

Meeting Date: 6-16-15

AGENDA REPORT

Agenda Item # 13A



City of Santa Clara, California



Date: June 10, 2015

To: City Manager for Council Action

From: Economic Development Officer/Assistant City Manager

Subject: Adoption of Resolutions Approving Various Agreements with Related Santa Clara LLC and Montana Property Group for the Proposed Development of City Place Santa Clara in the North of Bayshore Area

EXECUTIVE SUMMARY:

The City of Santa Clara owns several hundred acres of land in the North of Bayshore area. Since 2013, City Council has approved two Exclusive Negotiating Rights Agreements for the development of two separate projects on City-owned land located north of Levi's Stadium: one project to develop the "Tasman Lots," two vacant City-owned parcels located at the northwest and northeast corners of Tasman Drive and Centennial Boulevard, and one project to develop "City Place," a mixed-use project on approximately two hundred and thirty acres of City-owned land to the north of the Tasman lots. In February 2015, the designated developers for these two projects have formed a joint venture to develop the Tasman Lots and the City Center portion of the City Place project. Council approval of the recommended action would 1) modify both Exclusive Negotiating Rights Agreements (ENAs) with their respective developers, and 2) modify and supplement the Term Sheets with each development entity which, set forth the terms and conditions to be fully negotiated and further documented under a Disposition and Development Agreement (DDA), Development Agreement (DA), and Ground Lease (collectively the Transaction Documents) for future City Council approval. Modification of the agreements with each Developer is discussed further below.

Montana Property Group - Tasman Lots

On June 26, 2012, the City entered into an 18-month Exclusive Negotiating Rights Agreement with Montana Property Group (MPG) for the development of the Tasman Lots, two vacant City-owned parcels, totaling approximately eight acres located at the northwest and northeast corners of Tasman Drive and Centennial Boulevard just north of Levi's Stadium (APNs 104-03-038 and 104-03-039). The ENA was subsequently amended on June 18, 2013; December 3, 2013; January 10, 2014; and December 9, 2014.

The MPG ENA (as amended) contemplates that during the term of the Agreement the developer would address key issues such as the preparation of a project description and master site plan for the Property; completion of an Environmental Impact Report; securing entitlements; and negotiating Transaction Documents. The ENA provides MPG with exclusive negotiating rights until March 15, 2016, as may be further extended pursuant to subsequent amendments.

On February 11, 2014, Council approved a Term Sheet for the development of the Centennial Gateway project on the Tasman Lots. The Term Sheet documented the proposed respective commitments and obligations of the City and Santa Clara Centennial Gateway LLC (SCCG), a limited liability company that

included a joint venture partner of which MPG was a member, in a non-binding agreement. The Tasman Lots Term Sheet described among other points agreement on the Conceptual Land Use Plan; Infrastructure Master Plan; parking; hiring policies; and sustainability. Terms related to the financial transaction including ground rents and phasing were not included in the February 2014 Tasman Lots Term Sheet. The Tasman Lots Term Sheet provided that, upon satisfaction of various contingencies, the benefits of the MPG ENA would flow to SCCG.

On July 10, 2014, the City published a Notice of Preparation (NOP) for 825,000 gross square feet of mixed use development proposal on the Tasman Lots. An Environmental Impact Report (EIR) is being prepared for the development being proposed on the Tasman Lots, as well as the City Place Santa Clara project and a Draft EIR is anticipated to be released in late summer 2015.

SCCG no longer retains any development interest in the Tasman Lots or under the MPG ENA. MPG and with Related Santa Clara LLC have entered into a new joint venture partnership named Related MPG JV, LLC, which would pursue the joint development of the "City Center" portions of the Property and the Tasman Property, and MPG has agreed that, upon satisfaction of requisite contingencies, the benefit of the MPG ENA will flow to Related MPG JV, LLC.

Related Santa Clara – City Place Santa Clara

On April 9, 2013, Council approved an Exclusive Negotiating Rights Agreement (ENA) with Related Santa Clara LLC (Developer) for the development of approximately 230 acres of City-owned land north of the Tasman Lots ("Property" - APNs: 097-01-039; 097-01-073; 104-01-102; 104-03-036; and 104-03-037). The Property is located within the City's entertainment district in the North Bayshore area and houses uses such as the Santa Clara Golf and Tennis Club, David's Restaurant, David's Banquet, Fire Station #10, Parks Maintenance facility and the PAL BMX track.

Similar to the MPG ENA, under the terms of the Related ENA, the negotiating period is intended to allow the Developer the time necessary to address key issues such as the preparation of a project description and master site plan for the Property; completion of an Environmental Impact Report; securing entitlements; and negotiating Transaction Documents. The ENA was amended on July 1, 2014 to provide the Developer with a negotiating period through March 15, 2016, as may be further extended.

The concept developed for the Property, City Place Santa Clara, is a significant mixed use development consisting of a premier multi-block retail/entertainment/restaurant complex with adjacent hotel, residential, office uses and associated parking. The focal point of the project will be the City Center, a mixed use, pedestrian-oriented area featuring significant retail and entertainment uses such as department stores and cinemas. The City Center portion of the project is proposed to include a mix of national retailers with a demonstrated track record of high quality merchandise and service.

Since the commencement of the ENA in April 2013, the Developer has completed a series of due diligence analyses on the Property to determine project feasibility and constructability. On July 30, 2014, the City published a Notice of Preparation of an Environmental Impact Report (EIR) for the City Place project. As noted above, an EIR is being prepared for the development being proposed on the Tasman Lots, as well as

the City Place Santa Clara project, and a Draft EIR is anticipated to be released for public review in late summer 2015.

On February 11, 2014 and July 1, 2014, City Council approved a non-binding a Term Sheet and Term Sheet Supplement (collectively, the City Place Term Sheet) with the Developer. The City Place Term Sheet documents a number of provisions regarding the conceptual land use; Infrastructure Master Plan; parking; ground lease term; expectations on community benefits; responsibilities regarding landfill operation; relocation of existing uses; sustainability; the framework of the ground lease payments over time accounting for potential phasing; timing of commencement of payment; and adjustments to rent.

Amendments to Exclusive Negotiating Agreements

As discussed above, the joint venture between MPG and Related Santa Clara LLC is for the development of the Tasman Lots and the City Center portion of the overall City Place project. As such both development groups have requested that they maintain two separate ENAs that mutually recognize the new joint venture.

The ENAs for both developers expire on March 15, 2016. Both developers have requested amendments to their ENAs to provide that the term be extended to September 15, 2017 with the possibility of two six-month extensions. Staff believes that the timeframe to complete the requisite CEQA documentation, review and approval processes may exceed the current term and as such the recommended action provides for the extensions necessary to allow for the completion of predevelopment efforts.

Approval of the recommended action would provide for the execution of Amendment No. 5 to the MPG ENA and Amendment No. 2 to the Related ENA. Both Amendments recognize the new joint venture partnership and each Amendment provides for an extension of the term the relevant ENAs as requested.

Term Sheet Supplements

Both the Tasman Lots and City Place have executed Term Sheets in place. The intent of the Term Sheets and any supplements is to document the proposed respective commitments and obligations of the City and developer in a non-binding agreement.

Terms negotiated in the recommended Term Sheet Supplements serve as a further outline in continuing negotiations between the developer and the City in defining and documenting all aspects of a proposed long-term lease agreement. These terms are to be more fully described in Transaction Documents, including: a Disposition and Development Agreement (DDA) which would set forth the predevelopment activities to be performed; a Development Agreement (DA) which would establish the Developer's vested rights; one or more Ground Leases; and any necessary documents for the conveyance, management and development of the Property.

The development project will not proceed unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the CEQA environmental review process and from other public review and hearing processes, and subject to all applicable governmental approvals.

As discussed above, the approved City Place Term Sheet contains the proposed phasing and take down schedule of the development and the financial terms of a Ground Lease. The approved Tasman Lots Term Sheet does not currently address these provisions. The proposed City Place Term Sheet Supplement No. 2 sets forth the framework of terms related to phasing and ground rent schedules for the Tasman Lots and is discussed in more detail below. The proposed Tasman Lots Term Sheet Supplement would recognize that the terms and conditions contained in the City Place Term Sheet Supplement No. 2 would apply to the Tasman Lots and would be further documented in the Transaction Documents. Critical elements of the City Place Term Sheet Supplement No. 2 are addressed in more detail below.

- **Conceptual Land Use Concept and Phasing Strategy:** The Developer contemplates building a total of 9,121,400 square feet in a mixed use project with retail/restaurant/entertainment (1,526,000 square feet); hotel (700 keys); residential (1,360 units); and office (5,724,400 square feet). The land uses will be constructed over eight phases (with one sub-phase) across eight parcels.
- **Minimum Initial Development:** The Phase 1 development will consist of a minimum of 600,000 square feet of office, food and beverage, entertainment, hotel and/or residential improvements on the Tasman Lots. The minimum development shall include a 300-key (or larger) hotel and 50,000 square feet of retail, food and beverage and entertainment uses. Subject to force majeure provisions, the ground lease for this initial development is required to be taken down by December 2017 and Developer would be required to start construction by 2019. Although the Term Sheet Supplement sets forth outside dates, the Developer is targeting a conveyance of the initial ground lease in 2016 with an immediate start of construction. Under an aggressive schedule, the opening of the first phase could occur as soon as 2019.

