

**Successor Agency to the Former Sunnyvale Redevelopment Agency
Sunnyvale Town Center
2016 MRADDOPA Overview
Updated June 30, 2016**

The Sunnyvale Town Center project is regulated by an owner participation agreement under the authority granted by California redevelopment law. The current owner participation agreement for the project is the 2010 Amended Disposition and Development Agreement (2010 ADDOPA). In connection with a potential transfer of the property from the current owner to STC Ventures, LLC, a joint venture consisting of J.P. Morgan Asset Management Fund, Sares Regis Group of Northern California, and Hunter Properties, Inc. (collectively, Developer), the Successor Agency (Agency) has been asked to approve a 2016 Modified and Restated Amended Disposition and Development Agreement (2016 MRADDOPA).

The City of Sunnyvale previously approved land use entitlements for the project, and the 2016 MRADDOPA would make the owner participation agreement consistent with the City's most recent Special Development Permit, along with terms and conditions governing the Successor Agency's and the Developer's responsibilities with respect to developing the Sunnyvale Town Center project. Specifically, the 2010 ADDOPA is proposed to be amended to:

- Eliminate the tax-increment financing payments (TIF) to the Developer;
- Strengthen liquidated damages clause and clarify the Successor Agency's enforcement provisions;
- Accommodate the City's recent land use approvals, while removing City obligations from the agreement;
- Reflect the Developer's multi-entity composition; and
- Incorporate other revisions for clarity.

The table on the following pages summarizes key provisions from the 2010 ADDOPA and the proposed 2016 MRADDOPA, and it provides a brief rationale for the proposed changes. In addition, a "redline" comparison of the 2010 ADDOPA and the 2016 MRADDOPA is included as a separate attachment to RTC in order for the Board to review the exact changes every proposed modification would implement to the 2010 ADDOPA.

Section Number and Title	2010 ADDOPA Provisions	2016 MRADDOPA Provisions	Rationale
Article 1. Definitions and Exhibits			
1.01 Definitions	<ul style="list-style-type: none"> Includes defined terms related to the TIF 	<ul style="list-style-type: none"> Removes defined terms related to the TIF 	<ul style="list-style-type: none"> Developer's right to the TIF has been eliminated, so no defined terms are necessary
	<ul style="list-style-type: none"> No reference to Developer's Affiliate 	<ul style="list-style-type: none"> Definition of Developer's Affiliate added 	<ul style="list-style-type: none"> New defined term needed to reflect Developer's multi-entity structure
	<ul style="list-style-type: none"> No definition of Retail 	<ul style="list-style-type: none"> Definition of Retail added 	<ul style="list-style-type: none"> Term was used throughout the document; definition consistent with City Approvals added for clarity
1.02 Exhibits	<ul style="list-style-type: none"> Includes multiple City documents as Exhibits 	<ul style="list-style-type: none"> City documents removed from agreement Adds schedule of Milestone Dates, forms of Covenant to Reconvey and Parking Structure Easement 	<ul style="list-style-type: none"> Some City documents relate to City regulatory functions and are not subject to Successor Agency approval New exhibits reflect proposed new terms discussed in subsequent sections
Article 2. Property Activities			
2.02 Assumption of Parking Structure Obligations	<ul style="list-style-type: none"> Requires Developer to assume obligations under Penny's Parking Structure Agreement 	<ul style="list-style-type: none"> Provision deleted 	<ul style="list-style-type: none"> Obligation satisfied previously and is no longer necessary

