billion application infrastructure software company
- Currently located in a 225,000sf building on North First Street
- Employs 800 people in San Jose; 5000 worldwide

488 Almaden Boulevard Building

- 380,000 sf Class A office
- Will become BEA Corporate Headquarters
- BEA plans to relocate its workforce of approximately 1,000 employees and contract workers to the downtown location by the first half of next year.
- Estimated Total Assessed Value of Building is expected to be doubled at a minimum
- Approximately $25 million landlord and tenant improvement investment
-

Letter of Intent (LOI) between Agency and BEA

- Executed on 2/22/07
- Speaks to the city's interest to create a cluster of technology companies in Downtown
- Office vacancy rate in downtown Class A office decreases from 18.6% to 10.8%. Overall office vacancy would reduce from 21% to 16%

Proposed Deal Terms:

- BEA shall occupy at lease 51% of the building at all times
- Estimated Tax Increment over 28 years through FY 2035-36 (the current life of the Guadalupe/Auzerais Redevelopment Area) in today's dollars = approximately $19 million (total in real dollars = approximately $35 million)
- Agency Participation in the deal = $13.32 million over 15 years; with larger payments in years 1-5
- Public use of parking spaces: 30-year use of 388 spaces weekday nights, 7pm-midnight; and 842 spaces weekends/holidays from 8am-12 midnight
- Agency receives 50% of net operating profit from parking garage revenues
- Agency to lease 30,000 sf of the building for 5 years for the purpose of subleasing the space for same period to emerging technology company/companies
- Agency to allow BEA weekday, daytime, use 45 parking spaces on Agency-owned parking lot at Balbach/Almaden

Other Agency/City Benefit/Assistance:

- Facilitate expedited development permit process
- Coordinate activities with utilities, VTA and others as necessary
- Assist with pursuing enterprise zone benefits
- Approximately 150 construction employees with $8 million payroll
- 800-1000 employees with approximately $140 million annual direct payroll to visit downtown restaurants, arts and entertainment venues
- Additional hotel rooms and convention center activity

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

The Redevelopment Agency of the City of San José

CONFIDENTIAL

February 15, 2007

William M. Klein
Executive Vice President
Corporate Development
BEA Systems, Inc.
2315 North First Street
San Jose, CA 95131

Dear Bill:

Attached for your review is an updated Term Sheet, which captures BEA's request to reduce the number of parking spaces available to the Agency in the evenings.

If the terms of this Revised Term Sheet are acceptable to you as the basis for preparing a Building Use Agreement, and other pertinent legal documents associated with this Agreement, please sign and return this letter as soon as possible.

If all legal documents between the Agency and BEA are executed by February 27, 2007, we will be able to present this action to the Agency Board for approval on March 20, 2007.

Sincerely,

HARRY S. MAVROGENES
Executive Director

The undersigned agrees with the terms of this Letter of Intent.

Will Klein

WILLIAM M. KLEIN
Executive Vice President
BEA Systems, Inc.

EXHIBIT A

SAN JOSE REDEVELOPMENT AGENCY (AGENCY)

REVISED TERM SHEET

TO BEA SYSTEMS INC. (BEA)

ON PROPERTY AT 488 ALMADEN BLVD. ("BUILDING")

DATED FEBRUARY 15, 2007

[SUBJECT TO AGENCY BOARD APPROVAL]

SUMMARY OF TERMS

BEA intends to acquire a 380,000 square foot Class A office building located at 488 Almaden Blvd. in Downtown San Jose. BEA intends to complete its transaction with Sobrato Development Companies in April 2007.

AGENCY shall enter into a Building Use Agreement with BEA, subject to REDEVELOPMENT AGENCY BOARD approval, to obtain

i. public parking rights in the parking garage located in the building; and
ii. a covenant from BEA requiring that BEA maintain its corporate headquarters in the building and that BEA occupy at least 51% of the building.

If BEA acquires the property, AGENCY agrees to pay BEA for the Public Use Rights up to $13.32 million over a 15-year term for the use of a block of restricted parking spaces in the parking garage of the Building. Parking spaces to be open for public use over a 30-year period from 2008 to 2038.

AGENCY agrees to pay BEA an advance use fee of approximately $4.36 million in Years 1 through 5, as shown below; the first payment due on July 1, 2008. The advance use fee shall be paid as follows:

Year 1: $1,850,000
Year 2: $ 740,000
Year 3: $ 740,000
Year 4: $ 518,000
Year 5: $ 518,000

The balance of the $13.32 million would be paid annually beginning July 1, 2008 over a 15-year period ending July 1, 2022 as shown on the attached Schedule of Annual Payments.

AGENCY agrees to, subject to AGENCY BOARD approval, lease up to 30,000 square feet of office space in the building, specifically for the purpose of subleasing such space subject to reasonable approval by BEA.

SPECIFICS OF THE PROPOSAL

1. PROPERTY USE AGREEMENT FOR PARKING SPACES

AGENCY shall have right to use:

- 388 restricted parking spaces in the building parking garage, located in the three (3) below grade levels (P1, P2, & P3) for public use on weekday nights from 7:00 pm to 12 midnight; and
- 842 restricted parking spaces in the building parking garage, generally located between P3 and Floor 4, for public use on weekends and holidays from 8:00 am to 12 midnight.

The terms and conditions of such use would be set forth in a parking operations plan.

BEA shall operate and maintain the parking garage and fund all costs related to the parking garage.

Public use of the parking spaces shall be for a period of 30 years commencing on July 1, 2008 and terminating on June 30, 2038.

AGENCY receives 50% of the net operating profit from parking garage revenues after deduction of operating expenses on annual basis.

BEA shall have the right to cancel the parking obligation at an agreed upon cancellation fee outlined in the attachment.

2. COVENANT FOR CORPORATE HEADQUARTERS

BEA is recognized as the world's leading application infrastructure software company. Headquartered in North San Jose in a 225,000 square foot campus on North First Street, BEA currently employs approximately 800 people.

AGENCY supports BEA's corporate vision to relocate its headquarters operation in a Downtown Class A office tower because it speaks to the CITY's and AGENCY's interest to create a cluster of technology companies in the city center.

BEA covenants to house its corporate headquarters at 488 Almaden Blvd., and be the primary user occupying at least 51% of the total Building space. BEA acknowledges its intention to utilize the entire building for its business operations over time.

3. CORPORATE SIGNAGE

BEA is responsible for funding the design, fabrication and installation of its corporate signage program. BEA shall work with AGENCY and CITY staff on design review and the permit process.

4. OTHER AGENCY ASSISTANCE

AGENCY and CITY staff shall assist BEA development team with facilitating an expedited development permit process.

AGENCY shall assist BEA development team to coordinate activities with PG&E and other utility companies, Valley Transportation Authority, and any other public agencies as needed.

AGENCY and CITY staff shall assist BEA to pursue Enterprise Zone benefits specifically as it relates to obtaining new employee tax credits and manufacturing and communications-related equipment tax credits, and other programs such as Employee Training Funds.

BEA agrees to work with CITY staff to ensure that the sales and use taxes related to operations and activities on and in connection with the subject property will be reported and allocated by the applicant in accordance with applicable law to maximize the CITY's sales and use tax revenues, representing significant additional revenue annually.

From time to time, AGENCY staff shall assist BEA with facilitating company product launches, press conferences and press releases, special events and ceremonies to highlight the operations and milestone accomplishments of the company.

5. AGENCY LEASE OF OFFICE SPACE IN THE BUILDING

AGENCY agrees to lease up to 30,000 sf of office space in the building, which shall include three (3) parking spaces per 1,000 sf (90 spaces) in the building parking garage, for a period of 5 years at a $2 per square foot NNN lease rate beginning July 1, 2008, with an escalation of 3.0% compounded annually. Leased space shall be delivered by BEA to AGENCY as a warm shell with open office build-out that is mutually agreed upon at an estimated cost ranging from $40-$50/sf. The parties acknowledge that the AGENCY does not intend to occupy the leased space.

SUBLEASE

AGENCY shall have the right to sublease the office space subject to reasonable approval of BEA during the 5-year lease term. Criteria shall be established in the lease to define acceptable subtenants.

At any point before AGENCY subleases the office space, BEA shall have the right to recapture all or any portion of the leased space at which time the AGENCY's obligations as to such leased space shall terminate. After the initial sublease of the leased space by the AGENCY, if any subtenant vacates the leased space during the term of the lease, BEA shall have the right to recapture any such subleased space.

6. USE OF PARKING SPACES ON AGENCY OWNED SURFACE PARKING LOT

To provide for BEA parking needs during business hours and to provide parking for employees, visitors, clients, and service providers, the AGENCY agrees to allow BEA to use 45 parking spaces on an Agency-owned surface parking lot located at the southeast corner of Almaden Blvd. and Balbach Street commonly known as the Almaden/Balbach Parking Lot. These spaces will made available to BEA for its exclusive use at a cost of $1 per year, Monday through Friday from 6:00 am to 6:00 pm, for the entire term of the Agreement from 2008 to 2038. The Agency shall maintain use of said spaces for public use in the evenings, weekends and holidays, during the time that the parking spaces are not in exclusive use by BEA. A Property Use Agreement between BEA and AGENCY shall outline the terms of this arrangement.

During the term of the parking agreement, AGENCY will agree not to negotiate with any third party for acquisition or development of the AGENCY lot and, at any time during the term of the parking agreement or upon termination of the parking agreement, the AGENCY will negotiate with BEA for the acquisition and development of the AGENCY lot. The development of the AGENCY parking lot could include the continued use of the lot for parking purposes.

BEA hereby acknowledges that the AGENCY lot is situated within the boundaries of the annual Grand Prix Champ Car race course, which is held at the end of July. The lot is inaccessible for a period of approximately 10 days before, during and after the race. Therefore, the lot will not be available for use by BEA during this period.

EXHIBIT B

488 ALMADEN

REVISED PROPOSAL 2/15/07

Annual Payments by Agency for Parking Access
388/Evening + 842/Weekend/Holiday Spaces

Beginning July 1st	Lease Year	Advance Use Fee	Annual Payment	Total Payments
2008	1	$1,850,000	$592,000	$2,442,000
2009	2	$740,000	$603,840	$1,343,840
2010	3	$740,000	$615,917	$1,355,917
2011	4	$518,000	$628,235	$1,146,235
2012	5	$518,000	$640,800	$1,158,800
2013	6	$0	$653,616	$653,616
2014	7	$0	$666,688	$666,688
2015	8	$0	$680,022	$680,022
2016	9	$0	$693,622	$693,622
2017	10	$0	$707,495	$707,495
2018	11	$0	$495,800	$495,800
2019	12	$0	$495,800	$495,800
2020	13	$0	$495,800	$495,800
2021	14	$0	$495,800	$495,800
2022	15	$0	$488,565	$488,565
Total		$4,366,000	$8,954,000	$13,320,000

488 ALMADEN
PROPOSAL - GARAGE SPACES WITH PUBLIC ACCESS

			Public Spaces		
			Weekdays		Weekends & Holidays
Lease Year	Beginning July 1st	Garage Spaces	Unrestricted Spaces	Restricted Spaces	Unrestricted Spaces
1	2008	1,108	0	388	842
2	2009		0	388	842
3	2010		0	388	842
4	2011		0	388	842
5	2012		0	388	842
6	2013		0	388	842
7	2014		0	388	842
8	2015		0	388	842
9	2016		0	388	842
10	2017		0	388	842
11	2018		0	388	842
12	2019		0	388	842
13	2020		0	388	842
14	2021		0	388	842
15	2022		0	388	842
16	2023		0	388	842
17	2024		0	388	842
18	2025		0	388	842
19	2026		0	388	842
20	2027		0	388	842
21	2028		0	388	842
22	2029		0	388	842
23	2030		0	388	842
24	2031		0	388	842
25	2032		0	388	842
26	2033		0	388	842
27	2034		0	388	842
28	2035		0	388	842
29	2036		0	388	842
30	2037		0	388	842

