

# THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

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## MEMORANDUM

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| TO: REDEVELOPMENT AGENCY BOARD | FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR |
| SUBJECT: SEE BELOW             | DATE: FEBRUARY 19, 2008                      |

### INFORMATION

SUBJECT: STATUS OF 490 AND 500 FIRST STREET DEVELOPMENT PROJECT

On February 14, 2006, the Redevelopment Agency Board approved an Exclusive Negotiations Agreement (ENA) with SummerHill Homes for the development of two Agency-owned properties located at 490 and 500 South First Street. The RFP required that both San Jose Stage and MACLA be incorporated into the new development. SummerHill's proposal was to develop an 18-story high-rise residential tower with a 350-seat community theater (San Jose Stage) at 490 S. First Street and a six-story residential project with 15,000 square feet of flexible community facility space (MACLA) at 500 S. First.

Because the project proposed by SummerHill involved two separate and highly constrained development sites and the construction of a residential high-rise on top of a community theater, several amendments to the ENA were approved to provide time extensions to the Developer to define and design the project. By the time the ENA expired in Summer 2007, SummerHill had advised the Agency the economics of the contemplated transaction were problematic.

Over the past several months, the Agency and SummerHill's principals have examined the proposed project economics in light of the changes in the market. On February 4, 2008, SummerHill principals advised the Agency that it would not be able to proceed with a project at 490 and 500 South First Street. Agency staff concurs with SummerHill's conclusion.

Given the current residential market condition and the number of proposed projects in design/entitlement stages, Agency staff believes that development proposals for these properties should be solicited again in the future. In the meantime, Agency staff will continue to work with the two non-profit tenants at

490 and 500 South First Street: San Jose Stage Company and MACLA. It is our intention to maintain ownership of the buildings, reducing disruption to the operation of the Stage and MACLA. In addition, the Agency will bring forward a request to the Redevelopment Agency Board meeting on February 26 to amend the lease with San Jose Stage to reduce its monthly rent.

If you have any questions, please do not hesitate to contact me or John Weis, Deputy Executive Director.



HARRY S. MAVROGENES  
Executive Director