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Article 3. Developer Development Activities			
3.01 Description of the Proposed Project	<ul style="list-style-type: none"> Summarizes proposed project 	<ul style="list-style-type: none"> Summarizes proposed project 	<ul style="list-style-type: none"> Modifications reflect completed buildings and changes in City Approvals
3.02 City Approvals	<ul style="list-style-type: none"> Describes City Approvals and requires the Developer to pay certain City fees related to the Project and the parties to negotiate the timing of the construction of the below market rate housing 	<ul style="list-style-type: none"> Deletes provisions related to City fees and language regarding negotiating timing of development of below market rate housing 	<ul style="list-style-type: none"> The City fees and the timing of the below market rate housing construction are subjects addressed by the City Approvals
3.06 Building Permits	<ul style="list-style-type: none"> Includes provision extending building permit term 	<ul style="list-style-type: none"> Removes language regarding building permit extensions and adds language allowing Developer to terminate the 2016 MRADDOPA upon completion of the Minimum Project 	<ul style="list-style-type: none"> The Successor Agency does not have authority to extend building permits, so this provision can be removed The 2010 ADDOPA provides that construction of the Project beyond the Minimum Project is at the discretion of the Developer; proposed language clarifies that Developer can terminate agreement upon completion of Minimum Project
3.08 Evidence of Financing	<ul style="list-style-type: none"> Requires evidence of outside financing to complete improvements 	<ul style="list-style-type: none"> Retains 2010 ADDOPA Provisions Permits developer to satisfy finance evidence with Equity Funding Certificate 	<ul style="list-style-type: none"> Permits Developer to self-fund the Project, in recognition of J.P. Morgan's financial capabilities and development expertise

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3.10 Assumption of Obligations by Residential Developer	<ul style="list-style-type: none"> Allows the Developer to assign the residential portions of the project to an entity controlled by the Developer without obtaining the Successor Agency's approval Grants authority to the Executive Director to approve the substitution or assignment of any uncompleted residential portion of the project to another Residential Developer with the necessary financial capacity and development experience 	<ul style="list-style-type: none"> Retains 2010 ADDOPA Provisions Specifies that the Affordable Housing Developer Agreement is included in this Provision Specifies that Article 6 transfers satisfy Article 3 	<ul style="list-style-type: none"> Clarifies that the Successor Agency's consent to the transfer of the property to STC Ventures as approved in December complies with the requirements of Section 3.10 and conforms with the City Approvals
3.12 Leasing Plan and Local Businesses	<ul style="list-style-type: none"> Requires Developer to submit Retail Leasing Plan to Successor Agency for review 	<ul style="list-style-type: none"> Retains 2010 ADDOPA Provisions Adds detail about Leasing Plan Contents Specifies procedure for Executive Director to review and comment 	<ul style="list-style-type: none"> Clarifies Successor Agency's expectations regarding Leasing Plan and better-defines process for Developer and Successor Agency collaboration on attracting Retail tenants
Article 4. Property Transactions and Environmental Remediation			
4.04 Condition of Property; Investigation and Remediation of Hazardous Materials	<ul style="list-style-type: none"> Splits the cost of environmental remediation evenly between Successor Agency and the Developer 	<ul style="list-style-type: none"> Provides for transfer of Lots 1, 3 and 4 of Block 6 to Developer no later than October 1, 2022 Relieves Successor Agency 	<ul style="list-style-type: none"> Proposed language reduces Successor Agency's liability while providing a mechanism to fund ongoing environmental remediation

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		<p>of environmental remediation costs on Block 6 upon transfer</p> <ul style="list-style-type: none"> Creates obligation to regularly meet and confer with goal of reaching agreement as to final disposition of Lot 2 of Block 5 and potential to convey Lots 1, 3 and 4 of Block 6 earlier than October 1, 2022 	<p>on Block 6</p> <ul style="list-style-type: none"> Provides a framework for ongoing discussion regarding reduction of Successor Agency liabilities and ongoing remediation associated with Lot 2 of Block 5
Article 5. Construction of Improvements			
5.02 Minimum Project Commencement and Completion	<ul style="list-style-type: none"> Defines the Minimum Project to include a Theater, Retail buildings (including 2-story Retail buildings on Redwood Square), residential, office uses, parking facilities A and B, and public improvements 	<ul style="list-style-type: none"> Redefines the Minimum Project to require a Theater with Retail consistent with the City Approvals, Retail buildings other than at Redwood Square, temporary improvements to Redwood Square, residential use, parking facilities A and B, the Penney's parking structure, and public improvements 	<ul style="list-style-type: none"> Reflects current thinking that 2-story retail buildings as previously configured and approved for Redwood Square are not feasible Permits immediate demolition of steel structures at Redwood Square and replacement with temporary landscaping and parking amenities Moves some Retail planned for Redwood Square to Theater building Reflects fact that office uses have already been completed
5.03 Liquidated Damages	<ul style="list-style-type: none"> Requires payment of \$5 million from Developer to 	<ul style="list-style-type: none"> Retains 2010 ADDOPA Provisions 	<ul style="list-style-type: none"> Schedule for payment of liquidated damages updated

