

## EXCLUSIVE NEGOTIATION AGREEMENT

THIS EXCLUSIVE NEGOTIATION AGREEMENT ("Agreement") is entered into as of this 17<sup>th</sup> day of JULY, 2007 by and between the **REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA** ("Agency"), and **SANTA CLARA METHODIST RETIREMENT FOUNDATION, INC.**, a 501 (c)3 Non-Profit Corporation ("Developer"), on the terms and provisions set forth below.

### **IT IS HEREBY MUTUALLY AGREED AS FOLLOWS:**

#### I. [\\$ 100]Negotiations

##### A. [\\$ 101]Good Faith Negotiations

Agency and Developer agree for the period set forth in Section 102 below to negotiate diligently and in good faith to prepare a Disposition and Development Agreement ("DDA") to be entered into between Agency and Developer with respect to a portion of the Bay Area Research and Extension Center ("BAREC") project area in the City of Santa Clara ("Site") which is designated on the Conceptual Site Plan attached hereto and incorporated herein as Exhibit A. Agency agrees to negotiate exclusively with Developer during the negotiation period with respect to the Site, not to accept proposals, and not to negotiate with any other person or entity to dispose of the Site.

##### B. [\\$ 102]Period of Negotiations

The parties agree to negotiate for a one hundred eighty (180) day period. If on the 180th day from the date of execution of this Agreement by Agency and Developer, Developer has not executed the DDA, then this Agreement shall automatically terminate unless Agency and Developer mutually agree in writing to extend the 180-day period.

If a DDA is so signed and submitted by Developer within the 180-day period, then this Agreement shall be extended for an additional 60 days from the date of such submittal to enable Agency to: (1) determine whether it desires to enter into such DDA, (2) if Agency desires to do so, take the actions necessary to authorize Agency to sign the DDA, and (3) sign the DDA.

If Agency has not signed the DDA by the 60th day from the date of submittal by Developer, then this Agreement shall automatically terminate unless Agency and Developer mutually agree in writing to extend the 60-day period.

II. [§ 200] Proposed Development

A. [§ 201] Development Concept and Essential Terms and Conditions

The proposed development to be negotiated hereunder, and the essential terms and conclusions thereof, shall include without limitation:

1. Assignment to Developer of all of Agency's rights to purchase the Site and all other rights, title, and interest in and to the purchase as it affects the Site; and
2. Development of approximately one hundred sixty-five (165) multi-family rental apartment units similar in general quality to the Conceptual Rendering attached hereto and incorporated herein as Exhibit B; approximately one hundred sixty-three (163) units shall be rented at an affordable rate for very low income households as defined by the U.S. Department of Housing and Urban Development ("HUD") based upon an Agency-approved pro forma development budget and restricted to seniors age 62 and older; no more than two (2) units shall be designated as manager's units that shall not be rented at an affordable rate; and
3. Parking spaces in conformance with City of Santa Clara requirements to be provided on-site for use of the affordable senior housing facility.

III. [§ 300] Submission of Information

A. [§ 301] Information Regarding Negotiations

Within thirty (30) days after execution of this Agreement by Agency, Developer shall submit to Agency:

1. A proposed planning and development schedule for the Site as referred to in Section 201; and
2. A site plan and schematics to show the concept for development of the Site as referred to in Section 201; and
3. A proposed project budget, showing sources and uses of funds; and
4. Financial projections for a 30-year period for the Site including development costs, revenue, and expenses; and

5. Other information necessary, appropriate, and/or as reasonably requested by Agency in connection with negotiating a DDA.

In the event Developer fails to timely submit any of the above items within the time required, Agency shall have the right, at its option, to terminate this Agreement by written notice to Developer, in which event neither Developer nor Agency shall have any further rights or obligations hereunder.

B. [§ 302]Developer's Findings, Determinations, Studies and Reports

As from time to time requested by Agency with prior written notice to Developer, Developer shall make written progress reports advising Agency on all matters and all studies being made by Developer or Developer's consultants regarding the Site.

IV. [§ 400]Consideration

The consideration to be paid by Developer under any DDA shall be based substantially on Developer's Proposal dated December 19, 2002, subject to validation of fair reuse value of the Site by Agency. Developer's Proposal dated December 19, 2002, is attached hereto and incorporated herein as Exhibit C.

V. [§ 500]Developer

A. [§ 501]Nature of Developer

Developer is a:

501 (c)3 Non-Profit Corporation

It is proposed that the Site to be developed will be held by the following entity or entities or type of entity or entities:

Developer

Developer and Charities Housing Development Corporation of Santa Clara County ("CHDC"), a 501 (c)3 Non-Profit Corporation, have signed a Memorandum of Understanding ("MOU") designating roles and responsibilities for acquisition, development, ownership, and management of the Site.

