SMALL BUSINESS DIVERSIFICATION AND NON-PROFIT INCLUSION PROGRAM FRAMEWORK

I. PROGRAM OUTLINE

(A) Intent

The Middlefield Park Small Business Diversification & Non-Profit Inclusion Program, or "Program", seeks to encourage, welcome, and assist local businesses owned by women and individuals from underserved backgrounds in order to enhance local economic vitality in and around the Middlefield Park Master Plan (Master Plan) and East Whisman, as well as support businesses who hire women and people of color as employees. The Program also seeks to create opportunities for nonprofits and community uses to provide key community resources, services, and places that foster strong social bonds and contribute to a better quality of life for Mountain View residents. A diverse range of groups can help enrich the character of this new community, from grocers to restaurateurs, community centers and daycares, and aspirational spaces such as art studios, or practical spaces such as a consumer goods repair shop. Overall, the Program is designed to provide tailored support by the Developer representing approximately $18.6 million of value to the community. The purpose of this document is to provide a Program framework to be implemented by the Developer or assignee, for the duration of the Development Agreement (DA). The Developer will identify specific partners, the businesses or nonprofits served, and the size of the individual tenant spaces throughout the Program and build-out of the Master Plan.

(B) Principles

The Developer will operate the Program under four principles:

1. **Support city goals and East Whisman vision.** The Program will respond to and align with the City of Mountain View's (City) citywide goals and ambitions to create a welcoming, inclusive, and sustainable neighborhood and small business community. As a part of this, the Program will support small businesses and nonprofits by helping to fund a portion of their capital and operating costs, as well as provide business development support. The Program aligns with the City's interest in 'people-centric' community benefits, specifically by retaining and growing small businesses through the construction of subsidized space and offering of rent relief. More particularly, this Program aligns with the East Whisman Precise Plan (EWPP) vision, which calls for increasing the area's livability and sustainability by creating active, inviting street life and support for small businesses (EWPP page 36).

2. **Create pathways to market.** The Program will incubate and grow small, local businesses owned by women and individuals from underserved backgrounds, as well as emerging small businesses and nonprofits, by providing direct support and new opportunities to come to market that may not otherwise be available to these groups. The Program also supports businesses that hire women and people of color.

3. **Foster sustainable community partners.** The Program will provide tools and resources to help new businesses find their footing and then mature. The goal is for participating groups to become self-sustaining and find stable locations in or around Middlefield Park and greater Mountain View.

4. **Respond to current and future community needs.** The Program will seek out businesses and nonprofits that help meet the daily needs of current, future, and nearby communities, particularly in areas where those needs are currently unmet. This will help bridge gaps that prevent small businesses and nonprofits from thriving and serving their neighbors.

(C) Tools and Resources

To support its principles, the Program establishes a number of tools and resources for participating groups, including:

1. **Quality storefront and Ellis Community Pavilion space.** Participating Groups will typically have leases on Subsidized Active Use Space in Middlefield Park. Located on active plazas and parks, the location itself is the foremost resource. Participating Groups will have frontage onto richly designed and programmed public spaces within the mixed-use community, with thousands of people living or working in the immediate vicinity. People will also be able to easily visit by light rail, bus, bike, or other transportation options delivered within or adjacent to the Master Plan. The location of each Participating Group's tenant space will be determined by the Developer as each development phase of the Master Plan is constructed and leased out. The minimum targeted amount of space available is 22,000 gross square feet of Subsidized Active Use Space, which includes an approximately 1,000 square foot Ellis Community Pavilion space located in the POPA Open Space.

   Note: Consistent with the EWPP, there is a minimum of 5,000 square feet of ground floor commercial space that is required to be delivered in the vicinity of Ellis Street and East Middlefield Road; that Active Use Space is excluded from this Program.

2. **Capped rents.** Storefront rents will initially be capped at $35 per square foot per year, on a Triple Net basis, on average. For the life of the Program, rents will escalate annually with the Consumer Price Index (CPI). This creates real dollar savings for small businesses and nonprofits and also removes the risk of unexpected rent increases over the life of the Program, helping them to become self-sustaining. Any rental fees for the Ellis Park Community Pavilion will be minimal and would be assessed only to recover ongoing operations, maintenance, and management costs.

3. **No cost initial space core and shell.** The design and construction costs of the core and shell portion of the 21,000 gross square feet and the 1,000 gross square foot Ellis Community Pavilion will be funded solely by the Developer. This scope of work includes the superstructure, its shell, mechanical, electrical, and plumbing (MEP) work, a warm shell level of interior finish, and exterior landscaping, and includes contingency. It includes back of house space such as corridors, trash rooms, loading docks and utility rooms, some of which may be shared with the residential uses, as well as leasable storefront areas. It

also includes payment of any required City development fees, such as impact fees, associated with the superstructure. The parking for the tenant space as required by subsequent permits will also be constructed at the Developer's cost. Since these costs are carried by the Developer, the Participating Groups will not be required to raise capital for these costs.