The Phase 2 development (City Center portion of City Place) will consist of a minimum of 700,000 square feet of improvements consisting of: i) 500,000 square feet of retail and ii) 200,000 square feet of office and/or a 300-key hotel.

- **Minimum Retail Development:** Developer shall have the obligation to build a minimum of 50,000 square feet of retail, food and beverage, and entertainment uses in Phase I and 750,000 square feet of retail, food and beverage and entertainment uses in Phases 2 and 3 combined.
- **Rent:** The initial annual rent for each Phase 1 is as follows: \$750,000 at take down; \$1,000,000 at project opening; \$1,500,000 at the 4th anniversary of opening. The rent structure for the balance of the City Place project remains unchanged.
- **Annual Adjustments to Rent:** The initial rent shall be increased by 3% annually until Year 46 with the exception of Years 25 and 35 in which the rent shall increase by 10% over the prior year. In Year 46 and continuing through the end of the Ground Lease term, the rent shall be increased annually by the lesser of 3% or the increase in CPI with the exception of Years 53, 61, 80 and 90 in which the rent shall increase by 10% over the prior year. In addition, the City will receive two fair market rent adjustments in Years 20, 45 and 70. Subject to a negotiated floor (and cap in Year 20 only), these fair market rent adjustments will be based on the then appraised value of the land as if it were vacant and zoned with a comparable use with the resulting value at 6.5% return to the City.

The combined efforts of MPG and Related further amplify the City's opportunity to realize the development of a significant mixed-use project that creates a sense of place with a blend of entertainment, retail, dining, office and residential uses. The development of the Tasman Lots and the City Place project will further the City's goal of economic and housing development and will serve the public purpose of providing significant economic benefits to the City and its residents and businesses.

It is anticipated that the now combined City Place project will return to City Council for consideration of an Environmental Impact Report; General Plan and Zoning modifications; one or more Disposition and Development Agreements, with a form of Ground Lease; and one or more Development Agreements in late fall 2015.

ECONOMIC/FISCAL IMPACT:

The Term Sheet Supplement provides for the framework of potential lease revenues to the City's General Fund. Under the terms of the Related Term Sheet Supplement No. 2, the City's economic/fiscal consultant, Keyser Marston Associates, has estimated that the potential lease revenue to the City for the Tasman Lots could be \$5.93 billion under a conservative scenario and up to \$6.29 billion on a more aggressive scenario. This combined with the City Place lease structure previously approved by Council, results in estimated lease revenue of \$11.67 billion over 99 years under a conservative scenario, and up to \$16.69 billion under a more aggressive scenario. The resulting average annual lease revenue to the City ranges from \$119.5 million to \$168.5 million. Under a present day calculation, this translates to an average annual rent of approximately \$15.4 million to \$22.74 million.

In addition to rent, the City will receive sales, property and transient occupancy taxes from the project. These taxes have been estimated to be an additional \$15.5 million annually for the City Place component of the overall project (not included in this estimate are funds received for utility use).

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RECOMMENDATION:

That the Council adopt:

- 1) A Resolution approving and authorizing the City Manager to execute the Term Sheet Supplement No. 2 and Amendment No. 2 to Exclusive Negotiating Agreement between the City of Santa Clara and Related Santa Clara LLC for the development of City Place Santa Clara on approximately 230 acres in the North of Bayshore Area.
- 2) A Resolution approving and authorizing the City Manager to execute the Term Sheet Supplement and Amendment No. 5 to Exclusive Negotiating Agreement between the City of Santa Clara and Montana Property Group for the development of the City-owned Tasman Lots located at the northwest and northeast corners of Tasman Drive and Centennial Boulevard in the North of Bayshore Area.



Ruth Shikada
Economic Development Officer/
Assistant City Manager

APPROVED:



Julio J. Fuentes
City Manager

Documents Related to this Report:

- 1) ***Related Santa Clara Resolution***
- 2) ***Montana Property Group Resolution***
- 3) ***Term Sheet Supplement No. 2 with Related Santa Clara LLC***
- 4) ***Amendment No. 2 to Exclusive Negotiations Agreement with Related Santa Clara LLC***
- 5) ***Term Sheet Supplement with Montana Property Group***
- 6) ***Amendment No. 5 to Exclusive Negotiations Agreement with Montana Property Group***

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF SANTA CLARA,
CALIFORNIA, APPROVING A TERM SHEET
SUPPLEMENT NO. 2 AND AMENDMENT NO. 2 TO
EXCLUSIVE NEGOTIATING AGREEMENT WITH
RELATED SANTA CLARA LLC FOR PROPOSED MIXED
USE DEVELOPMENT**

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, City owns approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037 and 104-01-102) in the North of Bayshore Area (collectively, the “Property”);

WHEREAS, Related Santa Clara LLC (“Related”), an experienced full-service real estate firm, has proposed to ground lease the Property from City in order to construct a mixed use project on the Property (the “Project”);

WHEREAS, City and Related (collectively, the “Parties”) believe that the Project would be highly beneficial to City inasmuch as, when completed, it would create a new “city center” containing some or all of the following elements, among others: significant retail facilities, office buildings, rental and for sale residential facilities, hotel rooms that would support City’s convention center, new parks and open space, and new roads and infrastructure;

WHEREAS, a large portion of the Property consists of a former landfill site (the “Landfill”). The Project would serve to convert the space over the Landfill to productive use, cause the modernizing of the recovery systems operated by City at the Landfill, and create a significant new tax base for City;

WHEREAS, the development of the Project presents many potential opportunities for City, including: maximizing the production of housing and commercial space to the greatest extent

possible to create a new and vibrant City neighborhood; providing new parks, public open spaces and other community benefits; and increasing City revenues;

WHEREAS, the Parties entered into an Exclusive Negotiating Rights Agreement dated April 9, 2013, as amended by that certain Amendment No. 1, dated July 1, 2014 (as amended, the “ENA”), for the development of the Property, with an initial term of 18 months with an additional two six-month extensions, for a total negotiating period of 30 months (the “ENA Negotiating Period”);

WHEREAS, the Parties executed a non-binding Term Sheet dated as of February 11, 2014 (the “Original Term Sheet”), the purpose of which was to memorialize the key policy goals, basic development guidelines, financial framework, and other preliminary terms and conditions identified by the Parties that would form the basis for the negotiation and completion of necessary transaction documents for the conveyance, management, and development of the Property (collectively referred to as the “Transaction Documents”);

WHEREAS, the Parties executed a Term Sheet Supplement dated July 1, 2014 (“Term Sheet Supplement No. 1”) that set forth a framework and rent structure for the calculation of ground rent, including a minimum payment and a phasing and payment schedule for long term ground rent payments to be included in the form of ground lease;

WHEREAS, City entered into a term sheet dated as of February 11, 2014 (the “Tasman Term Sheet”), with Santa Clara Centennial Gateway LLC (“SCCG”), a limited liability company that included a joint venture partner of which Montana Property Group, LLC (“MPG”) was a member. The Tasman Term Sheet set forth the potential terms being negotiated with respect to a project based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by City and MPG and dated as of June 26, 2012 (as amended, the “Tasman ENA”);

WHEREAS, the area that is the subject of the Tasman Term Sheet and the Tasman ENA comprises approximately 7 acres of bare land (APN 104-03-038), plus approximately 1.5 acres of land to the north of the existing garage on Tasman Drive (APN 104-03-039) that is owned in fee by City (together, the “Tasman Property”);

WHEREAS, the Tasman Term Sheet contemplated that the Tasman Property would be ground leased by City to SCCG under a ground lease (the “Tasman Ground Lease”), and provided that, upon satisfaction of requisite contingencies, the benefits of the Tasman ENA would flow to SCCG;

WHEREAS, SCCG no longer retains any development interest in the Tasman Property or under the Tasman ENA;

WHEREAS, Related and MPG have entered into a new joint venture partnership named Related MPG JV, LLC, which would pursue the joint development of the “City Center” portions of the Property and the Tasman Property, and MPG has agreed that, upon satisfaction of requisite contingencies, the benefit of the Tasman ENA will flow to Related MPG JV, LLC;

WHEREAS, the Parties have negotiated a Term Sheet Supplement No. 2 (“Term Sheet Supplement No. 2”) in order to recognize the inclusion of the Tasman Property within the definition of “Property” and “Project” under the Original Term Sheet (as amended), and to set forth certain fundamental provisions regarding the rent structure and related issues for the Tasman Ground Lease.