In the event that the acquisition, development, ownership, and management structure between Developer and CHDC for the Site changes, this Agreement shall automatically terminate unless Agency and Developer mutually agree in writing to assign all rights and responsibilities under this Agreement to the new entity.

B. [\§ 502]Offices of Developer

The principal office of Developer is located at:

Santa Clara Methodist Retirement Foundation, Inc.  
890 Main Street  
Santa Clara, California 95050

The principal office of CHDC is as follows:

Charities Housing Development Corporation of Santa Clara County  
465 South First Street  
San Jose, California 95113

C. [\§ 503]Principals and Employees of Developer

The principal of Developer is as follows:

Alice K. Sutton, Executive Officer

Developer's employees or representatives who will be directly involved in this development are as follows:

Alice K. Sutton

The principal of CHDC is as follows:

Chris Block, Executive Director

CHDC's employees or representatives who will be directly involved in this development are as follows:

Kathy Robinson

Developer has designated the following person or persons who will negotiate any DDA with Agency and who will engage in the activities necessary to determine the feasibility of the development:

Alice K. Sutton  
Kathy Robinson

D. [§ 504]Developer' s Consultants and Professionals

Developer's architect will be:

Robert Herman, Herman and Coliver: Architecture

Developer's engineering consultant will be:

HMH Engineers, Inc.

Developer's attorney will be:

Scott Barshay, Gubb & Barshay

Developer's building contractor will be:

To be selected at a later date

Developer is required to make full disclosure to Agency of its principals, partners, joint venturers, tenants, and all other pertinent information concerning Developer and its associates.

Agency will enter into any DDA hereunder only if the principals, partners, joint venturers, tenants, and others directly involved in the proposed development are approved by Agency. Agency's consent shall not be unreasonably withheld.

VI. [§ 600]Developer's Financial Capacity

A. [§ 601]Financial Statement

Financial statements of Developer shall be submitted as reasonably requested by Agency for the purpose of determining feasibility of the development to be accomplished by any DDA to be negotiated under this Agreement. Developer agrees to submit additional financial information as reasonably requested by Agency; provided, however, that any such information shall be kept confidential to the full extent permitted by law.

B. [§ 602]Equity

Developer proposes to obtain its equity capital in the following manner:

Developer and Developer's Financiers

C. [§ 603] Acquisition/Predevelopment Financing

Developer proposes to obtain its acquisition/predevelopment financing for the Site in the following manner:

City of Santa Clara HUD Home Investment Partnership Act ("HOME") Loan  
City of Santa Clara Redevelopment Agency Loan

D. [§ 604] Construction/Permanent Financing

Developer proposes to obtain its construction/permanent financing in the following manner:

City of Santa Clara Redevelopment Agency Loan  
City of Santa Clara HUD HOME Loan  
County of Santa Clara HUD HOME Loan  
County of Santa Clara Affordable Housing Fund-Federal Home Loan Bank  
Developer and Developer's Financiers  
HUD Capital Advance  
Limited Partner Investor Syndication Proceeds

E. [§ 605] Bank and Other Financial References

Developer's bank and other financial references have been submitted to Agency concurrently with this Agreement.

F. [§ 606] Full Disclosure

Developer will be required to make and maintain full disclosure to Agency of the methods of financing and the financing documents to be used in the development.

VII. [ 700] Developer's Experience

A detailed description of the development experience of Developer and its principals, associates, employees, partners and/or joint venturers has been previously submitted to Agency.

VIII. [§ 800] Agency's Responsibilities

A. [§ 801] Redevelopment Project

The Site is not located within a redevelopment project area.

B. [§ 802] Environmental Requirements

Agency has completed and certified an Environmental Impact Report ("EIR") for the BAREC project area, which includes the Site.

C. [§ 803] Agency Assistance and Cooperation

Agency shall cooperate fully in providing Developer with appropriate information and assistance.

D. [§ 804] Agency and City Council Public Hearing

If the negotiations hereunder this Agreement culminates in any DDA that involves the disposition of property to Developer, such a disposition agreement becomes effective only after and if the disposition agreement has been considered and approved by Agency and City Council after public hearing, in the manner and subject to all procedures, findings, and requirements of applicable law.

IX. [§ 900] Real Estate Commissions

Agency shall not be liable for any real estate commission or brokerage fees which may arise herefrom. Agency represents that it has engaged no broker, agent, or finder in connection with this transaction, and Developer agrees to hold Agency harmless from any claim by any broker, agent, or finder retained by Developer.