4. **Tenant improvement funding.** The Developer will provide an allowance (up to $125 per gross square foot, escalated annually with CPI) to fund a portion of Tenant Improvements, to help bridge some of the financial gaps in bringing a small business or nonprofit's vision to life.

5. **Soft costs.** The Developer will provide funding for a portion of the soft costs related to starting up a new small business or nonprofit, including design fees, permitting fees, certain legal costs, insurance costs, taxes, marketing, and Program operations. Implementing the Program is likely a decade-plus endeavor and comes with a number of operational and overhead costs. The Developer will incur and pay for a portion of these costs as the Program develops to ensure that the value to small businesses, nonprofits and the larger community is realized.

6. **Additional support funding.** In order to support other needs and bridge gaps that may not be anticipated today, the Program also establishes a substantial support fund of approximately $3.1 million dollars, from which funds can be given from time to time to small businesses and nonprofits that operate within the Master Plan area and over the life of the Program. These are dollars that directly benefit the groups in the Program, and directly contribute to their success. For example, these support funds could be used to, but are not limited to:

    a. provide further rent subsidies,
    b. enhance capital improvements,
    c. cover other business or non-profit expenses,
    d. fund occupancy soft and hard costs for second and third generation tenants in each space,
    e. fund real-time support in the form of small business services coordination as requested by the participating group (up to a limit to be defined by the Program during the Support stage of Implementation), or
    f. further support on-going subsidies for the Ellis Community Pavilion, where minimal rental fees may be assessed only to recover ongoing operations, maintenance, and management costs. The management team will handle all reservation requests and maintain an event calendar.

    Some benefits could be delivered through a partnership with an existing community group. The Developer will manage applications and awarding of these additional support funding dollars.

(D) Qualification Criteria

For a small business, nonprofit or other group or individual to qualify to participate in the Program, they must be an entity that fulfills the Program's Principles and meets the criteria set out below. These criteria may not be changed except in writing by both the Developer and the City's Community Development Director. These criteria do not apply to the use of the Ellis Community Pavilion in the POPA Open Space.

1. **Entity Status**
   a. The entity must exist and be established in the State of California.

2. **Entity Ownership**
   a. The entity must be owned or majority controlled by an individual whose primary residence for tax purposes is in Santa Clara or San Mateo County, but with preference given to residence within the City.

3. **Entity Ownership Status**
   a. For a business, the owner(s)must be a woman or from underserved backgrounds that meet the following definitions:

      i. Diverse Business: at least fifty-one percent (51%) underrepresented-, women-, LGTBQ-, disabled and/or veteran- owned, operated and controlled (separate from their employees). For the purposes of the Program, Diverse Businesses include the following:

         a. Disability Owned Business Enterprise (DOBE): businesses at least fifty-one percent (51%) owned, operated, and controlled by a person or persons with a disability.
         b. Minoritized Business Enterprise (MBE): businesses at least fifty-one percent (51%) owned, operated, and controlled by one or more members of one or more minoritized groups.
         c. Service-Disabled/Veteran Owned Business (SD/VOB): businesses at least fifty-one percent (51%) owned, operated, and controlled by one or more persons who is a Veteran or Service-Disabled Veteran.
         d. LGBT Business Enterprise (LGBTBE): businesses at least fifty-one percent (51%) owned, operated, and controlled by a person or persons who identifies as a member of the Lesbian, Gay, Bisexual, and Transgender community.
         e. Woman Business Enterprise (WBE): businesses at least fifty-one percent (51%) owned, operated, and controlled by one or more women.
         f. Disadvantaged Business Enterprise (DBE): businesses at least fifty-one percent (51%) owned, operated, and controlled by a person or persons who is a socially and economically disadvantaged individual. The U.S. Department of Transportation presumes certain groups are disadvantaged, including women, Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent

Asian-Pacific Americans, or other minorities found to be disadvantaged by the U.S. Small Business Administration (SBA).

b. For nonprofits, preference will be given to entities that are non-profit/501(c)(3) organizations or have fiscal sponsorship from an established 501(c)(3) organization.

c. Any community groups or individuals who may not be incorporated or established in California but meet the plans and policies for qualification that businesses or non-profits must meet (e.g., book clubs; community groups; architectural, historical or preservation societies or groups; groups or clubs associated with an organized religion; and self-help or self-improvement organization or individuals leading such an organization).

4. Entity Size

a. For a business, its annual proceeds must not exceed an average of $2,000,000 annually for the past five (5) years, or $5,000,000 for a market or grocer.
b. Number of employees should generally not exceed 99.
c. There is no such requirement for nonprofits.