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	<p>Successor Agency if construction of any retail building in the Minimum Project begins but is not completed with a specified timeframe</p>	<ul style="list-style-type: none"> • Clarifies commencement dates that trigger obligation to pay liquidated damages if construction commences but is not completed • Explicitly acknowledges tolling period for specified events out of the parties' control that extend time for performance without requiring liquidated damages payments from Developer 	<p>to reflect current projected construction timeline</p> <ul style="list-style-type: none"> • Other clarifications make administering and enforcing liquidated damages as a remedy a less-subjective process
<p>Article 6. Changes in Developer</p>			
<p>6.01 Requirements for Transfer</p>	<ul style="list-style-type: none"> • Automatically permits transfers of less than 50% interest in Developer 	<ul style="list-style-type: none"> • Automatically permits Developer to remove minority members as long as the remaining members assume the removed member's duties and no new entities are brought in to replace the removed member 	<ul style="list-style-type: none"> • Because the Developer is composed of multiple entities with J.P. Morgan owning more than a 50% interest, the 2010 ADDOPA would permit J.P. Morgan to bring in new development team members without the Successor Agency's approval • The proposed language limits the Developer's ability to automatically make changes to its structure to only the three entities the Successor Agency consented to as part of the Article 6 process

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	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Permits transfer to Developer's Affiliates 	<ul style="list-style-type: none"> • Change to allow internal transfers between the three entities consented to by the Successor Agency and the entities they control to better accommodate multi-entity ownership structure
	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Requires Executive Director Approval to add new unaffiliated members to the Developer entity 	<ul style="list-style-type: none"> • New language authorizes the Executive Director to review and approve new members of the Developer entity to confirm that any new member has the financial capacity and development experience to complete the remainder of the Minimum Project
	<ul style="list-style-type: none"> • Prohibits the Developer from transferring its interest in the Public Parking Ground Lease separately from transfer of substantially all of the retail portion of the Property 	<ul style="list-style-type: none"> • Prohibits the Developer from transferring its interest in the Public Parking Ground Lease separately from transfer of the property interest except to a property owners association • Gives the Successor Agency approval rights over the association formation documents and conditions, covenants and restrictions 	<ul style="list-style-type: none"> • The Successor Agency desires a mechanism to ensure that an interested party has responsibility for parking maintenance, but the 2010 ADDOPA language reflects single owner-operator structure with respect to parking • Proposed provisions retain protection for Successor Agency while permitting Developer to transfer maintenance obligations to

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			an entity approved by the Successor Agency
Article 7 Representations, Warranties, and Covenants			
7.01 Successor Agency Representations and Warranties	<ul style="list-style-type: none"> Includes representations from the Former Redevelopment Agency regarding the Developer's purchase of the property from the Former Redevelopment Agency and regarding the Former Redevelopment Agency's Legal Authority 	<ul style="list-style-type: none"> Includes representations regarding the Successor Agency's legal authority and removes language related to the TIF 	<ul style="list-style-type: none"> Revisions needed to reflect fact that the Former Redevelopment Agency previously transferred the property, that the Successor Agency is governed by different statutes from the Former Redevelopment Agency, and that the Developer has agreed to give up any claim to the TIF
7.04 Hazardous Material Indemnity and Release	<ul style="list-style-type: none"> Includes division of obligations between the Developer, the Former Redevelopment Agency, and the City 	<ul style="list-style-type: none"> Deletes section in its entirety 	<ul style="list-style-type: none"> 2010 ADDOPA indemnity provisions survive termination and are not needed to be repeated in 2016 MRADDOPA
Article 8 Agency Consideration and Parking Structure Financing			
8.01 through 8.09	<ul style="list-style-type: none"> Describes obligations associated with TIF payment to Developer Includes obligation for former Redevelopment Agency and City to issue Mello Roos bonds to fund acquisition of the parking structures at the discretion of 	<ul style="list-style-type: none"> Deleted in its entirety 	<ul style="list-style-type: none"> Because the Developer is agreeing to give up any claim to the TIF, the provisions of Article 8 are not needed The Developer is also agreeing to forego the option of requiring the City and the Successor Agency to issue