		Per Floor	*Cumulative Total*	
Garage Spaces	Below - P3	111	111	<--Weekdays + Weekend
	Below - P2	145	256	<--Weekdays + Weekend
	Below - P1	132	388	<--Weekdays + Weekend
	Street	63	451	<--Weekend & Holliday Only
	Floor 1	97	548	<--Weekend & Holliday Only
	Floor 2	102	650	<--Weekend & Holliday Only
	Floor 3	102	752	<--Weekend & Holliday Only
	Floor 4	90	842	<--Weekend & Holliday Only
	Floor 5	90	932	
	Floor 6	90	1,022	
	Floor 7	86	1,108	
Total Spaces		1,108		

AGENCY COSTS
AGENCY BENEFITS
PAYBACK SCHEDULE - EARLY TERMINATION
488 ALMADEN

		Agency Costs						A.	Agency Benefits	B.	
	FY Beginning July 1	Agency Payments	Forgone Revenue 45 Spc Lot	Agency Lease Obligation @ $24 + Exp	Agency Sublease Rent @ $35 Fully Serviced	Agency Lease Net Cost	Total Agency Costs	PV of Future Costs (1)	Garage Benefit (2)	PV of Future Benefits (1)	Payback Amount Upon Termination (3) (B. minus A.)
1	2008	$2,442,000	$32,000	$1,170,000	$1,050,000	$120,000	$2,594,000	$10,570,000	$442,800	$12,841,000	$2,271,000
2	2009	$1,343,840	$32,960	$1,205,100	$1,081,500	$123,600	$1,500,400	$9,386,000	$456,084	$12,770,000	$3,384,000
3	2010	$1,355,917	$33,949	$1,241,253	$1,113,945	$127,308	$1,517,174	$8,151,000	$469,767	$12,684,000	$4,533,000
4	2011	$1,146,235	$34,967	$1,278,491	$1,147,363	$131,127	$1,312,330	$7,083,000	$483,860	$12,580,000	$5,497,000
5	2012	$1,158,800	$36,016	$1,316,845	$1,181,784	$135,061	$1,329,877	$5,966,000	$498,375	$12,459,000	$6,493,000
6	2013	$653,616	$37,097				$690,713	$5,454,000	$513,327	$12,320,000	$6,866,000
7	2014	$666,688	$38,210				$704,898	$4,913,000	$528,726	$12,161,000	$7,248,000
8	2015	$680,022	$39,356				$719,378	$4,341,000	$544,588	$11,981,000	$7,640,000
9	2016	$693,622	$40,537				$734,159	$3,737,000	$560,926	$11,779,000	$8,042,000
10	2017	$707,495	$41,753				$749,248	$3,099,000	$577,754	$11,555,000	$8,456,000
11	2018	$495,800	$43,005				$538,805	$2,654,000	$595,086	$11,307,000	$8,653,000
12	2019	$495,800	$44,295				$540,095	$2,193,000	$612,939	$11,033,000	$8,840,000
13	2020	$495,800	$45,624				$541,424	$1,717,000	$631,327	$10,733,000	$9,016,000
14	2021	$495,800	$46,993				$542,793	$1,226,000	$650,267	$10,404,000	$9,178,000
15	2022	$488,565	$48,403				$536,968	$726,000	$669,775	$10,047,000	$9,321,000
16	2023		$49,855				$49,855	$698,000	$689,868	$9,658,000	$8,960,000
17	2024		$51,351				$51,351	$668,000	$710,564	$9,237,000	$8,569,000
18	2025		$52,891				$52,891	$635,000	$731,881	$8,783,000	$8,148,000
19	2026		$54,478				$54,478	$599,000	$753,837	$8,292,000	$7,693,000
20	2027		$56,112				$56,112	$561,000	$776,452	$7,765,000	$7,204,000
21	2028		$57,796				$57,796	$520,000	$799,746	$7,198,000	$6,678,000
22	2029		$59,529				$59,529	$476,000	$823,738	$6,590,000	$6,114,000
23	2030		$61,315				$61,315	$429,000	$848,451	$5,939,000	$5,510,000
24	2031		$63,155				$63,155	$379,000	$873,904	$5,243,000	$4,864,000
25	2032		$65,049				$65,049	$325,000	$900,121	$4,501,000	$4,176,000
26	2033		$67,001				$67,001	$268,000	$927,125	$3,708,000	$3,440,000
27	2034		$69,011				$69,011	$207,000	$954,939	$2,865,000	$2,658,000
28	2035		$71,081				$71,081	$142,000	$983,587	$1,967,000	$1,825,000
29	2036		$73,214				$73,214	$73,000	$1,013,094	$1,013,000	$940,000
30	2037		$75,410				$75,410		$1,043,487		
	Nominal Total	$13,320,000	$1,522,413			$637,096	15,479,509		$21,066,394		
	Present Value (1)	*$11,266,000*	*$932,000*			*$583,000*	*$12,781,000*		*$12,897,000* 101%		

(1) Discount rate = 3% per year
(2) Value of benefit based on 388 public parking spaces with weekday and weekend access at $60 per month and 454 spaces with access on weekends and holidays only at $30 per month with 3% escalation in future years.
(3) Calculation of payback amount based on termination at the end of each lease year - after Agency payments have been made and benefits have accrued.

Attachment A-1

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

REDEVELOPMENT AGENCY BOARD	HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SEE BELOW	MARCH 16, 2007

SUBJECT: UPDATE FOR APPROVAL OF PROPERTY USE AGREEMENTS AND OFFICE LEASE WITH BEA SYSTEMS, INC.

The following information is being provided to supplement the staff report dated March 6, 2007, on proposed agreements between the Redevelopment Agency and BEA Systems, Inc. for the property located at 488 Almaden Boulevard scheduled for the Agency Board consideration at the March 20, 2007 meeting.

In the interest of full disclosure, staff is providing additional details of the transaction that was ultimately negotiated between Agency staff and BEA based on the Letter of Intent (LOI) attached to the March 6, 2007 staff report. The information below and the attached sheets are intended to provide the Board with the additional details that resulted from negotiating the documents.

The final agreements does not change any of the major provisions set forth in the original letter of intent distributed to the Board, but the documents do provide BEA the flexibility to adjust its needs during the 30-year term of the agreement and for the Agency to be appropriately compensated.

As reported in the March 6, 2007 report, the Agency will receive 50% of the net parking revenues from the operation of the BEA parking garage. Due to unknown conditions such as future demand, occupancy levels and pricing, it is difficult to project precise revenue estimates to the Agency. Conservatively, the Agency anticipates its share of revenues to be the minimum of one million dollars during the term of the agreement.

<u>Additional Deal Terms</u>:

Although the original recommendations and major deal points remain the same, BEA and Agency staff negotiated the following additional terms to provide flexibility over the thirty (30) year term of the agreement:

- Should BEA fail to maintain its corporate headquarters or not occupy 51% of the building:
    - o During the first five years, the agreements will be terminated and BEA will be required to pay the Agency a termination fee based on the schedule of Termination Payment outlined in Attachment A;
    - o From the 6th through the 30th year, BEA will be required to pay the Agency a termination fee equal to 25% of the fee identified in schedule of Termination Payment outlined in the attached Exhibit A;

- BEA requested some flexibility for purposes of handling its future growth in the building. As such, although not expressly provided for in the original letter of intent, Agency staff recommends that the agreement provide BEA the flexibility to terminate portions of the public parking over time by paying the Agency a termination payment based on the percentage of parking that is terminated and a reciprocal reduction in the amount of Agency future payments as set forth on attached Exhibit B.

- If more than 25% of the parking is terminated within the first five years, the Agency has the right to terminate its Office Lease in the building and charge BEA additional use fees for the use of the Agency-owned Balbach Lot as provided in Attached Exhibit C. If BEA terminates the agreement completely, it will have the option to rent the Balbach lot at fair market value.

On February 23, 2007, approximately 30 days prior to the March 20th Board meeting, an informational memorandum and a copy of signed LOI was distributed to the Board and posted on the Agency web site. The original staff memorandum was distributed and published on the Agency web site on March 6, 2007, two weeks before the March 20 Agency Board meeting. Staff has discussed the project and its benefits to the local economy and received enthusiastic support from the San Jose Downtown Association, the San Jose Silicon Valley Chamber of Commerce, the San Jose Convention and Visitors Bureau, Team San Jose, members of the business; and the developer-broker community.

HARRY S. MAVROGENES
Executive Director

Attachment

EXHIBIT A
TERMINATION PAYMENT TO AGENCY
TERMINATION OF PUBLIC PARKING
488 ALMADEN

ASSUMES THAT UPON TERMINATION OF PUBLIC PARKING

1) AGENCY PAYMENTS REDUCED WITH PARTIAL TERMINATION
2) BEA REIMBURSES AGENCY FOR FORGONE REVENUE FROM BALBACH LOT
3) BEA ASSUMES OFFICE LEASE (If More Than 25% of Parking is Terminated)

	A	B	C	D	E	F	G	H	I
		Agency Costs					Agency Benefits		
						A.		B.	
	Termination June 30th	Agency Payments	Balbach Lot Forgone Revenue	Net Cost of Office Lease	Total Agency Costs	PV of Future Costs (1)	Garage Benefit (2)	PV of Future Benefits (1)	Termination Payment (B. minus A.)
1	2009	$2,442,000	$32,000	$120,000	$2,594,000	$10,570,000	$442,800	$12,841,000	$2,271,000
2	2010	$1,343,840	$32,960	$123,600	$1,500,400	$9,386,000	$456,084	$12,770,000	$3,384,000
3	2011	$1,355,917	$33,949	$127,308	$1,517,174	$8,151,000	$469,767	$12,684,000	$4,533,000
4	2012	$1,146,235	$34,967	$131,127	$1,312,330	$7,083,000	$483,860	$12,580,000	$5,497,000
5	2013	$1,158,800	$36,016	$135,061	$1,329,877	$5,966,000	$498,375	$12,459,000	$6,493,000
6	2014	$653,616	$37,097		$690,713	$5,454,000	$513,327	$12,320,000	$6,866,000
7	2015	$666,688	$38,210		$704,898	$4,913,000	$528,726	$12,161,000	$7,248,000
8	2016	$680,022	$39,356		$719,378	$4,341,000	$544,588	$11,981,000	$7,640,000
9	2017	$693,622	$40,537		$734,159	$3,737,000	$560,926	$11,779,000	$8,042,000
10	2018	$707,495	$41,753		$749,248	$3,099,000	$577,754	$11,555,000	$8,456,000
11	2019	$495,800	$43,005		$538,805	$2,654,000	$595,086	$11,307,000	$8,653,000
12	2020	$495,800	$44,295		$540,095	$2,193,000	$612,939	$11,033,000	$8,840,000
13	2021	$495,800	$45,624		$541,424	$1,717,000	$631,327	$10,733,000	$9,016,000
14	2022	$495,800	$46,993		$542,793	$1,226,000	$650,267	$10,404,000	$9,178,000
15	2023	$488,565	$48,403		$536,968	$726,000	$669,775	$10,047,000	$9,321,000
16	2024		$49,855		$49,855	$698,000	$689,868	$9,658,000	$8,960,000
17	2025		$51,351		$51,351	$668,000	$710,564	$9,237,000	$8,569,000
18	2026		$52,891		$52,891	$635,000	$731,881	$8,783,000	$8,148,000
19	2027		$54,478		$54,478	$599,000	$753,837	$8,292,000	$7,693,000
20	2028		$56,112		$56,112	$561,000	$776,452	$7,765,000	$7,204,000
21	2029		$57,796		$57,796	$520,000	$799,746	$7,198,000	$6,678,000
22	2030		$59,529		$59,529	$476,000	$823,738	$6,590,000	$6,114,000
23	2031		$61,315		$61,315	$429,000	$848,451	$5,939,000	$5,510,000
24	2032		$63,155		$63,155	$379,000	$873,904	$5,243,000	$4,864,000
25	2033		$65,049		$65,049	$325,000	$900,121	$4,501,000	$4,176,000
26	2034		$67,001		$67,001	$268,000	$927,125	$3,708,000	$3,440,000
27	2035		$69,011		$69,011	$207,000	$954,939	$2,865,000	$2,658,000
28	2036		$71,081		$71,081	$142,000	$983,587	$1,967,000	$1,825,000
29	2037		$73,214		$73,214	$73,000	$1,013,094	$1,013,000	$940,000
30	2038		$75,410		$75,410		$1,043,487		
	Total	$13,320,000							

(1) Discount rate = 3% per year

(2) Value of benefit based on 388 public parking spaces with weekday and weekend access at $60 per month and 454 spaces with access on weekends and holidays only at $30 per month with 3% escalation in future years.