5. Entity Opportunity

a. The business or nonprofit must demonstrate a likelihood of progression to self-sufficiency over the course of their participation in the Program. Developer will meet with Participating Groups and review their business plans to evaluate their eligibility.

In the event that there are multiple Qualified Businesses, final selection shall be at the discretion of the Developer. If a suitable business or nonprofit is not identified in the Initial Outreach period established as part of the Execution Stage, the qualification criteria may be adjusted in one or more of the following ways at the sole discretion of the Developer.

6. Expanded Entity Ownership

a. The entity must be owned or majority controlled by an individual whose primary residence for tax purposes is in the nine-county San Francisco Bay Area Metropolitan Statistical Area (MSA).

7. Expanded Entity Ownership Status

a. For a business, the individual is not required to be a woman or from an underserved background, if more than 50% of the employees of the business are either women or people of color.

8. Expanded Entity Size

a. For a business, its annual proceeds must not exceed an average of $5,000,000 annually for the past five (5) years, and may be uncapped for a market or grocer.

If a suitable business or nonprofit is not identified in the Secondary Outreach period established as part of the Execution Stage, the qualification criteria shall be suspended and the space leased to any business selected by the Developer. That business will still be eligible to participate in the Program if the business aligns with the Program Principles and Entity Size or Expanded Entity Size (an Interim Participating Group). Upon the date that either the business or Developer gives notice that they do not intend to renew the lease, the Program would repeat the Initial and Secondary Outreach processes, with the intent to establish a Qualified Business in the space without having a prolonged vacancy. In the event of an unexpected vacancy, the Initial and Secondary Outreach processes would only be performed at the sole discretion of the Developer. If two or more Qualified Businesses have applied under the above criteria for a single space, the Developer shall select the successful entity in its sole discretion. In the event of a prolonged vacancy (more than 3 months), where the Initial and Secondary Outreach processes do not result in a Qualified Business after multiple attempts, the Developer may choose to remove the space from the Program and pay the equivalent Community Benefit fee for that tenant space to meet the project obligation, at which point the tenant space can be utilized by any business entity per the Master Plan and zoning requirements.

(E) Implementation

The Developer will implement the Program in five stages: Initiation, Planning, Execution, Support, and Dissolution, with each phase corresponding to the overall Master Plan development phasing. This means that the Program may be in the Execution stage for the first phase of the Master Plan while it is only in the Planning stage for the third phase of the Master Plan. Implementation will begin upon approval of the first phase of City permit entitlements.

Stage 1: Initiation
In the initiation stage, the Developer will formally establish the Program and develop the tools and resources it will need to provide value to the community. This work will include, but may not be limited to:

a. Establish Program governance and management structure
b. Create Program charter and goals
c. Explore partnerships with local organizations that provide small business and nonprofits training and support

Stage 2: Planning
In the Planning stage, the Program will identify needs and opportunities in the community that may be addressed in a particular phase of the Master Plan. This work will include, but may not be limited to:

a. Identify local business needs and networks
b. Perform sub-market gaps analysis to identify optimal services
c. Refine or shift program offerings to best support businesses
d. Leverage networks to identify potential existing businesses in East Whisman, greater Mountain View, and Sunnyvale, and then beyond to South Bay/Peninsula
e. Survey existing, eligible small businesses to better understand their growth goals and space needs and leverage this data to inform eligible businesses of the opportunity.
f. Compile an initial list of potential small businesses and nonprofits to be targeted
g. Develop an outreach strategy to inform potentially eligible small businesses and nonprofits of the Program opportunity

h. Draft Covenants, Codes, & Restrictions (CC&R’s) and other governance documents, including program eligibility verification process and metrics

Stage 3: Execution

In the Execution stage, the Program will identify specific Qualified Businesses to fill ground floor spaces (storefronts) within a particular development phase of the Master Plan. This work will include, but may not be limited to:

a. Leverage research done in Planning stage
b. Commence Outreach period no later than 12 months after the commencement of construction on the building where the ground floor space has been identified
    i. Initial Outreach period of 6 months
    ii. Secondary Outreach period of 6 months
c. Communicate qualification criteria as defined herein
    i. Final decision on all selections is at the sole discretion of the Developer in accordance with the Program
d. Interview and perform eligibility verification checks on potential Participating Groups
e. As needed, sign Letters of Intent
f. Award initial Participating Groups with support funds and agreements
g. Sign Funding Agreements and execute leases (which must include reference to the Program duration and dissolution process)
h. Coordinate funding disbursements, tenant fit-out, marketing, etc.
i. Identify and refresh roster of potential businesses

In the Execution stage, the Program will establish a reservation system for the Ellis Community Pavilion in the POPA Open Space in the development phase where the space is constructed.

