

**Successor Agency Oversight Board
SUNNYVALE TOWN CENTER PROJECT**

July 21, 2016

2016 MRADDOPA*

* Modified and Restated Disposition and Development
and Owner Participation Agreement

Presentation

- **Summary Oversight Board Study Sessions**
- **Summary of Land Use Amendments**
- **Highlights of 2016 MRADDOPA**

Oversight Board

May 11 Study Session

- History of Town Center Project
- Project Status
- Existing Land Use Approvals
- New Developer Team
- Amendments to Land Use Approval
- Modifications to 2010 ADDOPA

Oversight Board

June 20 Study Session

- Elimination of potential TIF payment
- Environmental remediation liability and costs
 - Potential insurance coverage
 - City recovery of remediation costs
 - Future developer obligation

Amendments to City Land Use Approval

- Rental Housing
- Below Market Rate Low Income Housing
- Temporary Redwood Square Improvements
 - *Two years unless extension approved by City*
- Green Building Standards
- Smart City Technology
- Climate Action Plan Compliance

No Change to Project Development Plan

- 931,385 sf Retail & Restaurant Uses
- 315,000 sf Office Uses
- 292 Residential Units
- 200-room Hotel
- Parking Structures
- Street Improvements
- Redwood Square

2016 MRADDOPA

(Amendments to 2010 ADDOPA)

- **Reduced Liabilities to Taxing Entities**
- **Increased Property Tax Revenues**
- **Successor Agency's Public Parking
Parcels**

Reduction of Liabilities

Environmental Remediation Certificates of Participation (COPS)

- Successor Agency and Developer shares environmental costs (50/50)
- Conveyance of Successor Agency lots tied to COPS payment
- City COPS Obligation:
 - Amount: \$17,525,000 (w/o interest)
 - Payment schedule: October 1, 1998 – October 1, 2022
 - Outstanding debt service: \$8.6 million
 - Scheduled payments: \$1.2 million/year

Reduction of Liabilities

Environmental Remediation (Section 4.04 & Exhibit K)

Block 6 (Lots 1, 3 & 4):

- Transfer lots to Developer no later than October 1, 2022
- Release Successor Agency's obligation with Developer assuming 100% of environmental costs
- Conveyance tied to completing COPS payments or removing these lots from COPS security
- Public parking obligation continues

Reduction of Liabilities

Environmental Remediation (Section 4.04)

Block 5 (Lot 2):

- Regularly meet through December 2018 on potential to:
 - Transfer Lot 2 to Developer
 - Convey Block 6 lots earlier to Developer
 - Reduce Successor Agency's obligation for environmental costs
 - Name Agency as additional insured on Developer's policy

Reduction of Liabilities

Developer Payment (Sections 8.01-8.09)

- Eliminates tax increment (TIF) payments to Developer
- Removes potential obligation to taxing entities of \$65 million
- Eliminates Mello-Roos Bond option
- Continues Developer's obligations for public parking and street improvements

Reduction of Liabilities

***Hold
Harmless
(Sec. 12.05)***

- Developer to indemnify Successor Agency and Oversight Board in the event approval of MRADDOPA or implementing actions are challenged in court

Increase in Tax Revenue

Revised Minimum Project (Section 5.02)

| LAND USE | 2016 MRADDOPA |
|----------------------------|---|
| Theater | Up to 2,950 seats |
| Retail (w/ theater) | Ground floor retail (247,900 sf) |
| Office | 273,000 sf |
| Parking | Successor Agency Parking Facilities A and B, Penney's Structure (approximately 3,500 spaces) |
| Redwood Square | Temporary Public Access and Improvements |
| Public Improvements | Complete downtown street grid with Murphy Avenue extension; traffic signals; sidewalks; landscaping; street medians |

Increase in Tax Revenue

Minimum Project Construction Schedule (Exhibit B)

☐ *Fall 2016*

- Permits and improvement plans
- Demolish Block 3 steel framing

☐ *Spring 2017*

- Complete Redwood Square temporary improvements
- Commence mixed use buildings
- Commence theater-retail building

Increase in Tax Revenue

Minimum Project Construction Schedule (Exhibit B)

- ***November 2018***
 - Residential units
 - Theater-retail building
 - Retail space
 - Parking structures
 - Street improvements
- ***December 31, 2020***
 - Minimum Project completion

Minimum Project - 2018



Property Tax Projection

Fiscal Years 2015/16 – 2028/29

| TAXING AGENCY | Existing Property Tax Revenues | Projected Tax Revenues w/ Minimum Project | PROJECTED INCREASE |
|---|---------------------------------------|--|---------------------------|
| Santa Clara County General | \$9,239,320 | \$14,436,534 | \$5,197,214 |
| City of Sunnyvale | \$7,476,605 | \$11,682,273 | \$4,205,668 |
| Sunnyvale Elementary | \$12,690,101 | \$19,828,415 | \$7,138,314 |
| Fremont Union High | \$10,953,060 | \$17,114,270 | \$6,161,211 |
| Foothill-De Anza Community College | \$4,181,210 | \$6,533,184 | \$2,351,974 |
| County School Service | \$2,132,437 | \$3,331,955 | \$1,199,518 |
| Midpeninsula Regional Open Space | \$1,022,212 | \$1,597,217 | \$575,005 |
| SCVWD-N Central | \$595,339 | \$930,223 | \$334,884 |
| SCVWD-District | \$107,734 | \$168,335 | \$60,601 |
| El Camino Hospital | \$1,160,174 | \$1,812,784 | \$652,610 |
| BAAQMD | \$121,447 | \$189,762 | \$68,315 |
| SCVWD State Water Project | \$320,927 | \$501,452 | \$180,525 |
| SCVWD-Zone W-4 | \$82,721 | \$129,252 | \$46,531 |
| ERAF | \$8,521,720 | \$13,315,276 | \$4,793,556 |
| TOTAL | \$58,605,006 | \$91,570,933 | \$32,965,928 |

Public Parking Ground Lease

❖ *Existing Lease:*

- Obligates Developer to construct, operate and maintain public parking on Successor Agency lots on Blocks 1, 2 and 6

❖ *Lease Amendments:*

- Extends term of lease from 75 to 99 years
- Allows Developer to charge for below grade parking for dedicated office or residential uses

Penney's Parking Structure

- ❖ Existing Operation and Maintenance Agreement
- ❖ Proposed Easement Agreement ensures certainty of theater parking
- ❖ Continues Developer's obligation to maintain and operate public parking

MRADDOPA Benefits

- ❖ New Developer Team
- ❖ Elimination of Developer TIF Payments
- ❖ Reduction of Environmental Costs
- ❖ Increase in Property Tax Revenue
 - Sale of property
 - Substantial private investment
 - Public parking and street Improvements

Recommendation

- ❖ Find that 2016 MRADDOPA is categorically exempt from CEQA review and that no additional environmental review is required (***Attachment 2***).
- ❖ Find that 2016 MRADDOPA reduces the Successor Agency's liabilities, increases revenues to the taxing entities and therefore is in the best interest of the taxing entities.
- ❖ Adopt Resolution approving 2016 MRADDOPA between Successor Agency and STC Venture, LLC and related documents (***Attachments 3, 4 and 5***).



Discussion