X. [§ 1000] Need for DDA

The parties acknowledge and agree that this Agreement is for the sole purpose of stating the intention of the parties to negotiate exclusively and enter into a DDA. The parties have not reached agreement on the matters described herein and do not intend to be bound until a final written DDA is executed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set opposite their signatures.

**REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA**  
(Agency)

Dated: 07/27/07

By: Jennifer Sparabino  
Name: Jennifer Sparabino  
Title: Executive Director

APPROVED AS TO FORM AND LEGALITY

**ATTEST:**

By: Helene Leichter  
Helene Leichter  
Agency General Counsel

[Signature]  
Agency Secretary

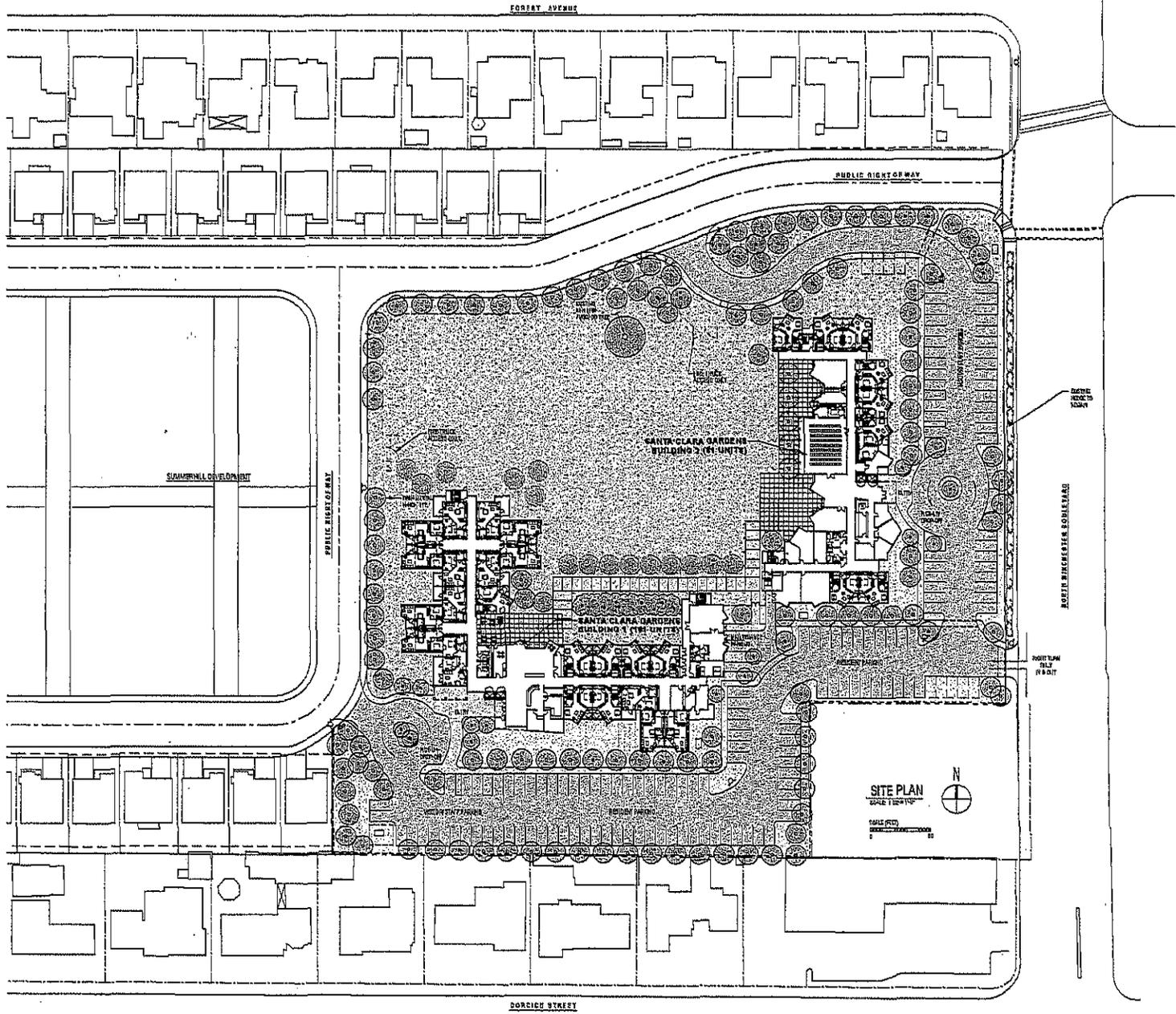
**SANTA CLARA METHODIST RETIREMENT  
FOUNDATION, INC.,**  
(Developer)