EXHIBIT B
AGENCY PAYMENT SCHEDULE ALLOCATED BY FLOOR
488 ALMADEN GARAGE

	A	B	C	D	E	F	G	H	I	J	K	L	M
	FY Beginning July 1	Agency Payment Schedule	Agency Payment Allocable to Weekday Evenings			Agency Payment Allocable to Weekend & Holidays							
			Floor P3	Floor P2	Floor P1	Floor P3	Floor P2	Floor P1	Street	Floor 1	Floor 2	Floor 3	Floor 4
Space hours per year:		1,974,680	140,970	184,150	167,640	195,360	255,200	232,320	110,880	170,720	179,520	179,520	158,400
1	2008	$2,442,000	$174,331	$227,730	$207,313	$241,593	$315,595	$287,300	$137,120	$211,122	$222,004	$222,004	$195,886
2	2009	$1,343,840	$95,935	$125,321	$114,085	$132,949	$173,673	$158,102	$75,458	$116,181	$122,170	$122,170	$107,797
3	2010	$1,355,917	$96,797	$126,447	$115,110	$134,144	$175,233	$159,523	$76,136	$117,225	$123,268	$123,268	$108,766
4	2011	$1,146,235	$81,828	$106,893	$97,309	$113,400	$148,135	$134,854	$64,362	$99,097	$104,205	$104,205	$91,946
5	2012	$1,158,800	$82,725	$108,065	$98,376	$114,643	$149,759	$136,332	$65,068	$100,183	$105,348	$105,348	$92,954
6	2013	$653,616	$46,661	$60,953	$55,489	$64,664	$84,471	$76,898	$36,701	$56,508	$59,421	$59,421	$52,430
7	2014	$666,688	$47,594	$62,172	$56,598	$65,957	$86,160	$78,435	$37,435	$57,638	$60,609	$60,609	$53,479
8	2015	$680,022	$48,546	$63,416	$57,730	$67,276	$87,883	$80,004	$38,184	$58,791	$61,821	$61,821	$54,548
9	2016	$693,622	$49,517	$64,684	$58,885	$68,622	$89,641	$81,604	$38,947	$59,967	$63,058	$63,058	$55,639
10	2017	$707,495	$50,507	$65,978	$60,063	$69,994	$91,434	$83,236	$39,726	$61,166	$64,319	$64,319	$56,752
11	2018	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771
12	2019	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771
13	2020	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771
14	2021	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771
15	2022	$488,565	$34,878	$45,561	$41,477	$48,335	$63,140	$57,479	$27,433	$42,239	$44,416	$44,416	$39,191
		$13,320,000											

Agency payment obligation in each fiscal year equals the sum of payment amounts for the floors and times which remain open to public parking.

EXHIBIT B
EXAMPLE: TERMINATE WEEKDAY PUBLIC PARKING JUNE 30, 2011
488 ALMADEN

1) BEA elects to terminate public parking on weekdays (levels P1, P2, P3) on June 30, 2011.

2) A termination payment is triggered. BEA is required to pay the Agency an amount determined using Exhibit G-2, page 3. Exhibit G-2 page 3 indicates the termination payments for weekday access to Floor P3 is $323,605; Floor P2 is $422,728; and Floor P1 is $384,828. The total for all three floors is $1,131,161. BEA must pay this amount to the Agency on June 30th 2011. See Example: Interpretation of Exhibit G-2, Page 3.

3) Future payments by the Agency to BEA are reduced. The Agency is no longer required to make the payments allocable to weekday parking. For each year, starting with the fiscal year that begins July 1, 2011, the total Agency payment equals the sum of the payments allocable to weekend and holidays. See Example: Interpretation of Exhibit G-2, Page 5.

4) Payments by BEA to the Agency are triggered. BEA is required to begin making payments to reimburse the Agency for an allocable share of forgone revenue from the Balbach parking lot. For each year, starting with the fiscal year that begins July 1, 2011, BEA payments to the Agency equal the sum of forgone revenue allocable to garage weekdays. See Example: Interpretation of Exhibit G-3, Page 2.

	A	B	C	D
	Fiscal Year Beginning July 1	Agency Payments Due to BEA	BEA Termination Payment Due to Agency	Payments by BEA to Agency for Balbach Lot Forgone Revenue
1	2008	$2,442,000		
2	2009	$1,343,840		
3	2010	$1,355,917	$1,131,161	
4	2011	$860,205		$8,726
5	2012	$869,634		$8,987
6	2013	$490,513		$9,257
7	2014	$500,323		$9,535
8	2015	$510,330		$9,821
9	2016	$520,536		$10,115
10	2017	$530,947		$10,419
11	2018	$372,078		$10,732
12	2019	$372,078		$11,053
13	2020	$372,078		$11,385
14	2021	$372,078		$11,727
15	2022	$366,649		$12,078
16	2023	$0		$12,441
17	2024	$0		$12,814
18	2025	$0		$13,198
19	2026	$0		$13,594
20	2027	$0		$14,002
21	2028	$0		$14,422
22	2029	$0		$14,855
23	2030	$0		$15,301
24	2031	$0		$15,760
25	2032	$0		$16,232
26	2033	$0		$16,719
27	2034	$0		$17,221
28	2035	$0		$17,738
29	2036	$0		$18,270
30	2037	$0		$18,818
		$11,279,208	$1,131,161	$355,220

EXAMPLE: INTERPRETATION OF EXHIBIT B
TERMINATION PAYMENT TO AGENCY BY FLOOR AND YEAR
ELIMINATION OF PUBLIC PARKING
488 ALMADEN GARAGE

	A	B	C	D	E	Floor P3	G	H	I	J	K	L	M	N
			Termination Payment Allocable To Weekday Evenings			Termination Payment Allocable To Weekend & Holidays								PER EXAMPLE
	Termination on June 30th	Termination Payment With Elimination of Public Parking	Floor P3	Floor P2	Floor P1	Floor P3	Floor P2	Floor P1	Street	Floor 1	Floor 2	Floor 3	Floor 4	BEA PAYS
Space hours per year:		1,974,680	140,970	184,150	167,640	195,360	255,200	232,320	110,880	170,720	178,520	178,520	158,400	
1	2009	$2,271,000	$162,124	$211,784	$192,796	[illegible]	[illegible]	[illegible]	[illegible]	$196,338	$206,459	$206,459	$182,169	
2	2010	$3,384,000	$241,580	$315,577	$287,284	[illegible]	[illegible]	[illegible]	[illegible]	$292,562	$307,643	$307,643	$271,449	
3	2011	$4,533,000	$323,605	$422,728	$384,828	[illegible]	[illegible]	[illegible]	[illegible]	$391,898	$412,099	$412,099	$363,617	$1,131,161
4	2012	$5,497,000	$392,424	$512,626	$466,667	[illegible]	[illegible]	[illegible]	[illegible]	$475,240	$499,737	$499,737	$440,945	
5	2013	$6,493,000	$463,527	$605,509	$551,222	[illegible]	[illegible]	[illegible]	[illegible]	$561,349	$590,285	$590,285	$520,839	
6	2014	$6,866,000	$490,155	$640,293	$582,887	[illegible]	[illegible]	[illegible]	[illegible]	$593,597	$624,194	$624,194	$550,760	
7	2015	$7,248,000	$517,426	$675,917	$615,317	[illegible]	[illegible]	[illegible]	[illegible]	$626,622	$658,922	$658,922	$581,402	
8	2016	$7,640,000	$545,410	$712,473	$648,596	[illegible]	[illegible]	[illegible]	[illegible]	$660,512	$694,560	$694,560	$612,847	
9	2017	$8,042,000	$574,109	$749,962	$682,724	[illegible]	[illegible]	[illegible]	[illegible]	$695,267	$731,106	$731,106	$645,093	
10	2018	$8,456,000	$603,664	$788,569	$717,870	[illegible]	[illegible]	[illegible]	[illegible]	$731,059	$768,743	$768,743	$678,303	
11	2019	$8,653,000	$617,727	$806,941	$734,594	[illegible]	[illegible]	[illegible]	[illegible]	$748,091	$786,652	$786,652	$694,105	
12	2020	$8,840,000	$631,077	$824,380	$750,470	$874,563	$1,142,447	$1,040,021	$496,374	$764,258	$803,653	$803,653	$709,105	
13	2021	$9,016,000	$643,641	$840,793	$765,411	$891,975	$1,165,193	$1,060,727	$506,256	$779,474	$819,653	$819,653	$723,223	
14	2022	$9,178,000	$655,206	$855,900	$779,164	$908,002	$1,186,129	$1,079,787	$515,353	$793,480	$834,381	$834,381	$736,218	
15	2023	$9,321,000	$665,415	$869,236	$791,304	$922,150	$1,204,610	$1,096,610	$523,382	$805,843	$847,381	$847,381	$747,689	
16	2024	$8,960,000	$639,643	$835,570	$760,657	$886,435	$1,157,956	$1,054,139	$503,112	$774,632	$814,562	$814,562	$718,731	
17	2025	$8,569,000	$611,730	$799,107	$727,463	$847,752	$1,107,424	$1,008,138	$481,157	$740,829	$779,016	$779,016	$687,367	
18	2026	$8,148,000	$581,676	$759,847	$691,723	$806,102	$1,053,016	$958,608	$457,517	$704,431	$740,742	$740,742	$653,596	
19	2027	$7,693,000	$549,194	$717,415	$653,095	$761,088	$994,214	$905,077	$431,969	$665,095	$699,378	$699,378	$617,098	
20	2028	$7,204,000	$514,285	$671,813	$611,582	$712,710	$931,017	$847,547	$404,511	$622,818	$654,922	$654,922	$577,873	
21	2029	$6,678,000	$476,734	$622,761	$566,927	$660,671	$863,039	$785,663	$374,976	$577,343	$607,103	$607,103	$535,679	
22	2030	$6,114,000	$436,471	$570,165	$519,047	$604,873	$790,150	$719,309	$343,306	$528,583	$555,829	$555,829	$490,438	
23	2031	$5,510,000	$393,352	$513,838	$467,770	$545,118	$712,091	$648,248	$309,391	$476,364	$500,919	$500,919	$441,988	
24	2032	$4,864,000	$347,235	$453,595	$412,928	$481,208	$628,605	$572,247	$273,118	$420,515	$442,191	$442,191	$390,168	
25	2033	$4,176,000	$298,120	$389,435	$354,521	$413,142	$539,690	$491,304	$234,486	$361,034	$379,644	$379,644	$334,980	
26	2034	$3,440,000	$245,577	$320,799	$292,038	$340,328	$444,572	$404,714	$193,159	$297,404	$312,734	$312,734	$275,941	
27	2035	$2,658,000	$189,751	$247,873	$225,650	$262,963	$343,510	$312,712	$149,249	$229,796	$241,641	$241,641	$213,213	
28	2036	$1,825,000	$130,285	$170,191	$154,933	$180,552	$235,856	$214,710	$102,475	$157,779	$165,912	$165,912	$146,393	
29	2037	$940,000	$67,105	$87,660	$79,801	$92,997	$121,482	$110,590	$52,782	$81,267	$85,456	$85,456	$75,403	

Per the Example on Exhibit G 2, Page 3, BEA must pay the sum of these amounts as Termination Fee.