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	the Developer		Mello Roos bonds to acquire the parking structures
Article 9 Provisions Regarding Remedies			
9.02 Termination Remedy	<ul style="list-style-type: none"> Gives parties ability to terminate agreement, but not if the Former Redevelopment Agency fails to make TIF payments 	<ul style="list-style-type: none"> Retains parties' termination power if the Minimum Project is not substantially completed by the end of 2020 	<ul style="list-style-type: none"> Changes are proposed to remove references to the TIF and to reflect the updated schedule
9.05 Right to Purchase Private Improvement Parcels	<ul style="list-style-type: none"> Gives the Former Redevelopment Agency the right to purchase the property if default continues uncured 	<ul style="list-style-type: none"> Reallocates right to purchase to City as a third-party beneficiary to the agreement 	<ul style="list-style-type: none"> Changes reflect dissolution of Former Redevelopment Agency while protecting City's rights
Article 10 Continuing Obligations			
10.03 Non-Discrimination	<ul style="list-style-type: none"> Includes non-discrimination covenants to be included in conveyance of property from the Former Redevelopment Agency to the Developer 	<ul style="list-style-type: none"> Includes non-discrimination covenants to be included in any future conveyance of property, including leases 	<ul style="list-style-type: none"> Changes reflect fact that property has already been transferred to the Developer and incorporate most recent non-discrimination language from State law
10.04 Sale or Lease Resulting in Tax Exemption	<ul style="list-style-type: none"> Discusses what happens to TIF if portions of the property are sold or leased to a tax-exempt entity 	<ul style="list-style-type: none"> Deleted in its entirety 	<ul style="list-style-type: none"> Because the Developer would not have any claim to the TIF, these provisions are not needed in the 2016 MRADDOPA
10.08 Penney's Structure	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Describes provisions of a separate easement agreement granting the Developer an easement over the Penney's 	<ul style="list-style-type: none"> Language proposed to clarify and reaffirm the easements provided in the Operation and Reciprocal

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		structure to use the structure for public parking to benefit the Town Center and downtown businesses.	Easement Agreement that currently exists, to explicitly include parking for the theater building
Article 11 Security Financing Interests			
11.01 Security Financing Interest	<ul style="list-style-type: none"> • Defines Security Financing Interest as a mortgage, deed of trust, and any other reasonable method of security for real estate financing 	<ul style="list-style-type: none"> • Retains 2010 ADDOPA provisions • Adds restriction on Security Financing Interests prior to issuance of a Certificate of Completion 	<ul style="list-style-type: none"> • Reflects Developer's expressed intent to self-finance the project and limits ability for new lenders to take a security interest in the property
Article 12 General Provisions			
12.04 Delay	<ul style="list-style-type: none"> • Allows for extension of time for performance of either parties obligations resulting from forces outside of the parties' control 	<ul style="list-style-type: none"> • Retains 2010 ADDOPA provisions • Adds language clarifying types of events that temporarily excuse performance and how long extension may last 	<ul style="list-style-type: none"> • Language intended to clarify obligations and simplify administration in the event of an unexpected and unavoidable delay
12.05 Hold Harmless	<ul style="list-style-type: none"> • Requires Developer to indemnify Former Redevelopment Agency in the event a property or personal injury related to the Developer's construction activity 	<ul style="list-style-type: none"> • Expands the indemnification requirement to include third party challenges to the MRADDOPA and includes the Successor Agency and the Oversight Board • Requires the Successor to cooperate with the Developer in the defense of any such action 	<ul style="list-style-type: none"> • Broadens the scope of the indemnity to cover additional areas of challenge