

ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083
FOR DEVELOPMENT OF THE HOPE STREET LOTS
BY AND BETWEEN THE
CITY OF MOUNTAIN VIEW AND THE ROBERT GREEN COMPANY

Pursuant to Government Code Section 53083, the City Council of the City of Mountain View must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding an economic development subsidy to be provided by the City pursuant to a Disposition and Development Agreement (DDA) and Ground Leases (Lots 4 and 8) for development of the Hope Street lots by and between the City of Mountain View and The Robert Green Company (RGC). The public notice was published in the local newspaper for a public hearing to be held on May 17, 2016.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regard to the DDA and Ground Leases. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described below in Question No. 2.

- 1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.**

The City will execute the DDA and Ground Leases with The Robert Green Company Mountain View I and II, LLC. The City of Mountain View, the community, and RGC and its subsidiaries are the beneficiaries of the economic development subsidy.

City of Mountain View
City Hall
P.O. Box 7540
500 Castro Street
Mountain View, CA 94039-7540

The Robert Green Company Mountain
View I and II, LLC
c/o The Robert Green Company
3553 Fortuna Ranch Road
Encinitas, CA 92024

- 2. The start and end dates and schedule, if applicable, for the economic development subsidy.**

If the City Council authorizes the City Manager to execute the DDA and Ground Leases (Lots 4 and 8) for the development of the Hope Street Lots, and should the City Council subsequently approve the mixed-use project, the start date of the

economic development subsidy would be upon RGC receiving the project's building permits, at which point the City would contribute a minimum of \$5.7 million of Parking In-Lieu Fee (PILF) Funds. Approval of building permits is anticipated in Quarter 3 of 2018. In addition, the City will provide RGC a Transient Occupancy Tax (TOT) Rebate for the first 10 years of hotel operations or when a Net Present Value of \$7,756,061 is reached (whichever occurs first). If the TOT Rebate extends for 10 years, it is expected to end in 2030. Also, the City anticipates issuing \$12 million in Certificates of Participation, with a repayment schedule of 30 years, and is expected to be fully repaid in 2048. The economic development subsidy will end upon payment of the Certificates of Participation (30 years), unless extended pursuant to the terms of the Ground Leases. The amount of PILF funds will be the balance available at the time of the payment and may be higher if additional PILF are received, including interest earned on the PILF. Any amounts above the \$5.7 million of PILF will be adjusted by reducing the amount of the TOT Rebate or the Certificates of Participation (COPs), such that the total City participation does not exceed \$25.5 million. A further breakdown of the economic subsidy can be found below in Question No. 3.

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy or City's Financial Participation for the Hope Street Lots project equals \$25.5 million and is based on several factors. It includes funds pertaining to a Parking In-Lieu Fee, Certificates of Participation, and a TOT Rebate as follows:

- **Parking In-Lieu Fees (PILF)**—The City has \$5.7 million of PILF for the purpose of increasing public parking supply in the downtown area. Staff proposes to utilize these PILF moneys for the Hope Street Lots project, which will yield 76 net new public parking spaces with the potential for additional public parking spaces on evenings and weekends when office employees are not working and nonpeak hotel guest periods.
- **Certificates of Participation (COPs)**—The City will issue \$12 million in COPs for the project. The projected annual COPs debt service is \$870,000 and is proposed to be offset by the project's minimum annual base rent and other project revenues that include hotel surcharge, sales tax, possessory and interest tax.

- Transient Occupancy Tax (TOT) Rebate—The City will provide RGC a TOT Rebate for a maximum of the first ten (10) years of the project:
 - 100 percent TOT rebate for Years 1 through 5
 - 90 percent TOT rebate for Years 6 through 10

The TOT Rebate will expire upon reaching a Net Present Value of \$7,756,061 or after Year ten (10) of the hotel operations, whichever occurs first, at which point the City will receive the full TOT generated from the project.

The components of each of the above may be adjusted based on the balance available of PILF at the time of the contribution, but the COPs or TOT Rebate will be reduced accordingly so as the total City participation is not more than \$25.5 million.

4. A statement of the public purposes for the economic development subsidy.

At a January 20, 2015 Study Session and subsequent Council meeting on March 31, 2015, Council directed staff to market the Hope Street Lots for development through a ground lease focused on a mixed-use development with a hotel, increasing public parking supply and generating long-term, ongoing revenues for City services.

In their Request for Proposals (RFP) response, RGC proposed to develop a 180-room Joie de Vivre upscale hotel, Class A office measuring approximately 53,000 square feet, and public and private parking structure situated below Lots 4 and 8. The parking for the project equals 385 parking spaces, of which 225 spaces are dedicated for public use at all times. This represents 76 net new public parking spaces beyond the existing 149 public parking spaces, with the opportunity to utilize additional parking spaces through the office development on evenings and weekends and the hotel during nonpeak guest periods.

In order to develop the project, RGC stated that City assistance is required to construct the public parking and for the associated prevailing wages in the initial amount of \$26.4 million. The City participation of \$25.5 million is proposed to offset the project costs associated with the public parking and prevailing wages through the PILF, COPs, and TOT Rebate as outlined above.

It is important to note that the City's only capital outlay stems from the PILF of \$5.7 million (or as adjusted). The City strongly believes it is an equity partner with RGC in this transaction which boosts our downtown's economic vitality and

generates long-term and ongoing revenues projected below to support and enhance City services.

5. The projected tax revenue to the local agency as a result of the economic development subsidy.

A summary of the net tax revenues received over the life of the lease are as follows (dollars in thousands):

Cumulative Cash Flow⁽¹⁾	Transient Occupancy Tax⁽²⁾	Possessory Interest Tax	Sales Tax	Total
Years 1-5	\$0	\$705	\$210	\$915
Years 1-10	\$832	\$1,484	\$453	\$2,769
Years 1-20	\$21,646	\$3,294	\$1,061	\$26,001
Years 1-30	\$40,343	\$5,500	\$1,879	\$47,722
Years 1-53	\$156,041	\$12,583	\$4,991	\$173,615

(1) Years reflect year of operations; the lease is 55 years and begins in Year -1, with operations beginning in Year one.

(2) TOT net of TOT Rebates in Years 1 to 10.

The City anticipates a significant return on investment as a result of the economic development subsidy/City participation. The City is projected to receive net annual revenues as follows:

Year 1	\$335,000
Year 6	\$864,000 (City will receive 10 percent of TOT)
Year 11	\$2.8 million (City will receive 100 percent of TOT)
Year 21	\$4.2 million (increase in percentage rent)
Year 31	\$6.8 million (COPs paid off and another increase in percentage rent)

The net cumulative cash flow projected is as follows:

15-Year Cash Flow	\$17.2 million
30-Year Cash Flow	\$84.3 million
55-Year Cash Flow	\$311.8 million

6. The estimated number of jobs retained as a result of the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The Hope Street Lots development project will include employment opportunities through construction, hotel, office, and parking operations as illustrated below:

Construction Jobs

- Full-Time Employees – 350 estimated
- Part-Time Employees – 0
- Temporary Employees – 0

Hotel Jobs

- Full-Time Employees – 86 estimated
- Part-Time Employees – 15 estimated
- Temporary Employees – 0

Office Jobs

- Full-Time Employees – 250 to 333 estimated
- Part-Time Employees – 0
- Temporary Employees – 0

Ace Parking Jobs

- Full-Time Employees – 3 estimated
- Part-Time Employees – 12 estimated
- Temporary Employees – 0

DPD/3/PWK

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