WHEREAS, the Term Sheet, Term Sheet Supplement No. 1, and Term Sheet Supplement No. 2 (collectively, the “Term Sheets”) are intended to provide a general framework for the subsequent negotiation of definitive agreements regarding the development of the Project and are not intended to create any binding contractual obligations to any party thereto or to commit any party

to a particular course of action. The contemplated transaction involves many essential terms and conditions that have not yet been agreed upon, and it is expressly contemplated by the Parties that, in order to effectuate the development of the Project, binding agreements will have to be negotiated, agreed to by the Parties and submitted for approval to the City Council and Related;

WHEREAS, the Term Sheets set forth an understanding between the Parties to cooperate in the development, processing and completion of appropriate environmental review pursuant to the California Environmental Quality Act (“CEQA”) by the designated Lead Agency;

WHEREAS, the Term Sheets set forth some of the terms and conditions related to the development of the Project so that the Lead Agency can commence development, processing and completion of the appropriate CEQA documentation;

WHEREAS, the terms set forth in the Term Sheets are the Parties’ preliminary concepts that may be included in the Transaction Documents, and are not intended, nor should they be considered as, binding on the Parties;

WHEREAS, the Parties reserve their complete and sole discretion to evaluate and determine project impacts, alternatives and mitigation measures including, but not limited to, the ability to choose the “No Project” alternative under CEQA;

WHEREAS, by entering into the Term Sheets, the Parties do not intend to make an irretrievable commitment of resources or to commit to any course of action prior to completion of all appropriate environmental review; and

WHEREAS, the Parties have negotiated an Amendment No. 2 to the ENA (the “Amendment No. 2 to ENA”) in order to extend the ENA Negotiating Period through September 15, 2017, for the purposes of providing sufficient time to prepare the appropriate CEQA documentation and the Transaction Documents for City Council consideration.

**NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA
AS FOLLOWS:**

1. Recitals. The City Council hereby finds that the above Recitals are true and correct and by this reference makes them a part hereof.
2. Approval of Term Sheet Supplement No. 2. The City Council hereby approves the Term Sheet Supplement No. 2 with Related and authorizes the City Manager to enter into and execute the Term Sheet Supplement No. 2, substantially in the form on file with the City Clerk of the City of Santa Clara, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of such agreement by the City signatory. The City Manager is authorized to implement the Term Sheets and take all further actions and execute all other documents which are necessary or appropriate to carry out the Term Sheets.
3. Approval of Amendment No. 2 to ENA. The City Council hereby approves the Amendment No. 2 to ENA with Related, and authorizes the City Manager to enter into and execute the Amendment No. 2 to ENA, substantially in the form on file with the City Clerk of the City of Santa Clara, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of such agreement by the City signatory. The City Manager is authorized to implement the Amendment No. 2 to ENA and take all further actions and execute all other documents which are necessary or appropriate to carry out the ENA (as amended).
4. Constitutionality, Severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the

remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

5. Effective Date. This Resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE ____ DAY OF _____, 2015, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

ABSTAINED: COUNCILORS:

ATTEST:

ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments incorporated by reference: None.

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RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF SANTA CLARA,
CALIFORNIA, APPROVING A TERM SHEET
SUPPLEMENT AND AMENDMENT NO. 5 TO EXCLUSIVE
NEGOTIATING AGREEMENT WITH MONTANA
PROPERTY GROUP LLC FOR PROPOSED MIXED USE
DEVELOPMENT**

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, City owns two legal parcels in the North of Bayshore area (APNs 104-03-038 and 104-03-039) comprising approximately seven (7) acres of bare land, plus approximately one and one half (1.5) acres of land to the north of the existing garage on Tasman Drive (collectively, the “Property”);

WHEREAS, City entered into a non-binding Term Sheet dated as of February 11, 2014 (the “Term Sheet”), with Santa Clara Centennial Gateway LLC (“SCCG”), a limited liability company that included a joint venture of which Montana Property Group, LLC (“MPG”), was a member;

WHEREAS, the Term Sheet set forth the potential terms being negotiated with respect to a mixed-use project on the Property (the “Project”) based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the City and MPG and dated as of June 26, 2012 (the “Original ENA”), as amended by that certain Amendment No. 1 dated June 18, 2013, that certain Amendment No. 2 dated December 3, 2013, that certain Amendment No. 3 dated January 14, 2014, and that certain Amendment No. 4 dated December 9, 2014 (together with the Original ENA, collectively referred to herein as the “ENA”);

WHEREAS, City and MPG (collectively, the “Parties”) believe that the Project would be highly beneficial to City inasmuch as, when completed, it would create a new hospitality-themed development containing a hotel of four-star quality, Class A office space, entertainment and

restaurant-oriented and retail facilities. The Project, which would create a significant new tax base for City, would also include and/or facilitate new public amenity space, and new roads and infrastructure;

WHEREAS, the development of the Project presents many potential opportunities for City, including: maximizing the production of hotel and commercial space to the greatest extent possible to create a new and vibrant City neighborhood; providing new public amenity spaces and other community benefits; and increasing City revenues;

WHEREAS, SCCG no longer retains any development interest in the Property or under the ENA. Instead, MPG has formed a new joint venture partnership with Related Santa Clara, LLC (“Related”), the entity that holds that certain Exclusive Negotiating Rights Agreement with the City dated as of April 9, 2013 (as amended, the “Related ENA”), for the development of the approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037, and 104-01-102) in the North of Bayshore Area, owned in fee by City (the “Related Property”). Under their joint venture, called Related MPG JV, LLC, MPG and Related have agreed to pursue the joint development of the Property with the “City Center” portions of the Related Property, and MPG has agreed that, upon satisfaction of requisite contingencies, the benefit of the ENA will flow to Related MPG JV, LLC.

WHEREAS, City and Related have entered into a Term Sheet dated as of February 11, 2014, as amended by that certain Term Sheet Supplement dated as of July 1, 2014, and that certain Supplement No. 2 to Term Sheet dated as of June 16, 2015 (as amended, the “Related Term Sheet”). Supplement No. 2 to the Related Term Sheet addresses the integration of the Property into an overall project that includes the Related Property, and sets forth, among other matters, the proposed land use program, phasing and ground lease rent structure for the Property.

WHEREAS, the Parties have negotiated a Term Sheet Supplement (the “Term Sheet Supplement”) in order to address the relationship between the Term Sheet and the Related Term Sheet and to effectuate MPG’s consent to the Term Sheet instead of SCCG;

WHEREAS, the Term Sheet and Term Sheet Supplement (collectively, the “Term Sheets”) are intended to provide a general framework for the subsequent negotiation of definitive agreements regarding the development of the Project and is not intended to create any binding contractual obligations to any party thereto or to commit any party to a particular course of action. The contemplated transaction involves many essential terms and conditions that have not yet been agreed upon, and it is expressly contemplated by the Parties that, in order to effectuate the development of the Project, binding agreements will have to be negotiated, agreed to by the Parties and submitted for approval to the City Council and MPG;

WHEREAS, the purpose of the Term Sheets is to memorialize the key policy goals, basic development guidelines, financial framework, and other preliminary terms and conditions identified by the Parties that would form the basis for the negotiation and completion of necessary transaction documents for the conveyance, management, and development of the Property (collectively referred to as the “Transaction Documents”);

WHEREAS, the Term Sheets set forth an understanding between the Parties to cooperate in the development, processing and completion of appropriate environmental review pursuant to the California Environmental Quality Act (“CEQA”) by the designated Lead Agency;

WHEREAS, the Term Sheets set forth some of the terms and conditions related to the development of the Project so that the Lead Agency can commence development, processing and completion of the appropriate CEQA documentation;

WHEREAS, the terms set forth in the Term Sheets are the Parties' preliminary concepts that may be included in the Transaction Documents. They are not intended, nor should they be considered as, binding on the Parties;

WHEREAS, the Parties reserve their complete and sole discretion to evaluate and determine project impacts, alternatives and mitigation measures including, but not limited to, the ability to choose the "No Project" alternative under CEQA;

WHEREAS, by entering into the Term Sheets, the Parties do not intend to make an irretrievable commitment of resources or to commit to any course of action prior to completion of all appropriate environmental review; and

WHEREAS, the Parties have negotiated an Amendment No. 5 to the ENA (the "Amendment No. 5 to ENA") in order to extend the ENA Negotiating Period should be extended through September 15, 2017, for the purposes of providing sufficient time to prepare the appropriate CEQA documentation and the Transaction Documents for City Council consideration.

NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

1. Recitals. The City Council hereby finds that the above Recitals are true and correct and by this reference makes them a part hereof.
2. Approval of Term Sheet Supplement. The City Council hereby approves the Term Sheet Supplement with MPG and authorizes the City Manager to enter into and execute the Term Sheet Supplement, substantially in the form on file with the City Clerk of the City of Santa Clara, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of such agreement by the City signatory. The City Manager is authorized to implement the Term Sheets and take all further

actions and execute all other documents which are necessary or appropriate to carry out the Term Sheets.

3. Approval of Amendment No. 5 to ENA. The City Council hereby approves the Amendment No. 5 to ENA with Related, and authorizes the City Manager to enter into and execute the Amendment No. 5 to ENA, substantially in the form on file with the City Clerk of the City of Santa Clara, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of such agreement by the City signatory. The City Manager is authorized to implement the Amendment No. 5 to ENA and take all further actions and execute all other documents which are necessary or appropriate to carry out the ENA (as amended).

4. Constitutionality, severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

5. Effective date. This Resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE ____ DAY OF _____, 2015, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

ABSTAINED: COUNCILORS:

ATTEST:

ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments incorporated by reference: None

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TERM SHEET SUPPLEMENT NO. 2
RELATED PROJECT - SANTA CLARA

This Term Sheet Supplement No. 2 (“**Supplement No. 2**”) is entered into as of June 16, 2015, by and between the City of Santa Clara, California (“**City**”), and Related Santa Clara, LLC (“**Developer**”). City and Developer are sometimes referred to herein, collectively, as the “**Parties**”. Capitalized terms used in this Supplement No. 2 without definition shall have the meanings given to such terms in the Term Sheet (defined below).