EXAMPLE: INTERPRETATION OF EXHIBIT B
AGENCY PAYMENT SCHEDULE ALLOCATED BY FLOOR
488 ALMADEN GARAGE

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	FY Beginning July 1	Agency Payment Schedule	Agency Payment Allocable to Weekday Evenings			Agency Payment Allocable to Weekend & Holidays								PER EXAMPLE AGENCY PAYS
			Floor P3	Floor P2	Floor P1	Floor P3	Floor P2	Floor P1	Street	Floor 1	Floor 2	Floor 3	Floor 4	
Space hours per year:		1,974,680	140,970	184,150	167,840	195,360	255,200	232,320	110,880	170,720	179,520	179,520	158,400	
1	2008	$2,442,000	$174,331	$227,730	$207,313	$241,593	$315,595	$287,300	$137,120	$211,122	$222,004	$222,004	$195,886	$2,442,000
2	2009	$1,343,840	$95,935	$125,321	$114,085	$132,949	$173,673	$158,102	$75,458	$116,181	$122,170	$122,170	$107,797	$1,343,840
3	2010	$1,355,917	$96,797	$126,447	$115,110	$134,144	$175,233	$159,523	$76,136	$117,225	$123,268	$123,268	$108,766	$1,355,917
4	2011	$1,146,235	$81,828	$106,893	$97,309	$113,400	$148,135	$134,854	$64,362	$99,097	$104,205	$104,205	$91,946	$860,205
5	2012	$1,158,800	$82,725	$108,065	$98,376	$114,643	$149,759	$136,332	$65,068	$100,183	$105,348	$105,348	$92,954	$869,634
6	2013	$653,616	$46,661	$60,953	$55,489	$64,664	$84,471	$76,898	$36,701	$56,508	$59,421	$59,421	$52,430	$490,513
7	2014	$666,688	$47,594	$62,172	$56,598	$65,957	$86,160	$78,435	$37,435	$57,638	$60,609	$60,609	$53,479	$500,323
8	2015	$680,022	$48,546	$63,416	$57,730	$67,276	$87,883	$80,004	$38,184	$58,791	$61,821	$61,821	$54,548	$510,330
9	2016	$693,622	$49,517	$64,684	$58,885	$68,622	$89,641	$81,604	$38,947	$59,967	$63,058	$63,058	$55,639	$520,536
10	2017	$707,495	$50,507	$65,978	$60,063	$69,994	$91,434	$83,236	$39,726	$61,166	$64,319	$64,319	$56,752	$530,947
11	2018	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771	$372,078
12	2019	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771	$372,078
13	2020	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771	$372,078
14	2021	$495,800	$35,395	$46,236	$42,091	$49,051	$64,075	$58,331	$27,840	$42,864	$45,074	$45,074	$39,771	$372,078
15	2022	$488,565	$34,878	$45,561	$41,477	$48,335	$63,140	$57,479	$27,433	$42,239	$44,416	$44,416	$39,191	$366,649
		$13,320,000												$11,279,208

Per the Example on Exhibit G-2, Page 3, the Agency no longer makes payments allocable for Weekday Evenings starting July 1, 2011.

Agency payment obligation in each fiscal year equals the sum of payment amounts for the floors and times which remain open to public parking.

EXHIBIT C
REIMBURSEMENT PAYMENT TO AGENCY FOR BALBACH LOT FORGONE REVENUE
BASED UPON TIMING OF ELIMINATION OF PUBLIC PARKING IN GARAGE
BY FLOOR AND YEAR
488 ALMADEN GARAGE

	A	B	C	D	E	F	G	H	I	J	L	L	M
	FY Beginning July 1	Annual Reimbursement Payment With Elimination of Public Parking	Reimbursement Allocable To Weekday Evenings			Reimbursement Allocable To Weekend & Holidays							
			Floor P3	Floor P2	Floor P1	Floor P3	Floor P2	Floor P1	Street	Floor 1	Floor 2	Floor 3	Floor 4
Space hours per year:		1,974,680	140,970	184,160	167,640	195,360	255,280	232,320	110,880	170,720	179,520	179,520	158,400
1	2008	$32,000	$2,284	$2,984	$2,717	$3,166	$4,136	$3,765	$1,797	$2,767	$2,909	$2,909	$2,567
2	2009	$32,960	$2,353	$3,074	$2,798	$3,261	$4,260	$3,878	$1,851	$2,850	$2,996	$2,996	$2,644
3	2010	$33,949	$2,424	$3,166	$2,882	$3,359	$4,387	$3,994	$1,906	$2,935	$3,086	$3,086	$2,723
4	2011	$34,967	$2,496	$3,261	$2,969	$3,459	$4,519	$4,114	$1,963	$3,023	$3,179	$3,179	$2,805
5	2012	$36,016	$2,571	$3,359	$3,058	$3,563	$4,655	$4,237	$2,022	$3,114	$3,274	$3,274	$2,889
6	2013	$37,097	$2,648	$3,459	$3,149	$3,670	$4,794	$4,364	$2,083	$3,207	$3,373	$3,373	$2,976
7	2014	$38,210	$2,728	$3,563	$3,244	$3,780	$4,938	$4,495	$2,146	$3,303	$3,474	$3,474	$3,065
8	2015	$39,356	$2,810	$3,670	$3,341	$3,894	$5,086	$4,630	$2,210	$3,403	$3,578	$3,578	$3,157
9	2016	$40,537	$2,894	$3,780	$3,441	$4,010	$5,239	$4,769	$2,276	$3,505	$3,685	$3,685	$3,252
10	2017	$41,753	$2,981	$3,894	$3,545	$4,131	$5,396	$4,912	$2,344	$3,610	$3,796	$3,796	$3,349
11	2018	$43,005	$3,070	$4,010	$3,651	$4,255	$5,558	$5,060	$2,415	$3,718	$3,910	$3,910	$3,450
12	2019	$44,295	$3,162	$4,131	$3,760	$4,382	$5,725	$5,211	$2,487	$3,830	$4,027	$4,027	$3,553
13	2020	$45,624	$3,257	$4,255	$3,873	$4,514	$5,896	$5,368	$2,562	$3,944	$4,148	$4,148	$3,660
14	2021	$46,993	$3,355	$4,382	$3,989	$4,649	$6,073	$5,529	$2,639	$4,063	$4,272	$4,272	$3,770
15	2022	$48,403	$3,455	$4,514	$4,109	$4,789	$6,255	$5,695	$2,718	$4,185	$4,400	$4,400	$3,883
16	2023	$49,855	$3,559	$4,649	$4,232	$4,932	$6,443	$5,865	$2,799	$4,310	$4,532	$4,532	$3,999
17	2024	$51,351	$3,666	$4,789	$4,359	$5,080	$6,636	$6,041	$2,883	$4,439	$4,668	$4,668	$4,119
18	2025	$52,891	$3,776	$4,932	$4,490	$5,233	$6,835	$6,223	$2,970	$4,573	$4,808	$4,808	$4,243
19	2026	$54,478	$3,889	$5,080	$4,625	$5,390	$7,041	$6,409	$3,059	$4,710	$4,953	$4,953	$4,370
20	2027	$56,112	$4,006	$5,233	$4,764	$5,551	$7,252	$6,602	$3,151	$4,851	$5,101	$5,101	$4,501
21	2028	$57,796	$4,126	$5,390	$4,907	$5,718	$7,469	$6,800	$3,245	$4,997	$5,254	$5,254	$4,636
22	2029	$59,529	$4,250	$5,551	$5,054	$5,889	$7,693	$7,004	$3,343	$5,147	$5,412	$5,412	$4,775
23	2030	$61,315	$4,377	$5,718	$5,205	$6,066	$7,924	$7,214	$3,443	$5,301	$5,574	$5,574	$4,918
24	2031	$63,155	$4,509	$5,890	$5,362	$6,248	$8,162	$7,430	$3,546	$5,460	$5,741	$5,741	$5,066
25	2032	$65,049	$4,644	$6,066	$5,522	$6,435	$8,407	$7,653	$3,653	$5,624	$5,914	$5,914	$5,218
26	2033	$67,001	$4,783	$6,248	$5,688	$6,629	$8,659	$7,883	$3,762	$5,793	$6,091	$6,091	$5,375
27	2034	$69,011	$4,927	$6,436	$5,859	$6,827	$8,919	$8,119	$3,875	$5,966	$6,274	$6,274	$5,536
28	2035	$71,081	$5,074	$6,629	$6,034	$7,032	$9,186	$8,363	$3,991	$6,145	$6,462	$6,462	$5,702
29	2036	$73,214	$5,227	$6,828	$6,215	$7,243	$9,462	$8,614	$4,111	$6,330	$6,656	$6,656	$5,873
30	2037	$75,410	$5,383	$7,032	$6,402	$7,461	$9,746	$8,872	$4,234	$6,520	$6,856	$6,856	$6,049

Upon exercise of the option by BEA to terminate public parking access on individual floors of the garage, for weekday evenings and/or weekends and holidays, annual payments for the allocable share of Agency foregone revenue for the Balbach lot begin corresponding to the year, time(s) and floor(s) which are eliminated.

EXAMPLE: INTERPRETATION OF EXHIBIT C
REIMBURSEMENT PAYMENT TO AGENCY FOR BALBACH LOT FORGONE REVENUE
BASED UPON TIMING OF ELIMINATION OF PUBLIC PARKING IN GARAGE
BY FLOOR AND YEAR
488 ALMADEN GARAGE

UPON TERMINATION OF GARAGE WEEKDAY PARKING ON JUNE 30, 2011, BEA BEGINS ANNUAL PAYMENTS TO THE AGENCY FOR BALBACH LOT USE EQUAL TO THE SUM OF AMOUNTS ALLOCABLE TO WEEKDAY PARKING.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
			Reimbursement Allocable To Weekday Evenings			Reimbursement Allocable To Weekend & Holidays								PER EXAMPLE
	FY Beginning July 1	Annual Reimbursement Payment With Elimination of Public Parking	Floor P3	Floor P2	Floor P1	Floor P3	Floor P2	Floor P1	Street	Floor 1	Floor 2	Floor 3	Floor 4	BEA PAYS
Space hours per year:		1,974,680	149,970	184,150	167,640	195,360	255,200	232,320	110,880	170,720	179,520	179,520	158,400	
1	2008	$32,000	$2,284	$2,984	$2,717	$3,166	$4,136	$3,765	$1,797	$2,767	$2,909	$2,909	$2,567	$0
2	2009	$32,960	$2,353	$3,074	$2,798	$3,261	$4,260	$3,878	$1,851	$2,850	$2,996	$2,996	$2,644	$0
3	2010	$33,949	$2,424	$3,166	$2,882				906	$2,935	$3,086	$3,086	$2,723	$0
4	2011	$34,967	$2,496	$3,261	$2,969				963	$3,023	$3,179	$3,179	$2,805	$8,726
5	2012	$36,016	$2,571	$3,359	$3,058				022	$3,114	$3,274	$3,274	$2,889	$8,987
6	2013	$37,097	$2,648	$3,459	$3,149				083	$3,207	$3,373	$3,373	$2,976	$9,257
7	2014	$38,210	$2,728	$3,563	$3,244				146	$3,303	$3,474	$3,474	$3,065	$9,535
8	2015	$39,356	$2,810	$3,670	$3,341				210	$3,403	$3,578	$3,578	$3,157	$9,821
9	2016	$40,537	$2,894	$3,780	$3,441				276	$3,505	$3,685	$3,685	$3,252	$10,115
10	2017	$41,753	$2,981	$3,894	$3,545				344	$3,610	$3,796	$3,796	$3,349	$10,419
11	2018	$43,005	$3,070	$4,010	$3,651				415	$3,718	$3,910	$3,910	$3,450	$10,732
12	2019	$44,295	$3,162	$4,131	$3,760				487	$3,830	$4,027	$4,027	$3,553	$11,053
13	2020	$45,624	$3,257	$4,255	$3,873				562	$3,944	$4,148	$4,148	$3,660	$11,385
14	2021	$46,993	$3,355	$4,382	$3,989	$4,649	$6,073	$5,529	$2,639	$4,063	$4,272	$4,272	$3,770	$11,727
15	2022	$48,403	$3,455	$4,514	$4,109	$4,789	$6,255	$5,695	$2,718	$4,185	$4,400	$4,400	$3,883	$12,078
16	2023	$49,855	$3,559	$4,649	$4,232	$4,932	$6,443	$5,865	$2,799	$4,310	$4,532	$4,532	$3,999	$12,441
17	2024	$51,351	$3,666	$4,789	$4,359	$5,080	$6,636	$6,041	$2,883	$4,439	$4,668	$4,668	$4,119	$12,814
18	2025	$52,891	$3,776	$4,932	$4,490	$5,233	$6,835	$6,223	$2,970	$4,573	$4,808	$4,808	$4,243	$13,198
19	2026	$54,478	$3,889	$5,080	$4,625	$5,390	$7,041	$6,409	$3,059	$4,710	$4,953	$4,953	$4,370	$13,594
20	2027	$56,112	$4,006	$5,233	$4,764	$5,551	$7,252	$6,602	$3,151	$4,851	$5,101	$5,101	$4,501	$14,002
21	2028	$57,796	$4,126	$5,390	$4,907	$5,718	$7,469	$6,800	$3,245	$4,997	$5,254	$5,254	$4,636	$14,422
22	2029	$59,529	$4,250	$5,551	$5,054	$5,889	$7,693	$7,004	$3,343	$5,147	$5,412	$5,412	$4,775	$14,855
23	2030	$61,315	$4,377	$5,718	$5,205	$6,066	$7,924	$7,214	$3,443	$5,301	$5,574	$5,574	$4,918	$15,301
24	2031	$63,155	$4,509	$5,890	$5,362	$6,248	$8,162	$7,430	$3,546	$5,460	$5,741	$5,741	$5,066	$15,760
25	2032	$65,049	$4,644	$6,066	$5,522	$6,435	$8,407	$7,653	$3,653	$5,624	$5,914	$5,914	$5,218	$16,232
26	2033	$67,001	$4,783	$6,248	$5,688	$6,629	$8,659	$7,883	$3,762	$5,793	$6,091	$6,091	$5,375	$16,719
27	2034	$69,011	$4,927	$6,436	$5,859	$6,827	$8,919	$8,119	$3,875	$5,966	$6,274	$6,274	$5,536	$17,221
28	2035	$71,081	$5,074	$6,629	$6,034	$7,032	$9,186	$8,363	$3,991	$6,145	$6,462	$6,462	$5,702	$17,738
29	2036	$73,214	$5,227	$6,828	$6,215	$7,243	$9,462	$8,614	$4,111	$6,330	$6,656	$6,656	$5,873	$18,270
30	2037	$75,410	$5,383	$7,032	$6,402	$7,461	$9,746	$8,872	$4,234	$6,520	$6,856	$6,856	$6,049	$18,818