Stage 4: Support

In the Support stage, Program representatives periodically engage Participating Groups, offering tailored assistance and guidance, and also monitor their growth in order to better understand and serve their evolving needs. This work will include, but may not be limited to:

a. Conduct regular business reviews with each tenant
b. Perform ongoing support per agreements, such as activation, marketing, and operations support
c. Track tenant success and lessons learned over time
d. Annually review overall program success, project outcomes and lessons learned
e. Adapt support program as needed to amplify small business support and community benefit

Stage 5: Dissolution

When the DA is 6 months from its termination date, the dissolution process will be initiated. This process is intended to provide a conclusion to the Program allowing the Developer to remove all support tools and resources to the Participating Groups with advance notice. All current Participating Groups will be given 90 days written notice when the dissolution process has been initiated, which will include noticing Participating Groups that their capped rents will end at the conclusion of their current lease term, not prior. The Program will evaluate whether each tenant may be signed to a new lease, and if not, and as requested, provide support in seeking a new space in the area.

(F) <u>Monitoring</u>

As part of the Annual Review, the Developer shall submit a summary of the Program's activities in the reporting year, including: (a) a list of all Program participants by business name and location; (b) reporting on funds expended on the key functions of the program in the prior year and cumulatively since inception; (c) the delivery of constructed building space, in lieu of providing construction costs estimates that change over time, (d) a description of all the tools and resources disbursed to the Program participants; (e) a summary of the growth and development of the Program's participants since the prior Annual Review period; and (f) any updates or modifications proposed to the Program. The Annual Review will track progress against delivery of the total value and constructed building space. Any additional or alternative reporting methodology on the Program can be mutually agreed upon by City and Developer at any time during the life of the Program.

II. Valuation of the Program

The value of the Program is $18.6 million dollars, which is the sum of the value of each of the Tools and Resources that implement the Program. The baseline valuation is based on the minimum of 22,000 gross square feet of Active Use space being delivered under the Program "Active Use Subsidized Space". The figure below summarizes the valuation of the two basic components:

Program Components	**Value in 2022**
22,000 square feet of quality storefront and Ellis Community Pavilion in POPA Open Space ● Construction Costs ● Parking ● Initial Fit Out ● Tenant Improvement Allowance ● Soft Costs ● Rent cap and subsidy	$15,512,157
Additional support funding ● Further rent subsidies ● Enhanced capital improvements ● Other business or non-profit expenses ● Occupancy soft and hard costs for second and third generation tenants in each space ● On-going real-time support ● Small business services coordination	$3,131,300
Total Program Value	**$18,643,457**

III. Definitions

Capitalized terms that are used but not defined in this exhibit shall have the meaning given to such terms in the Development Agreement.

"**Annual Review**" means a summary of the Program's actions and progress over the past year, delivered to the City as part of the annual DA review, which shall include information described in paragraph I.(F). above.

"**Interim Participating Group**" is any business which does not meet the criteria of the Program entirely but aligns with the Program Principles. Such a group would need to demonstrate its alignment with the Program Principles, such as through a commitment to hiring and/or contracting practices that align with the Program's qualification criteria, bridging gaps in community needs, or other examples. The Developer, in its sole discretion, shall determine if a group qualifies as an Interim Participating Group. This group is permitted to occupy a tenant space only after the Initial and Secondary Outreach processes have been completed without success in finding a Participating Group.

"**Participating Group**" is any business or nonprofit which has entered into a lease under the Program. They are considered current Participating Groups so long as their lease is in effect and the Dissolution Process is not yet complete. Notwithstanding this, for the purpose of the additional support funding, a business or nonprofit may be considered a Participating Group if they are active in the City with preference given to groups active in the East Whisman Precise Plan area.

"Middlefield Park Small Business Diversification & Non-Profit Inclusion Program", "**Small Business Program**", or "**Program**" consists of a set of tools and resources as further described in this document, which will benefit the East Whisman community and be credited towards Middlefield Park's Community Benefits requirement. Generally, it consists of a set of subsidies and additional, flexible support dollars, totaling approximately $18.6 million in value to the community. Roughly $3.1 million of support funding, administered by Developer, would be used to offset occupancy costs of the organizations occupying space within the Active Use component of the Project, or to provide other assistance consistent with Project objectives. It could also be used to fund soft and hard occupancy costs for second and third generation tenants in each space. The approximately $15.5 million total subsidy value is realized through the provision of 1,000 gross square feet of Ellis Community Pavilion and 21,000 square feet of Active Use floor space at maximum rental rate along with other incentives provided to tenants.

"**Qualified Business**" is any business or nonprofit that meets the minimum qualifications to be a Participating Group, but for which the Developer has not determined is a Participating Group.

"**Triple Net Lease**" is a lease agreement where the tenant pays all the expenses of the property, including real estate taxes, insurance, and maintenance, in addition to the cost of rent and utilities.