RECITALS

A. The Parties entered into a Term Sheet dated as of February 11, 2014 as amended by that certain Term Sheet Supplement dated as of July 1, 2014 (the “**Term Sheet Supplement**”) (as amended, the “**Term Sheet**”). The Term Sheet sets forth the potential terms being negotiated with respect to the Project, based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the Parties in April, 2013 for the development of the Property (as amended and as it may be further amended from time to time, the “**ENA**”).

B. The area that is the subject of the Term Sheet (the “**Property**”) is described in the Term Sheet and comprises approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037, and 104-01-102) in the North of Bayshore Area, owned in fee by City.

C. The City and Santa Clara Centennial Gateway LLC (“**SCCG**”) entered into a Term Sheet dated as of February 2014 (the “**Tasman Term Sheet**”). The Tasman Term Sheet sets forth the potential terms being negotiated with respect to a project based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the City and Montana Development Group, LLC (“**MPG**”) dated as of June 2011 for the development of the Tasman Property (as amended and as it may be further amended from time to time, the “**Tasman ENA**”).

D. The area that is the subject of the Tasman Term Sheet is described in the Tasman Term Sheet and comprises approximately 7 acres of bare land (APN 104-03-038), plus approximately 1.5 acres of land to the north of the existing garage on Tasman Drive (APN 104-03-039) (the “**1.5 Acre Site**”) that is owned in fee by City (the “**Tasman Property**”). The Tasman Term Sheet describes the potential terms and guiding principles intended to govern the proposed development project on the Tasman Property and provides that the benefits of the Tasman ENA would flow to SCCG.

E. As contemplated under the Tasman Term Sheet, City intends to retain ownership of the Tasman Property and intends to ground lease the Property under a ground lease (the “**Tasman Ground Lease**”). SCCG is a limited liability company that included a joint venture partner of which MPG was a member, and another development partner as managing member. SCCG no longer retains any development interest in the Property or under the Tasman ENA. Instead, MPG has formed a new joint venture partnership with Developer. Under their joint venture, called Related MPG JV, LLC, MPG and Developer have agreed to pursue the joint development of the “**City Center**” portions of the Property and the Tasman Property, and MPG has agreed that, upon satisfaction of requisite contingencies, the benefit of the Tasman ENA will flow to Related MPG JV, LLC.

F. Section VII.D. of the Tasman Term Sheet sets forth certain material terms for the Tasman Ground Lease, including the base term and options to extend and provides that the rent would be intended to achieve a balance between the City's need to achieve a fair return for its property, the public policy objectives of the project and the developers need for a market return (with recognition of project component risks) on project costs.

G. The purposes of this Supplement No. 2 are to recognize the inclusion of the Tasman Property within the definition of "Property" and "Project" under the Term Sheet, and to set forth certain fundamental provisions regarding the rent structure and related issues for the Tasman Ground Lease on the terms set forth herein.

H. This Supplement No. 2 was presented to City Council on June 16, 2015. At that hearing, City Council voted [] to adopt Resolution No. 15-[] endorsing this Supplement No. 2.

NOW, THEREFORE, the Parties have entered into this Supplement No. 2 for the purposes of setting forth a proposed rent structure for the Tasman Ground Lease and supplementing other provisions of the Term Sheet, but with the understanding that this Supplement No. 2 is subject to all of the terms and conditions of Section I of the Term Sheet.

I. TERMS USED IN THIS SUPPLEMENT

The following terms used in this Supplement No. 2 have the meanings set forth below:

"Lease Year" means a 12-month period, with the first Lease Year for Phase 1 beginning with the Take Down of Phase 1.

"Minimum Initial Development" means (i) Developer's obligation to build approximately 600,000 square feet of office, food and beverage, entertainment, hotel and/or residential improvements in Phase 1, but which shall include a 300-key (or larger) hotel and 50,000 square feet of retail, food and beverage and entertainment uses, and to use best efforts to build an additional 200,000 square feet of office, retail, food and beverage, entertainment, and/or residential improvements in Phase 1; and (ii) Developer's obligation to build 700,000 square feet of improvements in Phase 2, consisting of (x) 500,000 square feet of retail, and (y) 200,000 square feet of office and/or a 300-key hotel, and to use best efforts to build an additional 230,000 square feet of office, retail, food and beverage, entertainment, and/or residential improvements in Phase 2.

"Minimum Retail Development" means Developer's obligation to build a minimum of 50,000 square feet of retail, food and beverage and entertainment uses in Phase 1 and 750,000 square feet of retail, food and beverage and entertainment uses in Phases 2 and Phase 3 combined, and to use best efforts to build 1,500,000 square feet of retail, food and beverage and entertainment uses in Phases 2 and Phase 3 combined.

“Phase” (which shall supersede the definition of “Phase” in the Term Sheet Supplement) means each of the eight (8) phases shown on Exhibit A attached hereto, as the same may be reconfigured in accordance with the Term Sheet.

“Phase 1” means the development of the Tasman Project on all portions of the Tasman Property shown on Exhibit A except for the 1.5 Acre Site (which shall be included in Phase 2), as the same may be reconfigured as set forth below.

“Remaining Potential Development” means the contemplated square footage of improvements represented on the CLU Plan attached hereto as Exhibit A that is above and beyond the Minimum Initial Development (which is also included on the CLU Plan) and that may be built by Developer in accordance with the Transaction Documents and the City approvals for the Project, as justified by market forces.

“Rent” means the annual rent payable to City, as landlord, by Developer, as tenant, under a Lease, which will be payable in equal monthly installments.

“Take Down” refers to City and Developer entering into a Lease with respect to a particular Phase on the terms set forth below.

“Tasman Project” means the project to be developed on the Tasman Property, except for the 1.5 Acre Site, in accordance with the Tasman CLU Plan described in Section III.A below.

“Tasman Property” as defined in Recital D above.

II. FRAMEWORK

A. Development of Project to Include Tasman Property. The Parties intend that development of the Project will include the Tasman Property, and that the Take Down times for the Project, including the portion of the Tasman Property that comprises Phase 1, will be no later than the times shown on Exhibit B attached hereto (which shall supersede Exhibit B to the Term Sheet Supplement in its entirety). References in the Term Sheet to the Project or a Parcel shall include the Tasman Project and Tasman Property, to the extent applicable.

B. Phases. All references in the Term Sheet Supplement to a “Phase” shall mean Phases 1 through 8 as illustrated on Exhibit A attached hereto. Except as otherwise provided herein, the project Phases identified in the Term Sheet Supplement are hereby renumbered so that Phase 1 identified in the Term Sheet Supplement will be Phase 2 as defined herein, Phase 2 identified in the Term Sheet Supplement will be Phase 3 and so on through Phase 8, as more particularly shown on Exhibit A attached hereto that shall replace the Exhibit A to the Supplement in its entirety.

C. Relationship to Tasman Term Sheet. The Parties acknowledge that the Term Sheet, as modified by this Supplement No. 2, may be inconsistent with the Tasman Term Sheet in certain respects. The Parties intend that the applicable provisions of the Term Sheet, including this Supplement No. 2, shall apply to negotiations for the Tasman Property, shall supplement the terms of the Tasman Term Sheet as applied to the Tasman Property and shall supersede any conflicting provisions of the Tasman Term Sheet, including, without limitation, Section III (Land

Use) and Section VII.D (Ground Lease) thereof. Upon approval of this Term Sheet, City shall take such actions as necessary to amend the Tasman ENA and Tasman Term Sheet consistent with the processing of a single project on the Tasman Property and the Property combined.

III. LAND USE

A. Conceptual Land Use Plan and Program. The Conceptual Land Use Plan and Program for the Project (the "**CLU Plan**"), a copy of which is attached as Exhibit A, contemplates the development of an aggregate of 9,121,400 gsf comprised of residential uses (1,360 units), retail, food and beverage and entertainment uses (1,526,000 gsf), office uses (5,724,400 gsf), and hotel uses (700 keys). In accordance with this Term Sheet Supplement No. 2, Developer would have an obligation to build 1,300,000 square feet of improvements in Phases 1 and 2 combined and to use best efforts to build an additional 430,000 square feet of improvements in Phases 1 and 2 combined. The Remaining Potential Development within Phases 1 and 2 and 3 would total 2,445,000 square feet of improvements. The Remaining Potential Development within Phases 4 through 8 would be 5,146,400 square feet of improvements.

B. Detailed Conceptual Land Use Plan and Program for Tasman Project. The detailed Conceptual Land Use Plan and Program for the land underlying the Tasman Project is attached hereto as Exhibit C (the "**Tasman CLU Plan**"). The Tasman CLU Plan contemplates the development of an aggregate area of 825,000 gross square feet ("**gsf**") comprised of the following:

1. **Office** – 258,000 gsf of office use (25- 30,000 gsf floorplate) located adjacent to the City Garage with Tasman frontage directly across from the Levi's Stadium, with lobby on Stars & Stripes.
2. **Hotel** – a 400-key hotel with approximately 25,000 gsf of meeting space (10-12 stories) located on the block adjacent to the Office complex; entrance and lobby on Stars & Stripes.
3. **Retail** – 71,000 gsf of retail on the first/second levels focused on the gateway entrance along Tasman/Centennial up through Stars & Stripes.
4. **Residential** – a 200-unit residential building (10-12 stories) built above a parking podium located on the eastern portion of the Tasman Property adjacent to Lafayette. At Developer's election, construction of this residential project may be phased separately within Phase 1 depending on market conditions.