Upon exercise of the option by BEA to terminate public parking access on individual floors of the garage, for weekday evenings and/or weekends and holidays, annual payments for the allocable share of Agency foregone revenue for the Balbach lot begin corresponding to the year, time(s) and floor(s) which are eliminated.

SUMMARY REPORT PURSUANT TO SECTION 33433 OF THE CALIFORNIA COMMUNITY REDEVELOPMENT PLAN ON A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE AND GREEN VALLEY CORPORATION DBA BARRY SWENSON BUILDER

I. INTRODUCTION

The California Health and Safety Code, Section 33433, requires that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale or lease agreement from its local legislative body after a public hearing. A copy of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transactions shall be available for public inspection prior to the public hearing. As contained in the Code, the following information shall be included in the summary report:

1. The cost of the agreement to the redevelopment agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreement;

2. The estimated value of the interest to be conveyed or leased, determined at the highest and best use permitted under the redevelopment plan;

3. The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed agreement with the Agency, i.e., the reuse value of the Site;

4. An explanation of why the sale or lease of the property will assist in the elimination of blight, as required by Section 33433; and

5. The purchase price or sum of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.

This report outlines the salient parts of the proposed Disposition and Development Agreement (Agreement) by and between the City of San Jose Redevelopment Agency (Agency) and Green Valley Corporation d.b.a. Barry Swenson Builder (Developer), which requires the Developer to use the subject Site in downtown San Jose for the design and construction of a 56-unit for-sale condominium complex. The purpose of this analysis is to determine the cost of the Agreement to the Agency.

This report is based upon information in the proposed Agreement and is organized into the following five sections:

1. **Summary of the Proposed Agreement** - This section includes a description of the site, the proposed development and the major responsibilities of the Agency and the Developer.

2. **Cost of the Agreement to the Agency** - This section outlines the cost of the Agreement to the Agency. It presents the terms of the land conveyance to the Developer by the Agency, and sets forth the net cost of the Agreement of the Agency.

3. **Estimated Value of the Interest to be Conveyed** - This section summarizes the value of the site to be conveyed to the Developer.

4. **Consideration Received and Reasons Therefore** - This section describes the purchase or lease price to be paid by the Developer to the Agency. It also contains a comparison of the price and the fair market value at the highest and best use consistent with the redevelopment plan for the interests conveyed.

5. **Elimination of Blight** - This section includes an explanation of why the sale or lease of the property will assist in the elimination of blight and the supporting facts and materials.

6. **Conformance with AB 1290 Implementation Plan** - This section describes how the Agreement is in conformance with the Agency's Implementation Plan.

II. SUMMARY OF THE PROPOSED AGREEMENT

The following summarizes the proposed agreement for this project, known as Julian Street Court Condominiums (formerly known as Aiassa Condominiums).

A. Description of the Site and the Proposed Development

Site

The Site for the proposed project is comprised of two contiguous parcels located on the south side of E. Julian Street between N. First and N. Second Streets in downtown San Jose. The Site is currently improved with a 65-space surface parking lot and an unreinforced masonry commercial building. The Site is approximately 0.83 acres (36,154 sq.ft.) in size.

Developer

The Developer is Green Valley Corporation, doing business as Barry Swenson Builder.

Project Description

The proposed development ("Project") will be a high quality, high density for-sale condominium project with a total of 56 units. The density is 67 units per acre. The units will be flats and the unit mix will be as follows:

- 18 one bedrooms, not less than 851 sq.ft. in size
- 30 two bedrooms, ranging in size from 1,300 to 1,490 sq.ft.
- 8 three bedrooms, ranging in size from 1,700 to 1,890 sq.ft.

Twenty percent of the units, or 11 units, will be income restricted to moderate income households. The Project will also include 98 parking spaces. All two-bedroom and three-bedroom units will be allocated 2 parking spaces.

The Project must conform to the provisions, design criteria, and property development standards contained in the DDA. These specifications require the project to be of the highest quality at least equal to the Paseo Plaza condominiums in the San Antonio Project Area.

B. Agency Responsibilities

The Agency's responsibilities under the proposed Agreement are as follows:

- Purchase the Site from the Developer for $1,943,494.

- Deed the title of the Site to the Developer as part of the Agency's contribution toward the development of the Project.

- Fund demolition ($183,000), off-site improvements ($292,000), and loan the Developer a portion of the direct construction costs, including contributions to contingency and overhead ($2,136,044), for a total contribution not to exceed $2,611,044.

- Provide soft second notes for the income restricted households of moderate income as defined by HUD in the amount of $30,000 per unit, for a total of $330,000. The funding of the $330,000 is included within the Agency funding of the contribution to the improvements. The funding of the $330,000 occurs when the units are sold and the Agency forgives (provided that the income restrictions are maintained for 30 years) repayment of the $330,000 as part of the repayment of the Agency contribution.

C. Developer Responsibilities

The Developer's responsibilities under the proposed Agreement are as follows:

- Take title to the Site.

- Develop a high density project, as specified in the DDA. The number of units and parking spaces will not vary from the agreed upon development program. Develop a high density project, as specified in the DDA. The number of units and parking spaces will not vary from the agreed upon development program. Furthermore, all the units will be developed at one time and the units will not be marketed as rentals.

- Use construction material and finishes of high quality equal to the quality of Paseo Plaza and Paseo Villas condominiums.

- Sell 11 units to moderate income households as defined in California Health and Safety Code 50053. The affordability restrictions will remain in place for 30 years following the date of a certificate of occupancy issued by the City.

- Commence construction immediately after conveyance so as to be the first for sale condominium project of this level of quality in the area.

- Invest not less than $1,068,397 in cash equity into the Project.

- Secure a third party construction loan sufficient to fund the remaining Project costs.

- Receive a Builder's Fee based on a formula detailed in the DDA. The Developer will defer payment of 75% of the Builder's Fee, which amount will be repaid in the net sales proceeds after other financial obligations are met, as stipulated in the DDA. Twenty-five percent (25%) of the Builder's Fee will be included in the budgeted construction costs for the Project and will be paid to the Developer during the course of construction.

- Fund and install upgrades (estimated at $258,166) to the interior of the Germania Club building adjacent to the Site on N. Second St., for purposes of sound mitigation.

III. COST OF THE AGREEMENT TO THE AGENCY

This section presents the total cost of the DDA to the Agency, as well as the "net cost" of the Project after consideration of the project revenues. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

A. *Estimated Cost to the Agency*

For this agreement, Agency costs are estimated to be:

	Estimated Costs
Land and Closing Costs	$1,943,494
Demolition & Asbestos	183,000
Off-Site Improvements	292,000
Contribution to Construction Costs[1]	1,806,044
Moderate Income Units Second Trust Deeds - $30,000/unit	330,000
Subtotal	$4,554,538
Bond Interest Over 30 Years[2]	4,846,765
Total Cost Over 30 years	$9,401,303

[1] Initial contribution for direct construction cost, contingency and overhead is $2,136,044 and includes $330,000 for moderate income second trust deeds. The net contribution after deduction for moderate income units is $1,806,044.
[2] Based on $4,554,538 on bond proceeds at 5.5%.

As shown above, the estimated cost to the Agency is $4,554,538, excluding interest on tax increment bonds. The total cost to the Agency, including interest on tax increment bonds, is $9,401,303. On a present value basis, the cost to the Agency is $4, 554,538 ($4,555,000 rounded).

B. *Revenues to the Agency*

Per the terms of the DDA, the distribution of the cash flow from the Project shall reflect the following conditions:

- That prior to either the Developer or the Agency receiving any profit sharing in the cash proceeds, certain financial obligations must be met. These include funding from the gross sales proceeds of the cost of sales, credit for the Agency's second notes, and repayment of the third party construction loan;

- That upon meeting these financial obligations, the Developer will receive a deferred builder's fee of $600,788 (the deferred portion), and a preferred repayment of its cash equity contribution; and

- That the remaining net sales proceeds would be distributed on a 55/45 basis to the Developer and the Agency, respectively.

Based on the projected development costs and sales prices of the units prepared by the Developer, the Agency's revenue share is estimated at $1,326,984 as shown in Table 1. The payment to the Agency is deferred until the sale of the units. The present value of the payment to the Agency is estimated to be $1.1 million.

The Agency will also be repaid the second trust deeds ($30,000 per unit) plus a share of the appreciation in the event that the moderate income units are not maintained as income restricted units for 30 years. However, the Agency expects that, over the normal course of time, the notes will be repaid with interest and appreciation.

C. *Net Cost to the Agency*

The present value of the Agency's hard dollar cost is estimated to be $4,555,000. The Agency revenues are estimated at $1,326,984, or $1.1 million present value. As a result, the net cost of the Agreement to the Agency is estimated at $3,455,000, as summarized below:

Agency's Cost	$4,555,000
(Less) Agency's Revenues (PV of $1,326,984)	(1,100,000)
Net Cost to Agency	$3,455,000

The Agency costs will be lower if the second trust deeds ($30,000 per unit) are not maintained over 30 years.

IV. VALUE OF THE INTEREST TO BE CONVEYED

Reuse Value

The reuse value for the Site is directly a function of a very specific development program and the development economics as specified in the terms and conditions of the Agreement. The covenants and conditions of the Agreement require design and construction of high density, high quality 56-unit residential complex. The design and image of the Project are very important to the Agency and must be of the quality of Paseo Plaza and Paseo Villas condominiums. Furthermore, the Project must be the first for-sale project in this area. Finally, the Developer is required to sell 11 units as income-restricted units to moderate income households. The Developer's projected profit is 10.8% of projected gross sales, which is reasonable for a redevelopment project of this nature.