Dated: 7/11/07

By: Alice K. Sutton  
Name: Alice K. Sutton  
Title: Executive Officer

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**EXHIBIT A**  
**CONCEPTUAL SITE PLAN**

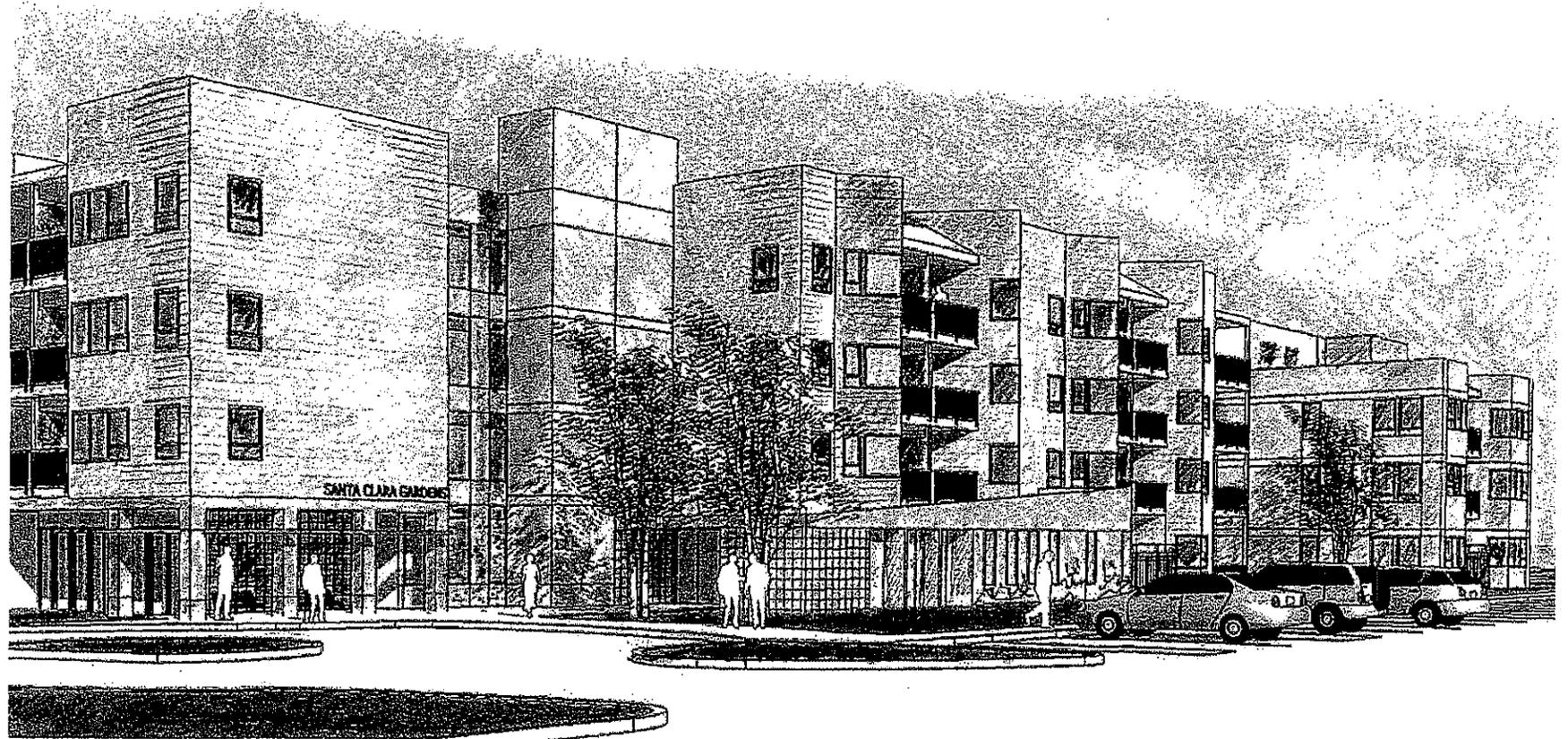


**SITE PLAN**

HERMAN & COLIVER: ARCHITECTURE APRIL 6 2006

# SANTA CLARA METHODIST RETIREMENT FOUNDATION

**EXHIBIT B**  
**CONCEPTUAL RENDERING**



**SANTA CLARA METHODIST RETIREMENT FOUNDATION**  
**SENIOR HOUSING**

**VIEW TOWARD SANTA CLARA GARDENS MAIN ENTRY**  
**(No Trees Shown)**

**EXHIBIT C**  
**DEVELOPER'S PROPOSAL**

December 19, 2002

Mr. Jeff Pedersen, Director  
Housing and Community Services Division  
The City of Santa Clara  
1500 Civic Center Drive  
Santa Clara, CA 95050