C. Tenant Quality. Tenants within the Tasman Project will be generally consistent with other mixed-use projects developed and/or operated by Related. The Transaction Documents will include but not be limited to discussion and incorporation of the following standards for the Tasman Project:

1. A requirement that retailers (but not necessarily the restaurants) within the Tasman Project (i) focus on mid-to-high level price points, (ii) be either national stores or local enterprises that have a demonstrated track record of providing high

quality merchandise and service to the satisfaction of the City Manager, unless otherwise approved by the City Manager, and (iii) adhere to certain minimum operating hours.

2. A requirement that hotel, health club and entertainment components of the Tasman Project (i) be either national enterprises or local enterprises that have a demonstrated track record of providing high quality service to the satisfaction of the City Manager, unless otherwise approved by the City Manager, and (ii) that hotels be of "four star" caliber.

IV. PHASING, TAKE DOWNS, CONSTRUCTION COMMENCEMENT AND OPENING

A. Time for Take Down/Construction Start for Phases. Exhibit B to the Term Sheet Supplement that shows the time to Take Down each Phase and the Construction Start for each Phase is hereby replaced by the replacement Exhibit B attached hereto. The times shown for Take Down of Phase 1 and Phase 2 (but no other Phase) shall be subject to Force Majeure. Developer's failure to Take Down Phase 1 or Phase 2 (but not any other Phase), subject to Force Majeure, shall be an event of default under the DDA.

B. The time for Construction Start of horizontal infrastructure shall be as shown on Exhibit B, subject to Force Majeure. Upon Developer's election to enter into a Lease for the Tasman Property, City and Developer shall enter into a separate Lease for Phase 1, the form of which will be attached as an exhibit to the DDA. The Parties project that the opening of the Tasman Project will occur in 2020, subject to delay for Force Majeure.

C. Minimum Development.

1. The definition of Minimum Initial Development and Minimum Retail Development set forth in this Supplement No. 2 will supersede the definitions of Minimum Initial Development and Minimum Retail Development set forth in the Term Sheet Supplement.

2. Section II.C of the Term Sheet Supplement is hereby replaced in its entirety to read as follows:

Developer will build (or use best efforts to build, as applicable) the Minimum Initial Development and the Minimum Retail Development. The purpose of this paragraph C is to define "minimum project" as used in paragraph 3 of Section VII.B.3 of the Term Sheet, and no other paragraphs of such Section VII.B.3 are intended to be affected by this paragraph C.

V. RENT STRUCTURE

A. Rent and Rent Commencement for Phase 1. The initial Rent for Phase 1 will be \$750,000, commencing upon Take Down of Phase 1.

B. Rent Adjustments. Beginning with the first anniversary of the Take Down of Phase 1 and continuing through the 44th Lease Year, Rent will increase by three percent (3%) over the Rent for such Phase for the prior Lease Year. Beginning with the 46th

Lease Year and continuing through the end of the Lease term for such Phase, Rent will increase by the lesser of (i) three percent (3%) over the Rent for the prior Lease Year for such Phase or (ii) the increase in the CPI (chosen by the Parties) since the beginning of the prior Lease Year. However, none of the foregoing shall apply with respect to the Rent upon the opening date and the 4th anniversary of the opening date, and the 20th, 25th, 35th, 45th, 53rd, 61st, 70th, 80th and 90th Lease Years (or such other years as described in Section V.B.4 below), which Rent shall be adjusted as follows:

1. starting on the opening date, Rent will increase to \$1,000,000;
2. on the 4th anniversary of the opening date, Rent will increase to \$1,500,000;
3. in the 20th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Tasman Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties), multiplied by six and one half percent (6.5%), but in no event less than \$3,000,000 or more than \$3,500,000;
4. in the 25th, 35th, 53rd, 61st, 80th and 90th Lease Years, Rent will increase by ten percent (10%) over the Rent for the prior Lease Year; provided, however, that if the Take Down of either Phase 2 or Phase 3 occurs within one (1) year of the Take Down of Phase 1, then all such 10% Rent adjustments for Phase 1 will be implemented concurrently with the Rent adjustments described in Section III.B.1 of the Term Sheet Supplement starting with Lease Year 25;
5. in the 45th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Tasman Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties) multiplied by six and one half percent, but in no event less than ten percent (10%) more than the Rent for Phase 1 during the 44th Lease Year.
6. in the 70th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Tasman Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties) multiplied by six and one half percent (6.5%), but in no event less than ten percent (10%) more than the Rent for Phase 1 during the 69th Lease Year.

VI. FINANCING

As provided in the Term Sheet, Developer expects to obtain public and private financing for the Project, including CFD financing, and City will cooperate to the extent provided in the Term Sheet.

VII. LEASE TERM; REVERSION OF IMPROVEMENTS

For purposes of Section IV of the Term Sheet Supplement, all references to "Phase 1" shall mean Phase 1 as defined in this Supplement No. 2, so that the Lease term for the Phase 1

Lease will be 99 years, beginning with the date of Take Down of Phase 1. All other terms of Section IV shall remain unchanged.

VIII. MISCELLANEOUS

A. The references in Sections VII.B.5 and VII.B.6 of the Term Sheet to "City Center portion of the Project" mean Phase 1, 2 and 3.

B. Prior to commencement of construction on each Phase, Developer will advise City of Developer's capital commitment to the Phase that is required by its lenders and/or partners for such Phase.

C. Developer desires to obtain an option to acquire the fee interest in the Tasman Property (only from the platform up with respect to the 1.5 Acre Site). City will consider granting such an option subject to reaching agreement on the timing and terms of the acquisition and determining that a true option may be granted to Developer. City shall also consider granting a fee interest in a portion of the property to a department store, hotel or office tenant that requires a fee interest as a condition to its participation in the Project.

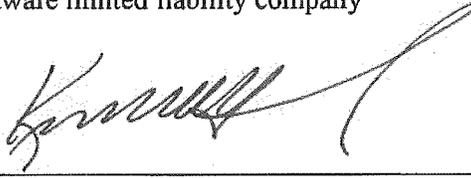
D. As supplemented by this Supplement No. 2, the Term Sheet shall remain in full force and effect. In the event of an inconsistency between this Supplement No. 2 and the Term Sheet, this Supplement No. 2 shall control. This Supplement No. 2 may be amended or supplemented only by an instrument in writing signed by both Parties and may be executed in counterparts. Each fully executed counterpart shall be deemed to be an original Supplement No. 2 and all of such fully executed counterparts shall be deemed to be one and the same agreement.

By signing below, the Parties evidence their general agreement with the provisions of this Supplement No. 2 and agree to use this Supplement No. 2 and the Term Sheet as the framework for the good faith negotiations of binding definitive agreements. Any agreements resulting from negotiations would become effective only if and after such agreements have been considered and approved by City following compliance with all legally required procedures, and subject to the terms of Article I of the Term Sheet.

IN WITNESS WHEREOF, the undersigned have executed this Supplement No. 2 as of the date first written above.

DEVELOPER:

RELATED SANTA CLARA, LLC, a
Delaware limited liability company

By: 

Its: Authorized Signatory

CITY:

CITY OF SANTA CLARA, a municipal
corporation

ATTEST:

By: _____
ROD DIRIDON, JR.
City Clerk

By: _____
JULIO J. FUENTES
City Manager

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax Number: (408) 241-6771

APPROVED AS TO FORM:

By: _____
RICHARD E. NOSKY, JR.
City Attorney

List of Exhibits to Supplement No. 2

- A - Current Configuration and Intended Use of the Property Phases
- B - Take Down Timeframes
- D - Tasman CLU Plan

Exhibit A to Supplement No. 2

Current Configuration and Intended Use of Parcels and Phases (including Phase 1)

[Attached]

PROGRAM SUMMARY



239 ACRES

9.2 M^{SF}

TOTAL PROJECT

Phase	GSF	Parking Spaces	Retail	Office	Hotel	Residential
1	625,000	1,290	71,000	258,000	400 keys	
1A	200,000	200	-	-	0	200 units
2	2,584,000	8,010	1,389,000	320,000	300 keys	660 units
3	566,000	764	66,000	-	0	540 units
4	1,066,400	3,199	-	1,066,400		
5	720,000	2,160	-	720,000	0	0
6	1,200,000	3,600	-	1,200,000	0	0
7	1,080,000	3,240	-	1,080,000	0	0
8	1,080,000	3,240	-	1,080,000	0	0
Total	9,121,400	25,703	1,526,000	5,724,400	700 keys	1,400 units

LEGEND

- Land Uses**
-  Podium Residential
 -  Retail Anchor
 -  Retail and F & B
 -  Hotel
 -  Entertainment
 -  Office



Exhibit B

Take Down Time Frames

[Attached]