In the reuse appraisal report prepared by KMA, it is concluded a fair reuse value for the Site is zero, given the specific project and the terms and conditions in the DDA.

The KMA reuse appraisal is attached to this report and incorporated herein by this reference.

Estimated Value at Highest and Best Use

KMA has also estimated the value of the interests conveyed to the Developer if sold by the Redevelopment Agency at its highest and best use allowed under the redevelopment plan.

KMA concludes that the highest and best use and value for the Site is $1.9 million. The highest and best use value is subject to a detailed market and physical design analysis for the site. However, it is anticipated that the highest and best use would be market rate apartments with no affordable component. While the reuse value being paid to the Agency is less than fair market value of the Site under the highest and best use, the Agency has determined that the high quality, high density condominium development with 11 moderate income affordable units as provided in the DDA offers the best complementary use for other land uses and activities in the downtown area. The project must be developed in the near-term. The residents will optimize the downtown's ability to draw additional retail and residential uses. Therefore, the project will further the overall goals of the Agency's Downtown Strategy Plan 2000 to revitalize the downtown core.

V. CONSIDERATION RECEIVED AND REASONS THEREFOR

Under the terms of the Agreement, consideration paid to the Agency from the profit sharing on the 56 condominiums is projected to be $1.33 million. The present value of the payment to the Agency is estimated to be $1.1 million.

While the consideration being paid to the Agency is less than the Agency contribution of $4,554,500 (Agency cash contribution and land purchase), the Agency has determined that high quality home ownership at a quality level equal to Paseo Plaza (as required in the DDA) offers the best complementary use for other land uses and activities in the Julian Stockton Area and downtown areas. The Project will be developed in one phase in the near term and it will maximize the Site's ability to draw additional retail and residential uses to downtown San Jose. Therefore, the Project will further the overall goals of the Julian Stockton Redevelopment Plan to revitalize this area of the downtown commercial core.

In conclusion, the Agency is entering into this Agreement for less than the highest and best use in order to achieve the objectives set forth in the Julian Stockton Redevelopment Plan, adopted by the San Jose City Council and the Agency Board.

The consideration being paid to the Agency over time is less than the estimated value of the assistance provided and for the highest and best use of the interests being conveyed to the Developer. This assistance is being provided by the Agency because of the other benefits that the Agency and the community receive from this Project.

VI. ELIMINATION OF BLIGHT

The subject Site consists of approximately 0.83 acres of land located within the Downtown Core, one block east of the Julian Stockton Redevelopment Area and is currently vacant. The Site is in an emerging residential neighborhood.

The Redevelopment Agency determined that the subject Site would be ideal for the continued construction of high quality residential units in the downtown equal to the quality level of Paseo Plaza. The high density, for-sale condominiums proposed to be developed on the Site will provide additional home ownership, enhancing the overall downtown housing market. Development of housing at this Site will continue the reinvestment in the Downtown Core and will directly benefit existing small businesses and retailers located in the Julian Stockton Redevelopment Area, as well as the other redevelopment areas located in the Downtown Core. Downtown housing is proving to be a significant factor in corporate and other major office tenants' location decisions and is expected to assist various redevelopment areas in this regard. Development of this Site will reduce blighting conditions by developing a vacant and under utilized site and improve market conditions for future projects in adjacent redevelopment areas. In addition, since the Site is adjacent to Light Rail, redevelopment of this Site will improve a key transportation corridor providing access to and from the downtown area. The Project will increase employment, both during the construction phase and thereafter. In addition, the City's General Fund should ultimately show increased sales taxes, business taxes, utility user fees, and an increase in property tax payments.

Thus the Agency is entering into an agreement in order to achieve its objective to stimulate further residential development in the Downtown Area and to remove blight from the downtown area.

VII. CONFORMANCE WITH AB 1290 IMPLEMENTATION PLAN

The primary AB 1290 Implementation Plan program objective for the Julian Stockton Redevelopment Project Area is to eliminate conditions which negatively impact economic development of the community by acquiring, removing, consolidating, and rehabilitating substandard properties. The subject Site is not within the Julian Stockton Redevelopment Area or any other redevelopment area; however the proposed redevelopment of the Site will be of primary benefit to the Julian Stockton Redevelopment Area, as well as other redevelopment areas in the Downtown Core such as the Century Center and Pueblo Uno Redevelopment Areas. To that end, the Agency plans to contribute both the site and contribute funds to finance construction costs to the Developer for development of the Project.

Furthermore, the Implementation Plan also establishes a priority objective of increasing the community's economic base by encouraging investment in the redevelopment project area. The proposed Project is an important component of the Agency's Downtown Strategy Plan 2000 to pursue housing clusters in the downtown area. The proposed Project is located one block east of the boundaries of the Julian Stockton Redevelopment Project Area. As such the Project will provide new sales tax, business license tax, and utility use tax within the Julian Stockton Redevelopment Project Area, conforms to the Implementation Plan and will achieve the goals specifically defined in the implementation plan.

TABLE 1
JULIAN STREET COURT CONDOMINIUMS
(FORMERLY AIASSA CONDOMINIUMS)
DOWNTOWN SAN JOSE

For Sale Residential						*Developer Projection*
Total Units		56				
Market Rate		45				
Moderate	20%	11				
Avg. Unit Sq. Ft. (1)		1,233	(Saleable Area)			
Parking Spaces:		98				
Density (DU/Acre):		67				
Land Area:		36,154	SF			
		0.83	Acres			
				Per Unit	*Square Feet Bldg. Area (Saleable)*	*Total*
FINISHED LOT COSTS (2)						
Land Value - Initial Land Payment				$0	$0.00	$0
Demolition & Asbestos				3,268	2.65	183,000
Noise Mitigation				4,610	3.74	258,166
Fees & Permits				10,092	8.18	565,126
Off-Site Infrastructure				5,214	4.23	292,000
			Subtotal:	$23,184	$18.80	$1,298,292
DIRECT (2)						
Residential (3)		64,460		137,500	111.52	7,699,975
Parking		98	$16,500	28,875	23.42	1,617,000
				$166,375	$134.93	$9,316,975
INDIRECT (2)						
Professional		4.9%	Directs	8,216	6.66	$460,098
Taxes, Ins., Legal, COE		4.7%	Directs	7,851	6.37	439,649
Builder Fee - Initial		2.1%	Directs	3,576	2.90	200,263
Contingency						Incl. Above
Marketing/Model		2.3%	Gross Sales	6,250	5.07	350,000
			Subtotal:	$25,890	$21.00	$1,450,010
FINANCING (2) (4)						
Debt	Interest			16,642	13.50	$931,938
	Fees			3,328	2.70	186,388
Equity	Interest					Deferred
	Fees					Deferred
				$19,970	$16.20	$1,118,326
SUBTOTAL				$235,421	$190.93	$13,183,603
<LESS> AGENCY CONTRIBUTION				(46,626)	(37.81)	($2,611,044)
TOTAL COSTS - PRIVATE INVESTMENT				$188,793	$153.12	$10,572,559
PROJECTED SALES REVENUE (2)						
Market Rate Units			45	$268,828	$218	$12,097,266
Moderate Income Units			11	$268,828	$218	2,957,109
GROSS SALES				$268,828	$218	$15,054,375
<LESS> COMMISSION & COST OF SALE			4.0%			(602,175)
<LESS> THIRD PARTY CONSTRUCTION LOAN						(9,504,162)
<LESS> AGENCY SECOND TRUST DEEDS			11	$30,000		(330,000)
NET AVAILABLE FOR DISTRIBUTION						$4,618,038
<LESS> EQUITY INVESTMENT						(1,068,397)
<LESS> BUILDER FEE DEFERRED						(600,788)
						$2,948,853
DEVELOPER SHARE			55%			$1,621,869
AGENCY SHARE			45%			$1,326,984

(1) Average unit size
(2) Source: Barry Swenson Builder
(3) Includes contingency of $461,320 and Builder Overhead of $393,246.
(4) Source : Barry Swenson Builder.· The amount of interest and fees will vary with the length of construction

Prepared by: Keyser Marston Associates, Inc.
Aiassa Pro Forma2.xls Sec 33433 Dev PF; 11/30/98 tck and wcm.

Attachment C

Redevelopment Agency of the City of San Jose

Fox California Theatre

Operations and Management Study
Summary Report
February 14, 2000

B Squared Consulting
San Anselmo, California
415-485-1072

Introduction

For over twenty-five years the Fox California Theatre in San Jose has been closed and dormant. The elegant Fox once hosted films, dramatic performances, concerts, and social events and was at the very center of San Jose's cultural and social life. When the venue reopens in 2003, it will again be a polished jewel. Although the renovated and enhanced Fox will take a slightly new direction, the Theatre will once again be central to the cultural fabric of the City.

The restoration and expansion of the Fox California Theatre is poised to move forward. Plans for restoring the venue to its original grandeur, and for creating an ideal environment for both performers and audience, are almost complete. The Redevelopment Agency of the City of San Jose (the "Agency") has allocated significant funds to the Fox renovation. Private sector support, led by a donation from the Packard Humanities Institute, will meet the balance of project costs. Opera San Jose will be the primary tenant and is now preparing to use the Fox as its home venue. The Theatre will present films in the style of the 1920's movie palaces and other cultural and community organizations are anticipating the reopening with great excitement.

Much planning and assessment must be completed before the renovation of the Fox California Theatre can proceed. Along with architectural designs and construction documents, program and financial plans are required. B Squared Consulting was retained by the Agency to assess these latter elements of the venue's future as part of an Operations and Management Study. This report summarizes our assessment and includes recommendations for moving forward.

Assessment Structure

The assessment of the Fox California Theatre was completed in three phases as follows.

Phase I: Utilization Forecast

To develop an understanding of the unique needs and resources of the San Jose community, B Squared Consulting completed over thirty interviews with representatives of cultural, business, educational and community organizations that may utilize the renovated Fox California Theatre. Numerous meetings were held with the management of Opera San Jose to develop a thorough understanding of the primary tenant's plans. A group meeting was held to provide a number of smaller organizations with the opportunity to learn about the Fox project and to discuss their possible use of the venue. Meetings were also held with the Department of Convention, Arts and Entertainment ("CAE") to assess the potential for convention related use of the Fox.

Based on the above research, B Squared Consulting developed a utilization forecast for the Fox and documented the findings in the *Fox California Theatre Utilization Report* dated February 14, 2000.

Chart 1 Fox California Theatre San Jose, California Utilization Summary-First Year		
	Utilization Days	As % of Total
Programming by Existing Organizations		
Opera San Jose	112	42%
Film/Organ/Lecture	19	7%
Limon Dance Company	15	6%
American Musical Theatre	14	5%
Los Lupenos	14	5%
Schools and Colleges	14	5%
Cinequest	13	5%
Chinese Performing Artists	8	3%
Aztlan Academy	8	3%
Opening Festivities	7	3%
San Jose Jazz Society	6	2%
Graduations	6	2%
San Jose Dance Theatre	5	2%
MACLA	3	1%
Sub-Total-Existing Organizations	**244**	92%
as % of 300	*81%*	
New Presentation Rentals and Programs		
Holiday Theme Programs*	6	2%
December Holiday Programs*	15	6%
Sub-Total	**21**	100%
as % of 300	*7%*	
SEASON TOTAL	**265**	
as % of 300	*88%*	
Summer Programs		
Summer Festival Programs*	18	
Other Summer Programs*	35	
SUMMER TOTAL	**53**	
TOTAL USES	**318**	
as % of 365	*87%*	
Maintenance	**16**	
GRAND TOTAL	**334**	
as % of 365	*92%*	
*No specific presenting organization is yet identified for these programs.		

Phase II: Financial and Funding Analysis

The utilization analysis was used as a foundation for developing a detailed financial and operating forecast for the first seven years of the Theatre's operations (the 2003-04 season through the 2009-10 season). This forecast considers all aspects of venue operations including theatre rental and fee revenues, room rentals, concessions, personnel expenses, theatrical systems, building operations and administration.

This analysis was documented in the *Fox California Theatre Financial and Funding Analysis Report* dated February 14, 2000.