RE: Application for funding for senior developments on BAREC site

Dear Jeff,

Enclosed is an application for funding for the proposed affordable senior housing developments and open space for the BAREC site in Santa Clara. This is a joint proposal from the Santa Clara Methodist Retirement Foundation, Inc. (SCMRF) and Charities Housing Development Corporation (CHDC).

Enclosed are two copies of the application and one copy of the required attachments. A complete set of attachments has been provided for SCMRF and an abbreviated set of attachments has been provided for CHDC. Per the instructions, CHDC is not required to submit a full set of attachments because we received funding from the City of Santa Clara in FY 2002-2003. However, if the city would like to see a full set of attachments we would be happy to provide them.

Thank you for the opportunity to present this application. Please contact me if you have any questions or need any additional information.

Sincerely,

Kathy A. Robinson  
Sr. Project Manager

**Community Need Statement**

City of Santa Clara's Housing Element, adopted July 23, 2002, states that current projections estimate a significant increase in the both the number and proportion of the elderly (age 65 or older) population. The number of elderly persons facing housing problems will also increase. Locally, senior-headed households comprised 16% of all households in 1990 and 17% in 2000. In 2000, there were 10,900 residents age 65 or older, representing an increase of 9% since 1990. The 1990 Census found that 729 senior citizens or 7.9% (age 65 and over) were living below the poverty level. It is anticipated that Census 2000 data will find an increase in this number. There are currently four below-market senior housing projects in the City, containing 408 one-bedroom and studio apartments. Two of these projects are shared housing developments whose acquisition was assisted by the City with HOME and Redevelopment Agency funds. Waiting lists of up to two years exist for all of the projects. City Redevelopment funds is assisting in the construction of a 100 unit public housing development for very low income seniors as part of the Agnews Rivermark development. This information suggests that there is still a shortfall of over 220 units for very low-income seniors in the City of Santa Clara.

**Project Description**

1. Who will benefit, including eligibility requirements and demographics? (Submit any applicable fee schedule).

Occupancy will be open to any household composed of one or more persons, one of whom is 62 years of age or more at the time of initial occupancy, and the household's income is less than 50% of the area's median income.

2. What direct benefits will be rendered, and how and where will they be measured and delivered? (Submit brochures, flyers describing Project).

The proposed development consists of 161 units of housing for seniors plus four staff units. The units will be affordable to very low-income households. These units will offer seniors an affordable living situation, informal community support, and centralized access to services specifically for seniors.

3. What other organizations provide similar services and why will this proposed project not duplicate them?

There are currently four below-market senior housing projects in the City, containing 408 one-bedroom and studio apartments. However, there is still a projected shortfall of over 220 housing units for very low-income seniors in the City (see community need statement).

4. Why should the City of Santa Clara fund these services?

The project needs funding from the City of Santa Clara to achieve the proposed affordability between 20-40% of the area's median. The proposed rent at this affordability level is significantly below the average market rate apartments in Santa Clara. A comparison summary is presented below.

Unit Type	Affordable Senior Housing	Citywide	Zip Code 95050	Zip Code 95051	Zip Code 95054
1 bed/1 bath	\$320-\$590	\$1,352	\$1,309	\$1,223	\$1,651
2 bed/1 bath	\$805	\$1,359	\$1,320	\$1,399	n/a

\* Source: Realfacts, Novato, CA, June 2002

## 90 N. Winchester Senior Housing Development

### Proposed Project Timeline

#### Site Acquisition

Site Control	December 2007
Site Acquisition	June 2008

#### Entitlement

Planning/Architectural Approval	October 2007
Completion of Construction Documents	February 2008
Approval of Plans for Building Permits	June 2008

#### Mixed HUD 202/Tax Credit Financing

Submittal of HUD Section 202 Application	May 2008
Award of HUD Section 202 Funding	November 2008
Submittal of Tax Credit Application	February 2009
Award of Tax Credit Allocation	June 2009
Award of Bond Allocation Authority	July 2009
Select Tax Credit Investor	August 2009
Close all Financing	November 2009

#### Construction

Select General Contractor	November 2007
Bid Construction Project	June 2009
Start Construction	November 2009
Complete Construction	May 2011