Exhibit B to Supplement No. 2

Take Down Timeframes

Phase¹	Required Take Down Date	Construction Start, subject to Force Majeure
1	December 2017*	Within 2 years after Take Down (anticipated to be no later than December 2019)
2	December 2018*	Within 2 years after Take Down (anticipated to be no later than December 2020)
3	4 years after Phase 2 Take Down (anticipated to be no later than December 2022*, but may be taken out of order)	Within 1 year after Take Down (anticipated to be no later than December 2023)
4	5 years after Phase 3 Take Down (anticipated to be no later than December 2027*, but may be taken out of order)	Within 1 year after Take Down (anticipated to be no later than December 2028)
5	3 years after Phase 4 Take Down (anticipated to be no later than December 2030 *, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2032)
6	3 years after Phase 5 Take Down (anticipated to be no later than December 2033 *, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2035)
7	2 years after Phase 6 Take Down (anticipated to be no later than December 2035*, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2037)
8	2 years after Phase 7 Take Down (anticipated to be no later than December 2037*, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2039)

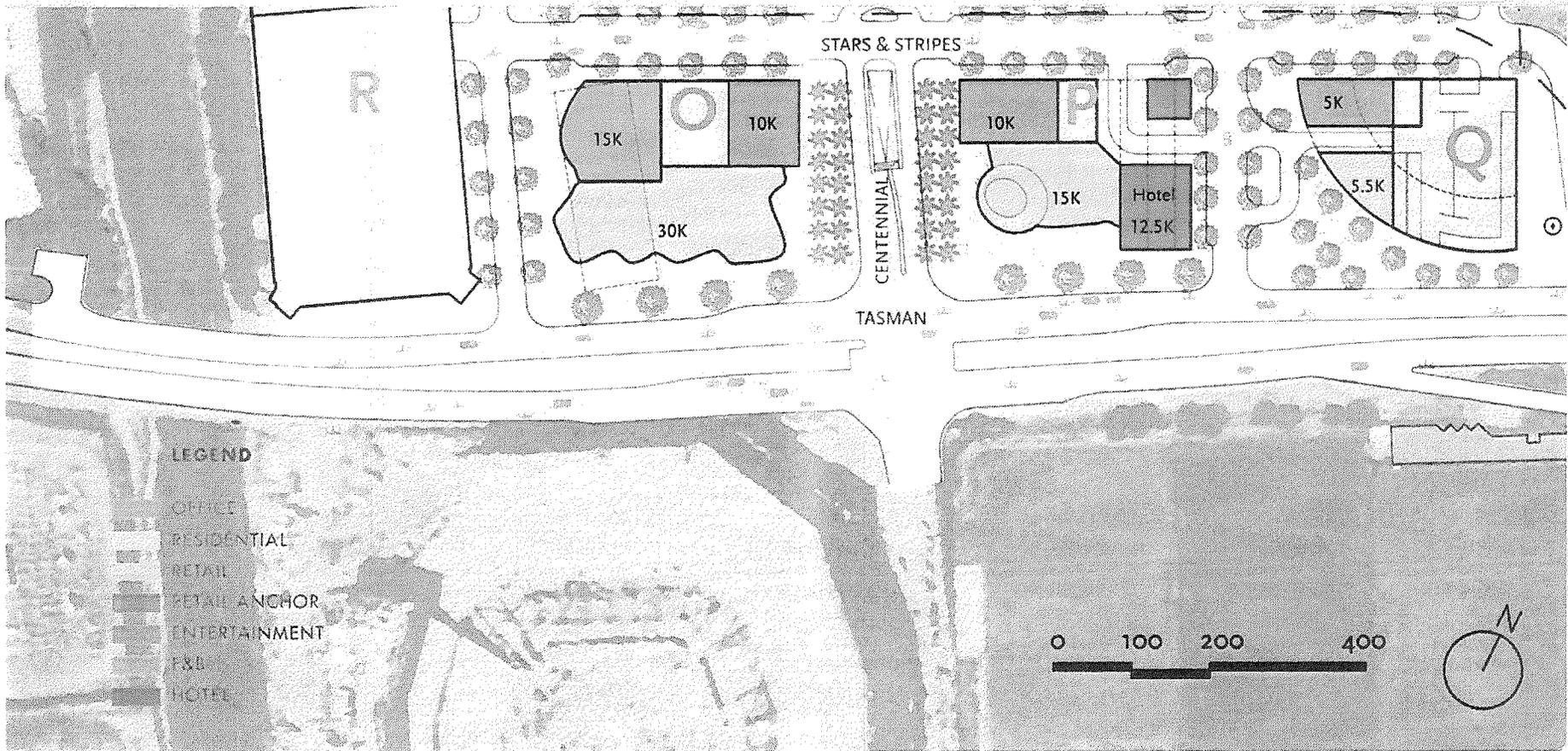
*Dates are subject to Force Majeure provisions within the Term Sheet and as previously defined.

¹ Beginning with Phase 3, Developer may take down the parcels in any order desired, but must take down each next phase in accordance with the time intervals set forth on this exhibit. By way of example, Developer could elect to take down Phase 5 as the next phase after Phase 2, but would have to do so within 4 years after Phase 2 Take Down (no later than December, 2022).

EXHIBIT C

Tasman Property Conceptual Land Use Plan

[Attached]