Phase III: Assessment of Opera San Jose's Current Condition and Plans

Based on the interviews completed in Phase I, and extensive data received from Opera San Jose management, B Squared Consulting developed a preliminary forecast of the Company's future programs and financial operations. This forecast was used to assess the condition of Opera San Jose and to develop recommendations for key action steps the Company might take in preparation for the reopening of the Fox. The findings and recommendations of this assessment are documented in this report.

Key Findings

Phase I: Utilization Forecast

The utilization forecast suggests that the Fox California Theatre can enjoy a vibrant and diverse mix of program activity. Built first on the extensive use forecast by Opera San Jose, the forecast includes regular and consistent use by over ten other existing institutions. Film presentations will comprise a significant portion of the activity in the Fox. Frequent use is also anticipated for presentations, including community-based programs that have yet to be fully developed. While use of the Theatre by corporate and convention groups is likely to be limited, such organizations are expected to use the meeting rooms in the Fox for a variety of activities.

As Chart 1 indicates, B Squared Consulting forecasts that over 90% of the Theatre's available utilization capacity will be consumed. This high level of utilization is possible even in the first years of operation.

Achieving the predicted levels of utilization will require careful attention to the development of San Jose's cultural resources and programs. B Squared Consulting recommends that CAE and the Office of Cultural Affairs play a leadership role in this area. Efforts should focus on three areas and should be initiated as soon as possible to maximize results.

1) Development of the programmatic and administrative resources of San Jose's cultural organizations.
2) Creation of new programming including festivals as well as children's and family programs.
3) Identification of additional users for the Fox California Theatre.

Success in each of these areas will contribute to the future vitality of the Fox California Theatre and of its renting organizations.

Phase II: Financial and Funding Analysis

The financial and funding analysis suggests that the Fox California Theatre will be a viable community and cultural resource. Based on this conclusion, we believe that an efficient operation can be established through careful development of policies, programming, and administrative resources.

The following are the key findings of this analysis:

- The Fox California Theatre is forecast to have a first-year operating expense budget of approximately $1.2 million, increasing an average of 3% per year thereafter. Expense components include program personnel, theatrical systems operations and maintenance, building systems and administration. Not included are items covered by the general fund of the City's operating budget including administrative personnel and services provided by CAE for City-owned cultural facilities in San Jose, and long-term and significant building maintenance and repair requirements.

- Operating revenues are forecast to be approximately $750,000 in the first year of operations. Revenue growth will outpace expense growth in the early years of operation as a result of program expansion and fee increases.

- Operating revenues are forecast to meet approximately 65% of expenses in the first year of operations, increasing to 71% by the fourth year.

- The first year operating subsidy is forecast to be approximately $410,000. This requirement is likely to vary between $360,000 and $410,000 over the first seven years of operations.

- A maintenance fee structure is proposed which calls for an add-on to prices paid by ticket buyers. This fee income may be segregated from other revenue streams and used to meet the potentially significant costs of theatrical systems replacement and upgrades. Forecasts suggest that maintenance fee revenue will be approximately $204,000 per year, an amount sufficient to meet estimated life-cycle costs for the facility's theatrical equipment inventory.

Chart 2 summarizes the financial forecast developed in this initial phase.

CHART 2 - SUMMARY FINANCIAL FORECAST

	2004	2005	2006	2007	2008	2009	2010
OPERATING EXPENSES	$ 1,168,755	$ 1,205,703	$ 1,244,463	$ 1,284,463	$ 1,322,310	$ 1,361,980	$ 1,402,839
% change		*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
OPERATING REVENUES	$ 758,870	$ 800,656	$ 847,773	$ 921,190	$ 912,724	$ 944,187	$ 1,000,145
% change		*6%*	*6%*	*9%*	*-1%*	*3%*	*6%*
As % of expenses	*64.9%*	*66.4%*	*68.1%*	*71.7%*	*69.0%*	*69.3%*	*71.3%*
OPERATING NET	$ (409,885)	$ (405,047)	$ (396,690)	$ (363,273)	$ (409,586)	$ (417,793)	$ (402,694)

The assessment of the Fox California Theatre continued with a comparison of the financial forecasts summarized in Chart 2 with the current operations of the Center for the Performing Arts (the "CPA") and the Montgomery Theatre. This additional step was taken to assure that the anticipated subsidy requirement for the Fox California Theatre was consistent with that of other area venues.

The following conclusions were drawn from this comparison.[1]

- The expense and revenue profiles of the Fox California Theatre are similar to those of the other area venues.
- The financial operations of existing venues, and the forecast operations of the Fox California Theatre and other San Jose venues, are generally equivalent or superior to those of theatres in other communities that typically require larger annual operating subsidies from public and private funding sources.
- The two existing venues earn revenues that offset an average of 62% of operating expenses. The Fox California Theatre is projected to generate revenues ranging from 65% to 72% of operating expenses over the first seven years of operations.

It should be noted that CAE allocates a portion of the Transient Occupancy Tax revenue to each of the cultural venues. This amount is not included in the comparative analysis as it is simply an amount equal to the actual operating deficit.

CHART 3 - SUMMARY OF SAN JOSE VENUE BUDGETS

	Center for the Perf. Arts		Montgomery Theatre		Fox Theatre - Yr 1
	98-99 Actual	Inflated to '04	98-99 Actual	Inflated to '04	2004
EXPENSES					
Personnel Services	$ 640,800	779,631	$ 120,027	146,031	$ 584,623
as % of total	62%	62%	54%	54%	50%
Utilities/Services	$ 212,234	258,215	$ 47,739	58,082	$ 382,542
as % of total	20%	20%	21%	21%	33%
Overhead/Other	$ 182,681	222,259	$ 55,531	67,562	$ 201,590
as % of total	18%	18%	25%	25%	17%
Total Expenses	$ 1,035,715	$ 1,260,106	$ 223,297	$ 271,675	$ 1,168,755
REVENUE					
Rental	$ 497,755	605,595	$ 97,665	118,824	$ 572,001
as % of total	71%	71%	80%	80%	75%
Equipment	$ 135,307	164,622	$ 17,123	20,833	$ 113,900
as % of total	19%	19%	14%	14%	15%
Food and Beverage	$ 68,544	83,394	$ 7,570	9,210	$ 72,970
as % of total	10%	10%	6%	6%	10%
Total Revenue	$ 701,606	$ 853,611	$ 122,358	$ 148,867	$ 758,870
as % of expenses	68%	68%	55%	55%	65%
Net Position	$ (334,109)	$ (406,495)	$ (100,939)	$ (122,808)	$ (409,885)

[1] The comparisons were based on summary financial results of the Center for the Performing Arts and the Montgomery Theatre for the 1998-99 season. There are differences in the allocation of costs between the reported results received from CAE and the structure used in the present analysis. These differences were examined and only comparable figures were considered.

Phase III: Assessment of Opera San Jose

Current Profile

B Squared Consulting's assessment of Opera San Jose begins with a description of the Company's current operating and financial profile.

- The 1999-2000 season is the Opera's sixteenth year of operations. Unlike many arts organizations, the Opera has achieved a financial surplus every year.
- The Opera's annual operating budget is approximately $1.4 million. Ticket sales and other earned revenues offset 55% to 60% of expenses, typical of opera companies and other performing arts organizations.
- Opera San Jose currently offers four opera productions each season in the Montgomery Theatre. Each opera is performed eleven or twelve times over a sixteen-day period.
- Over the course of several years Opera management has set aside funds to support the transition from the Montgomery Theatre to the Fox California Theatre. This pool of funds will help meet the increased costs for artists, production and marketing consistent with the new and larger venue.

Opera San Jose in the Fox California Theatre

The following points describe the operation of Opera San Jose following the reopening of the Fox California Theatre.

- Opera San Jose will be the prime tenant of the Fox California Theatre. Like other tenants, the Opera will maintain no permanent presence in the venue and will retain their administrative offices, rehearsal facilities and technical shops at their current location.
- The Opera's season will continue to be comprised of four opera productions for the first four years in the Fox California Theatre. In the fifth year of operations of the renovated Theatre, the Opera intends to add a fifth opera production.
- Because the Fox California Theatre will have a capacity of 1,120 for opera performances compared to the Montgomery Theatre's capacity of 536, the Opera intends to decrease the number of performances offered of each production. Current plans call for eight or nine performances of each opera in the Fox California Theatre. At this level of program activity there will be capacity to increase audiences from current levels and additional performances may be added if audience demand warrants.
- While the Opera has not yet developed a detailed financial forecast for the years 2003 and beyond, preliminary estimates prepared by B Squared Consulting

suggest that the Company's annual operating budget will increase by as much as 40%, to a total of approximately $2.0 million in the 2003-04 season. The percentage of expenses met by earned revenues is projected to increase slightly, to perhaps an average of 60% to 65%. This earned revenue trend is consistent with the additional audience capacity of the new venue.

Assessment of Opera San Jose's Readiness

Opera San Jose is well positioned to transition to the new performance venue. We reach this conclusion based on the following observations.

- The Company's financial strength is demonstrated by consistently favorable year-end results.
- Financial reserves have been set aside to meet the one-time and ongoing expenses associated with the larger venue.
- Opera San Jose is managed by Irene Dalis, an energetic and disciplined leader. Her conservative and thoughtful approach has established a framework for ongoing success.
- Opera San Jose's audience is well established and dedicated. Performances in the Montgomery Theatre are typically sold out. The Company's plan to reduce the number of performances of each opera in the new venue reflects sensitivity to the challenge of both transferring the current audience to a new location and building new audiences.
- Once operating in the Fox California Theatre, Opera San Jose will be able to augment the scope of its programming, building on an already high level of artistic integrity and quality. The new venue will make it possible to offer productions with larger and more complex sets and lighting.
- Glowing reports of Opera San Jose's operations aside, it must be recognized that moving to the Fox California Theatre will require many significant changes. Productions must be designed and built on a larger scale, casts and technical personnel will grow and, of course, ticket sales must increase.

Recommendations

While Opera San Jose is a vital organization and well prepared for the reopening of the Fox California Theatre, B Squared Consulting recommends that the Company consider taking several important steps to further ensure a successful transition to its new home. These recommendations seek to better position the Company for success through its ongoing audience development efforts, program diversification, increased fundraising and strategic planning. Our recommendations are as follows:

Audience Development: The prospect of a new performance venue poses opportunities and challenges. The Fox California Theatre's higher capacity creates a need to attract larger audiences to each performance. If audience development efforts can meet this challenge, earned revenues, and the overall success of the Company, can be enhanced.

To help achieve success in audience development, we recommend that the Opera investigate the potential favorable impact of a priority seating program. Such a program can use the prospect of the new venue to maximize subscription sales, build loyalty among current audiences, increase contributions and widen the Company's visibility through marketing and collateral materials. A priority seating program seeks to sell seats in the new venue far in advance of its opening by influencing patron behavior.

In a typical priority seating program, those individuals with the longest and most consistent history of subscribing and contributing to the Opera will be recognized by receiving superior seating in the new venue. Thoughtful planning, consistent implementation and careful patron communications are required as part of a priority seating program. If successful, a version of the priority seating program can help the Opera build its audiences in advance of the 2003-04 season and, therefore, allay potential concerns regarding audience transition to the new venue.

Regardless of the specific marketing strategies implemented by the Opera, clear communications are a fundamental ingredient of success. Existing and potential audience members must be made aware of the exciting opportunities offered by the new venue and they must be guided through the transition process.

Program Diversification: The 1,120-seat capacity of the Fox California Theatre for opera performances presents a significant opportunity to increase the number of individuals who attend the Opera each year. Coupled with the priority seating model briefly described above, the Opera may also wish to consider program expansion as a means of building and educating audiences. Program development can occur through collaboration with other organizations resulting in performances in new venues – both in San Jose and elsewhere. Such activities can build a broader awareness of the Opera locally, regionally and nationally.

Program diversification can also be accomplished through presentation programs. One or two such special events prior to the opening of the Fox California Theatre could be utilized to bring additional attention to the Opera's impending move. Since Opera San Jose operates with a resident company of singers, one approach to presentation programs could be a "reunion" performance of past stars. This event could take place in the Montgomery Theatre or, if demand warranted, in the CPA.