CITY PLACE
Santa Clara, California

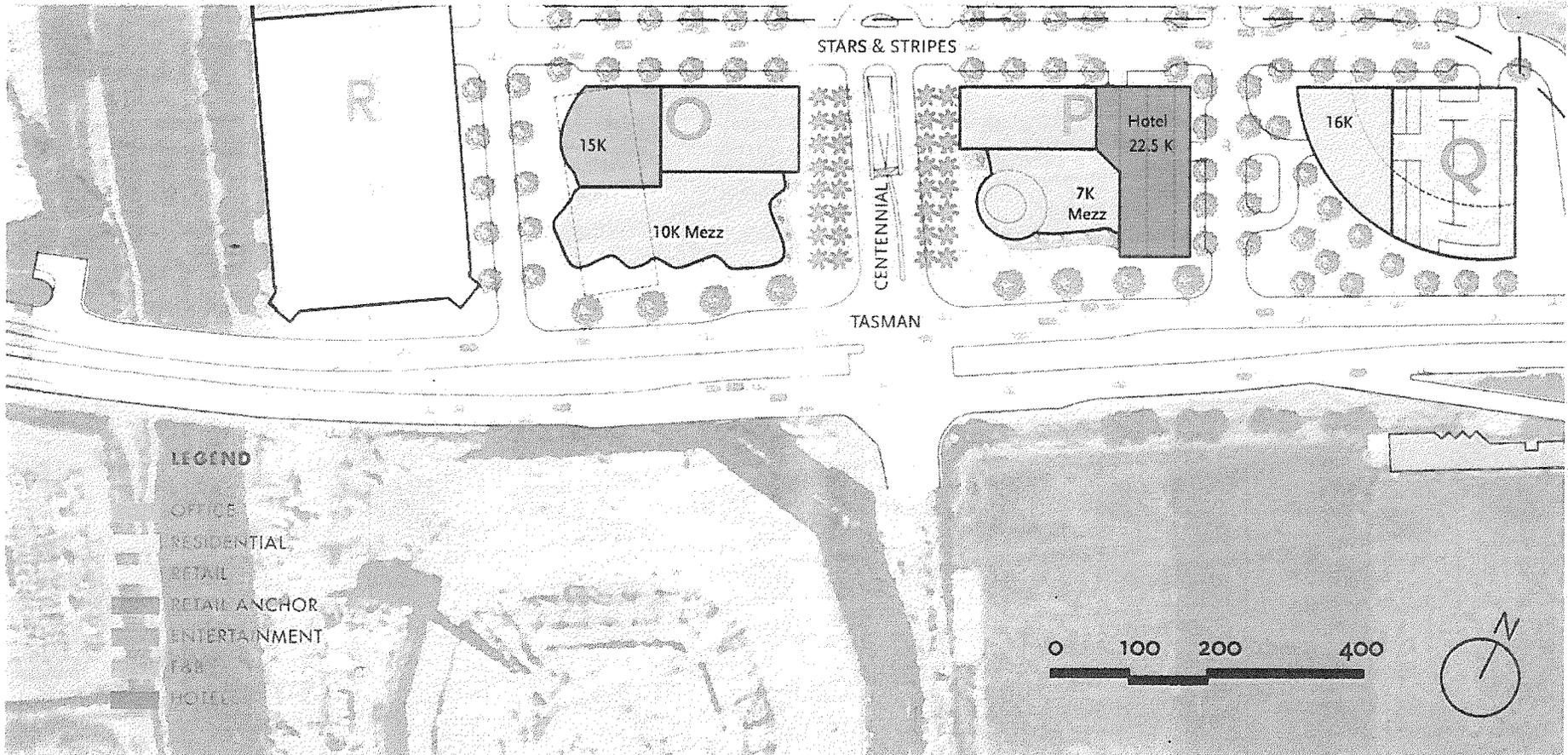
Ground Floor Anchoring Plan

MAY 11, 2015



RELATED

ELKUS | MANFREDI
ARCHITECTS



CITY PLACE
 Santa Clara, California

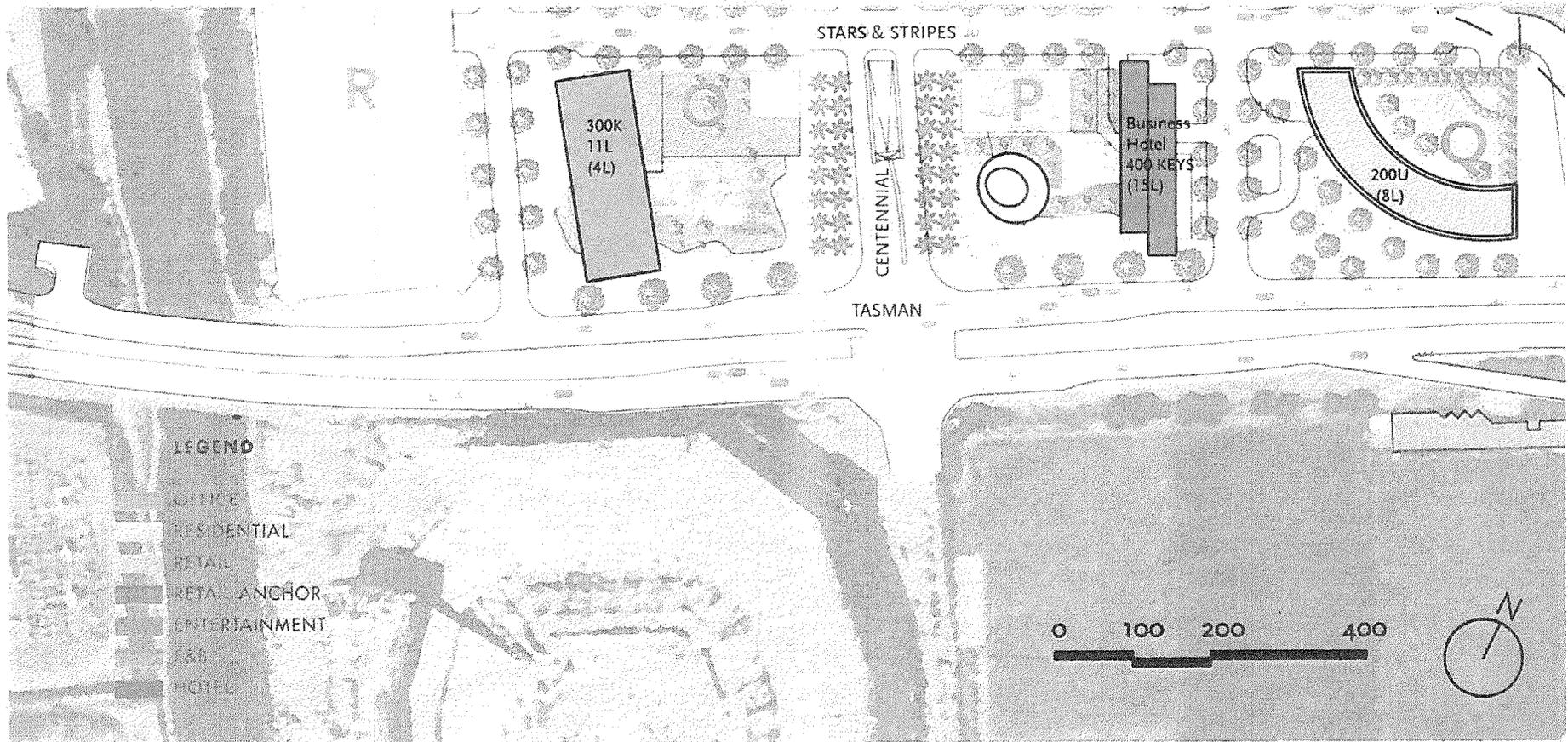
Level 2 Anchoring Plan

MAY 11, 2015



RELATED

ELKUS | MANFREDI
 ARCHITECTS



CITY PLACE
Santa Clara, California

Roof Level Plan
 MAY 11, 2015



RELATED

ELKUS | MANFREDI
 ARCHITECTS

AMENDMENT NO. 2 TO EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT

This Amendment No. 2 to Exclusive Negotiating Rights Agreement (this "**Amendment**") dated as of June 16, 2015 (the "**Effective Date**"), is between the CITY OF SANTA CLARA, a municipal corporation (the "**City**"), and RELATED SANTA CLARA, LLC, a Delaware limited liability company ("**Developer**"). City and Developer may be referred to herein individually as a "Party" or collectively as the "Parties".

RECITALS

A. City and Developer previously entered into an Exclusive Negotiating Rights Agreement dated April 9, 2013, as amended by that certain Amendment No. 1, dated July 1, 2014 (the "**Agreement**"). Capitalized terms that are not defined in this Second Amendment have the meanings set forth in the Agreement;

B. The parties entered into the Agreement for the purpose of establishing procedures and standards for negotiation by the City and the Developer of a disposition and development agreement (the "**DDA**") pursuant to which the Developer would conduct specified development activities related to the Property; a Development Agreement ("**DA**") and the form of property conveyance documents.

C. In accordance with Section 2 of the Agreement, the Negotiating Period begins on April 9, 2013 and ends on March 15, 2016. The Agreement provides that the Negotiating Period may only be extended by formal amendment of the Agreement.

D. During the Negotiating Period, City and Developer have diligently pursued negotiations regarding development of the Property, including the execution of a Term Sheet, dated February 11, 2014, a Term Sheet Supplement, dated July 1, 2014 and preparation of draft transactional documents. In addition, the parties are diligently pursuing entitlements for the Property, including preparation of an Environmental Impact Report, a Master Community Plan and associated planning and entitlement documents.

E. In order to provide sufficient time for the completion of entitlements and preparation of final Project documents, the parties now wish to amend the Agreement to extend the Negotiating Period through September 15, 2017.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the City and Developer agree as follows:

1. **Negotiating Period.** Section 2 of the Agreement is hereby amended in its entirety to read as follows:

2. Negotiating Period. The negotiating period under this Agreement shall begin on April 9, 2013 and shall end on September 15, 2017 (as it may be extended from time to time as provided below, the "**Negotiating Period**"). If the City and Developer execute the DDA

and the DA before the end of the Negotiating Period, the end of the Negotiating Period shall be automatically extended until five (5) business days after the last day on which a legal challenge to approval of the DDA, the DA, the EIR or other Project approvals given at approximately the same time as the DDA is approved (collectively, "**Project Approvals**") may be filed. If such a legal challenge is timely filed, the Negotiating Period shall be automatically extended until (1) the effectiveness of the Project Approvals shall have been finally settled or upheld by a final, unappealable decision of the California courts without any material adverse effect on the Project Approvals, or (2) if such final settlement or unappealable decision does not uphold the effectiveness of the Project Approvals as provided in clause (1), then ninety (90) days following the date of such final settlement or unappealable decision or such additional time as may be required by the City to prepare such additional or revised environmental documents and for the City to consider the revised Project Approvals for re-approval in accordance with the terms of the applicable final settlement or unappealable decision.

The Negotiating Period may also be extended for an additional two periods of six (6) months each upon presentation of a written request from the Developer together with a schedule of tasks to be accomplished during the additional period, at the discretion of the City Manager.

The Negotiating Period may be further extended or modified only by formal amendment of this Amendment executed by the City and the Developer. Unless otherwise set forth in this Agreement or unless this paragraph is subsequently modified by a written amendment to this Agreement, the term of this Agreement shall begin on the April 9, 2013 and terminate on September 15, 2017.

If a DDA has not been executed by the City and the Developer by the expiration of the Negotiating Period (as the Negotiating Period may be extended by operation of the preceding paragraph), then this Agreement shall terminate and neither Party shall have any further rights or obligations under this Agreement except as set forth Section 3.6. If a DDA is executed by the City and the Developer then, upon such execution, this Agreement shall terminate, and all rights and obligations of the Parties shall be as set forth in the executed DDA.

**2. Developer Cooperation and Coordination with Adjacent
Parcels.** Section 8 of the Agreement is hereby amended in its entirety to read as follows:

8. Developer Cooperation and Coordination with Adjacent Parcels.
Developer acknowledges that the City has an existing Exclusive

Negotiations Agreement with Montana Property Group, LLC, a California limited liability company (“MPG”) for the adjacent City owned parcels (“Tasman Lots”) south of the Property (APN 104-03-038- and -039 and a portion of APN 104-03-036). The Parties acknowledge that Developer has entered into a joint venture agreement with MPG in which the Tasman Lots would be added to the Property to be developed pursuant to the same DDA and DA contemplated under this Agreement. For so long as Developer and MPG remain in a joint venture relationship, the Parties agree that the site planning efforts and negotiations for the Tasman Lots will be included as part of the site planning efforts and negotiations for the Property hereunder. In the event that Developer and MPG are no longer in a joint venture relationship, then Developer agrees to cooperate with and, to the extent possible, coordinate site planning efforts with MPG or an successor developer of the Tasman Lots. The coordination of site planning efforts shall address access, entranceway placement, location of facilities and such other matters as may be necessary or desirable to integrate/enhance the function of both areas for development purposes. Such cooperation and coordination of the master planning for both areas will be at the sole cost and expense of Developer.

3. **Terms.** All other terms of the Agreement which are not in conflict with the provisions of this Amendment shall remain unchanged in full force and effect. In case of a conflict in the terms of the Agreement and this Amendment, the provisions of this Amendment shall control.

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TERM SHEET SUPPLEMENT
CENTENNIAL GATEWAY PROJECT - SANTA CLARA

This Term Sheet Supplement (“**Supplement**”) is entered into as of June 16, 2015, by and between the City of Santa Clara, California (“**City**”), and Montana Property Group, LLC (“**Developer**” or “**MPG**”). City and Developer are sometimes referred to herein, collectively, as the “**Parties**”. Capitalized terms used in this Supplement without definition shall have the meanings given to such terms in the Term Sheet (defined below).

RECITALS

A. The City and Santa Clara Centennial Gateway LLC (“**SCCG**”) entered into a Term Sheet dated as of February 2014 (the “**Term Sheet**”). The Term Sheet sets forth the potential terms being negotiated in respect of a project based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the City and MPG, dated as of June 2011 for the development of the Property (as amended and as it may be further amended from time to time, the “**ENA**”).

B. The area that is the subject of the Term Sheet comprises approximately 7 acres of bare land (APNs 104-03-038 and 104-03-039) plus an approximately 1.5 acres of land to the north of the existing garage on Tasman Drive that is owned in fee by City (the “**Property**”). The Term Sheet describes the potential terms and guiding principles intended to govern the proposed development project on the Property and provides that upon satisfaction of certain prerequisites, MPG agrees that the benefits of the ENA would flow to SCCG.

C. SCCG is a limited liability company that included a joint venture partner of which MPG was a member, and another development partner as managing member. SCCG no longer retains any development interest in the Property or under the ENA. Instead, MPG has formed a new joint venture partnership with Related Santa Clara, LLC (“**Related**”), the entity that holds that certain Exclusive Negotiating Rights Agreement with the City dated as of April, 2013, as amended, for the development of the approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037, and 104-01-102) in the North of Bayshore Area, owned in fee by City (the “**Related Property**”). Under their joint venture, called Related MPG JV, LLC, Developer and Related have agreed to pursue the joint development of the Property with the “**City Center**” portions of the Related Property, and MPG has agreed that, upon satisfaction of requisite contingencies, the benefit of the ENA will flow to Related MPG JV, LLC.

D. City and Related have entered into a Term Sheet dated as of February 11, 2014 as amended by that certain Term Sheet Supplement dated as of July 1, 2014 and that certain Supplement No. 2 to Term Sheet dated concurrently herewith (as amended, the “**Related Term Sheet**”). Supplement No. 2 to the Related Term Sheet (a copy of which is attached hereto as Exhibit A) addresses the integration of the Property into an overall project that includes the Related Property, and sets forth, among other matters, the proposed land use program, phasing and Ground Lease rent structure for the Property.

E. The purpose of this Supplement is to address the relationship between this Term Sheet and the Related Term Sheet and to effectuate MPG's consent to the Term Sheet instead of SCCG.

F. This Supplement was presented to City Council on June 16, 2015. At that hearing, City Council voted [] to adopt Resolution No. 15-[] endorsing this Supplement. A copy of Resolution No. 15-[] is attached hereto as Exhibit B.

NOW, THEREFORE, the Parties have entered into this Supplement subject to all of the terms and conditions of Section I of the Term Sheet.

A. Relationship to Related Term Sheet. The Parties acknowledge that the Related Term Sheet, as modified by Supplement No. 2, is intended to govern negotiations for the Property in certain respects, including the land use program, phasing and Ground Lease material terms, including term and rent structure. The Parties intend that so long as Related and Developer remain in a joint venture relationship for the joint development of the Property and the Related Property, the applicable provisions of the Related Term Sheet, including Supplement No. 2, shall apply to negotiations for the Property with respect to the matters set forth therein, shall supplement the terms of the original Term Sheet as applied to the Property and shall supersede any conflicting provisions of the original Term Sheet, including, without limitation, Section III (Land Use) and Section VII.D (Ground Lease) thereof.

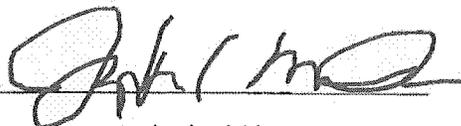
B. Miscellaneous. As supplemented by this Supplement, the Term Sheet shall remain in full force and effect. In the event of an inconsistency between this Supplement and the Term Sheet, this Supplement shall control. This Supplement may be amended or supplemented only by an instrument in writing signed by both Parties and may be executed in counterparts. Each fully executed counterpart shall be deemed to be an original Supplement and all of such fully executed counterparts shall be deemed to be one and the same agreement.

By signing below, the Parties evidence their general agreement with the provisions of this Supplement and agree to use this Supplement and the Term Sheet as the framework for the good faith negotiations of binding definitive agreements. Any agreements resulting from negotiations would become effective only if and after such agreements have been considered and approved by City following compliance with all legally required procedures, and subject to the terms of Article I of the Term Sheet.

IN WITNESS WHEREOF, the undersigned have executed this Supplement as of the date first written above.

DEVELOPER:

MONTANA PROPERTY GROUP, LLC, a
Delaware limited liability company

By: 
Its: Authorized Signatory

CITY:

CITY OF SANTA CLARA, a municipal
corporation

ATTEST:

By: _____
ROD DIRIDON, JR.
City Clerk

By: _____
JULIO J. FUENTES
City Manager

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax Number: (408) 241-6771

APPROVED AS TO FORM:

By: _____
RICHARD E. NOSKY, JR.
City Attorney

Exhibit A to Supplement

RELATED TERM SHEET SUPPLEMENT NO. 2

(Attached)

Exhibit B

Copy of Resolution

[attached]

**AMENDMENT NO. 5 TO THE EXCLUSIVE NEGOTIATING RIGHTS
AGREEMENT BETWEEN CITY OF SANTA CLARA AND MONTANA PROPERTY
GROUP, LLC**

PREAMBLE

This agreement ("Amendment No. 5") is made and entered into on this 16th day of June, 2015, ("Effective Date") by and between Montana Property Group, LLC, a California limited liability company ("Developer") and the City of Santa Clara, a municipal corporation ("City"). City and Developer may be referred to herein individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

RECITALS

- A. The Parties previously entered into an agreement entitled "Exclusive Negotiating Rights Agreement by and between the City of Santa Clara and Montana Property Group dated June 26, 2012, ("Original Agreement"), Amendment No. 1 dated June 18, 2013, Amendment No. 2 dated December 3, 2013, Amendment No. 3 dated January 14, 2014 and Amendment No. 4 dated December 9, 2014 (collectively referred to as "Agreement"); and,
- B. The Parties entered into the Agreement for the purpose of establishing procedures and standards for the negotiation by the City and the Developer of a disposition and development agreement (the "DDA") pursuant to which the Developer would conduct specified development activities related to the Property;
- C. The Parties previously entered into a Term Sheet with Santa Clara Centennial Gateway LLC ("SCCG") describing the potential terms and guiding principles intended to govern the proposed development project. The Term Sheet provided that the benefits of this Exclusive Negotiating Rights Agreement would flow to SCCG. Concurrently with the approval of this Amendment No. 5, the parties are entering into a Term Sheet Supplement with Developer, which, together with this Amendment No. 5, clarify that the benefits of the Exclusive Negotiating Rights Agreement and the Term Sheet and Term Sheet Supplement are for the benefit of Developer.
- D. The term of the Agreement expires on March 15, 2016 and the Parties desire to amend the Agreement to extend the negotiating period.

AGREEMENT PROVISIONS

The Parties agree as follows:

1. AMENDMENT PROVISIONS

- a. That Section 1.2 of the Agreement, entitled "Negotiation Period" is hereby amended so that all references to the date "March 15, 2016" shall be replaced by the date "September 15, 2017."

b. The third sentence of Section 1.2 is hereby amended to add the following underlined language:

If such a legal challenge is timely filed, the Negotiating Period shall be automatically extended until (1) the effectiveness of the Project Approvals shall have been finally settled or upheld by a final, unappealable decision of the California courts without any material adverse effect on the Project Approvals, or (2) if such final settlement or unappealable decision does not uphold the effectiveness of the Project Approvals as provided in clause (1), then ninety (90) days following the date of such final settlement or unappealable decision or such additional time as may be required by the City to prepare such additional or revised environmental documents and/or Project Approvals and to thereafter consider the revised environmental documents and/or Project Approvals in accordance with the applicable final settlement or unappealable decision.

2. TERMS

a. All other terms of the Agreement which are not in conflict with the provisions of this Amendment No. 5 shall remain unchanged in full force and effect. In case of a conflict in the terms of the Agreement and this Amendment No. 5, the provisions of this Amendment No. 5 shall control.

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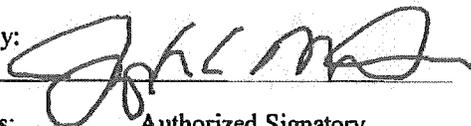
The Parties acknowledge and accept the terms and conditions of this Amendment No. 5 as evidenced by the following signatures of their duly authorized representatives. It is the intent of the Parties that this Amendment No. 5 shall become operative on the Effective Date first set forth above.

IN WITNESS WHEREOF, the undersigned have executed this Supplement as of the date first written above.

DEVELOPER:

MONTANA PROPERTY GROUP, LLC, a
Delaware limited liability company

By: _____

Its:  Authorized Signatory

CITY:

CITY OF SANTA CLARA, a municipal
corporation

ATTEST:

By: _____

ROD DIRIDON, JR.
City Clerk

By: _____

JULIO J. FUENTES
City Manager

1500 Warburton Avenue
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APPROVED AS TO FORM:

By: _____

RICHARD E. NOSKY, JR.
City Attorney