Increased Fundraising: The years leading up to the reopening of the Fox are an ideal time to consider significant fundraising initiatives. The preliminary financial forecasts suggest that although Opera San Jose will likely continue to be a stable organization, additional capital resources, in the form of endowment and special project funding, can help assure this outcome.

It is our understanding that Opera San Jose is currently assessing the feasibility of executing a significant fundraising campaign focused on building both endowment and annual operating support. B Squared Consulting encourages the Opera to move forward in this area. The transition to a new performance venue presents a one-time opportunity for significant fundraising. Regardless of the magnitude of a campaign, a well-planned and successful effort will help build the organization's donor base for the future, increase visibility and, of course, further strengthen the Opera's financial base. The change of venue should be leveraged to the fullest possible extent.

Planning: Opera San Jose's management has established the framework of a financial and operating plan for the future. B Squared Consulting encourages the Opera to continue this planning effort leading to the development of a formal strategic plan. Once completed, such a plan can enhance the already high level of confidence the community has in Opera San Jose. A thoughtful long-range plan can also serve a vital function in efforts to increase the organization's fundraising capacity. Strategic planning can identify significant challenges and opportunities for the near and distant future. Involving all aspects of the organization in the process – management, Board members, audiences, artists and volunteers – will assure that a diversity of opinions and issues will emerge and receive attention.

Venue Management

CAE administers the day-to-day operations of other San Jose performance facilities. This agency coordinates venue calendars (although much of the scheduling is completed first by the primary user organizations and then communicated to the department), oversees facility maintenance and related items. B Squared Consulting recommends that CAE assume a similar management responsibility for the Fox California Theatre. We base this recommendation on the fact that the reopening of the Fox California will not create a demand for new types of management and support services. CAE personnel are experienced in all aspects of facility management and the responsibilities of that agency can be easily extended to the new venue.

The scheduling of the Fox California Theatre may be more complex than that of other cultural venues in San Jose. While Opera San Jose will receive scheduling priority, and that organization is able to predict its utilization several years in advance, the number and diversity of other forecast users is considerable. It may be necessary, therefore, for CAE to dedicate additional personnel and other resources to coordinating the Fox's utilization schedule. The cost of any such additional resources is not included in the financial analysis presented earlier and will need to be addressed by the City in its budget process.

The success of the venue will be enhanced by retaining a qualified and dedicated technical and building maintenance staff dedicated to the Fox California Theatre. This expense has been included in the financial and operating forecasts presented in this report.

While the key challenge in managing the Fox California Theatre is likely to be scheduling, there is also a need to develop and present new programs in the venue. The utilization forecast suggests that the venue's calendar might include newly developed and community-based festival and educational programs. We recommend that the Office of Cultural Affairs be assigned the task of facilitating new program development in the Fox. It may also be appropriate to consider the use of other area venues for new programming. The addition of the Fox to the City's facility inventory will increase the available capacity in other venues such as the Montgomery Theatre and, to a lesser extent, the CPA.

Box Office Operations

In the *Fox California Theatre Utilization Report,* reference was made to the benefits of improving the ticket sales operations for many area non-profit organizations. At present, there is no effective centralized point-of-sale for cultural events. Many organizations operate independent box offices, which are often housed with other administrative offices and are therefore far from performance venues.

B Squared Consulting recommends that consideration be given to examining this issue for all organizations and venues in the region and identifying cost-effective solutions that serve to increase awareness of cultural activities and ticket sales. This effort will likely include consideration of the recent significant advances in on-line and kiosk based ticket sales. The first delivery systems that enable patrons to print tickets off home computers were launched successfully in January 2000, and an increasing number of organizations sell ticket vouchers on-line. A centralized ticket sales and delivery system in San Jose may, in fact, exist on the Internet rather than in a physical location – although venue box offices will likely always be required.

Conclusions

The planning for the reopening of the Fox California Theatre has created a project with much promise for cultural and civic development. The revitalized venue can contribute to the vitality of downtown San Jose and provide a much-needed resource to support cultural development.

The financial operations of the Fox California Theatre, if planned and managed effectively, will be efficient and require a decreasing annual operating subsidy. Earned revenues are forecast to meet or exceed 70% of expenses by year three of operations.

Opera San Jose is well positioned to transition its operations from the Montgomery Theatre to the Fox California Theatre. The organization's history of conservative management, popular performances and artistic excellence provides a solid foundation for this significant change. Further strategic planning and resource development will help assure continued success.

The Fox California Theatre is forecast to be utilized at a very high level. The activities of Opera San Jose will form the core of the facility's artistic programming. Numerous and diverse organizations will fill out the schedule with music, dance, dramatic programs, educational activities, films and lectures. Implementation of a well-structured program development effort in the years prior to the opening of the Fox will help assure that the highest level of forecast utilization rates can be achieved.

While expanding opportunities for civic pride and enhancing the region's quality of life, the renovation of the Fox California Theatre will afford the greater San Jose community with an opportunity to enhance its presentation of performing arts and civic programming systems, structures and supports.

Attachment D

June 20, 2006

7.2 Approval of an Owner Participation Agreement with Cousins Properties to assist in the construction and opening of a grocery store in the MarketCenter on Coleman Avenue.

Recommendations:

(a) Adopting a resolution approving an adjustment to the Adopted FY 2005-06 Capital Budget adding $1,700,000 to a new project line of Cousins MarketCenter Development in the Julian Stockton Redevelopment Area, amending the FY 2005-2006 Redevelopment Agency appropriations resolution.

(b) Approval of an Owner Participation Agreement with Cousins Properties, in an amount not to exceed $1,700,000, to assist in the construction and opening of a grocery store in the MarketCenter on Coleman Avenue.

CEQA: San Jose MarketCenter EIR, PDC04-018 **[MERGED]**

June 20, 2006

7.3 Approval of a Purchase and Sale Agreement with 303 Alamden Partners, L.P., for the sale of Agency-owned property at 303 Almaden Boulevard for $9,045,000.

Recommendations:

(a) Approval of a Purchase and Sale Agreement with 303 Almaden Partners, L.P., for the sale of Agency-owned property at 303 Almaden Boulevard for $9,045,000.

(b) Adoption of a resolution authorizing the Executive Director to close escrow and negotiate, execute, record and accept all documents reasonably necessary to implement the Agreement and facilitate the close of escrow.

(c) Adoption of a resolution amending the FY 2005-2006 Revenue Resolution to add $9,045,000 to Other/Miscellaneous Revenue.

CEQA: Exempt, File No. PP06-109. **[GUADALUPE-AUZERAIS]**

June 27, 2006

8.3 Public Hearing and approval of a DDA with City Front Square, LLC, and Casa Del Pueblo Preservation L.P., for the development of a mixed-use high rise residential project on Block 8 of San Antonio Plaza.

Recommendations:

(a) The City Council adopt a resolution accepting the summary of costs and findings of the Summary 33433 Report pursuant to the California Health and Safety Code Section 33433 for the sale and development of Block 8, located at 281 South First Street, under the terms and conditions of the Disposition and Development Agreement (DDA); and,

(b) The Redevelopment Agency Board adopt a resolution approving the Disposition and Development Agreement with City Front Square, LLC, (Developer) and Casa del Pueblo Preservation L.P., for the development of a mixed-use high rise residential project and authorizing the Executive Director to negotiate, execute, and record all documents reasonably necessary to convey the Site as provided in the DDA; and;

(c) The City Council adopt a resolution approving a funding commitment for a construction/permanent loan of up to $6,591,970 to Casa del Pueblo Preservation L.P., or its designated affiliate entity, for the development of the 245-unit Casa del Pueblo Apartments project on the northeast corner of of Block 8 located at 281 South First Street.

CEQA: San Jose Downtown Strategy 2000 EIR, Resolution 72767 **[SAN ANTONIO PLAZA]**

December 12, 2006

5.1 Approval of actions related to the EHC Lifebuilders' Sobrato House.

Recommendations:

(a) Approval of the second amendment to the Relocation and Development Agreement with EHC Lifebuilders (EHC), adding the amount of $1,850,000 for a total Agency contribution to the project of $4,350,000; and,

(b) Adoption of a resolution approving an adjustment to the FY 2006-2007 Capital Budget to add $1,400,000 to the existing $450,000 in the EHC – 3rd and William Street Housing project line in the Merged Redevelopment Area, reflecting a reallocation of $387,695 from the Civic Plaza Land

Acquisition project line in the Civic Plaza Redevelopment Area and $1,012,305 from Capital Reserve; and amending the FY 2006-2007 Agency appropriations resolution..

CEQA: Resolution No. 68905. **[CIVIC PLAZA]**

January 9, 2007

8.1 Approval of a Reimbursement Agreement with Nanosolar, Inc., for acquisition of capital equipment.

Recommendations:

(a) Adoption of a resolution by the Redevelopment Agency Board approving a Reimbursement Agreement with Nanosolar, Inc., to provide financial assistance in an amount not to exceed $1,500,000, for acquisition of capital equipment for its industrial and manufacturing facility in the Edenvale Redevelopment Project Area and making certain findings; and,

(b) City Council direction to the City Manager for the Office of Economic Development to pursue Employment Training Panel Funds, in the amount of $500,000, to support workforce development efforts on behalf of Nanosolar.

CEQA: Resolution No. 69699. **[EDENVALE]**

January 30, 2007

5.1 Approval of the second amendment to the DDA with 360 Residences LLC.

Recommendations:

(a) Approval of the second amendment to the Disposition and Development Agreement (DDA) with 360 Residences LLC (formerly Mesa SoFA Partners, LLC), modifying the timing of payment on the purchase of Agency-owned property at 360 South Market Street providing for payment of $8,000,000 at the close of escrow and the execution of a $2,000,000 promissory note due and payable upon the sale of the first residential unit in the Project; and modifying the Schedule of Performance.

(b) Adoption of a resolution authorizing the Executive Director to negotiate, execute, record, and accept all documents reasonably necessary to implement the DDA and facilitate the close of escrow.

(c) Adoption of a resolution approving the proposed decrease of $2,000,000 to the FY 2006-2007 Adopted Capital Budget Miscellaneous Revenue and amend the FY 2006-2007 Agency Appropriations resolution.

CEQA: Resolution No. 72767 and addenda thereto, File No. H05-03 **[MARKET GATEWAY]**

March 27, 2007

7.1 Approval of Property Use Agreements and an Office Lease with BEA Systems related to its relocation to 488 Almaden Boulevard.

Recommendations:

(a) Redevelopment Agency Board approval of a Property Use Agreement with BEA Systems, Inc., to obtain public parking rights for 30 years in the parking garage of the BEA tower at 488 Almaden Blvd., at a total Agency cost of $13.32 million;

(b) Redevelopment Agency Board approval of a Property Use Agreement with BEA Systems to allow BEA Systems, Inc., weekday use of 45 parking spaces located on an Agency-owned surface lot at Almaden Blvd., and Balbach Street at a cost of $1 per year of the term of the agreement from 2008 through 2038; and,

(c) Redevelopment Agency Board approval of an Office Lease between the Agency and BEA Systems, Inc., whereby the Agency leases up to 30,000 square feet of office space in the BEA tower for a period of five years at a $2/s.f., triple net (NNN) beginning July 1, 2008, with an escalation of 3% compounded annually, at a total cost to the Agency of $6.2 million.

(d) Adoption of a resolution by the Redevelopment Agency Board authorizing the Executive Director to negotiate and execute a Property Use Agreement with BEA for construction related uses including staging and parking on the Agency owned Balbach Lot prior to July 1, 2008.

(e) Adoption of a resolution by the Redevelopment Agency Board authorizing the Executive Director to negotiate and execute an amendment to the Property Use Agreement with BEA for the Agency-owned Balbach Lot to allow for integration and consolidated operation by BEA of the Agency-owned Lot and the adjacent surface parking lot.

CEQA: Resolution No. 64273, File No. RH99-006 **[GUADALUPE-AUZERAIS]**