

## **Board of Trustees Agenda Item**

**Board Meeting Date:** August 2, 2010

**Title of Item:** University Associates-Silicon Valley LLC Update

### **Background and Analysis:**

The Board of Governors of the University Associates-Silicon Valley LLC (UA-SV) met on June 29, 2010. Attached is a memorandum for the Board of Trustees that provides an update on UA-SV activities as discussed at the June 21, 2010 meeting.

### **Recommendation: For Information**

Submitted by:	Charles Allen
Additional contact names:	Linda Thor
Is backup provided?	Yes



**FOOTHILL-DE ANZA  
Community College District**

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July 16, 2010

To: Board of Trustees

From: Linda Thor, Chancellor  
Charles Allen, Executive Director

Re: Summary of recent University Associates –Silicon Valley LLC (UA-SV) activities

The University Associates – Silicon Valley LLC (UA-SV) Board held a meeting (telephone conference) on June 29, 2010 that was attended by the Executive Committee of the Board of Governors of the UA-SV, and other representatives of UCSC and the UA-SV. Chancellor Thor and Executive Director Allen attended as representatives of the Foothill – DeAnza Community College District. Below are highlights from the meeting.

**News**

Gordon Ringold, who is a veteran biotech entrepreneur, will take Martin Chemers place on the Board of Governors Executive Committee and will serve UCSC as the new Director of Silicon Valley Initiatives. Gordon was in attendance at the June 29<sup>th</sup> meeting of the Board of Governors. A recent article concerning Gordon's appointment is at: [http://sanjose.bizjournals.com/sanjose/stories/2010/06/21/story3.html?ana=e\\_ph#ixzz0rD8DUXp1](http://sanjose.bizjournals.com/sanjose/stories/2010/06/21/story3.html?ana=e_ph#ixzz0rD8DUXp1)

**Federal Support**

Federal requests for assistance to help support the first phase of infrastructure development on the site have resulted in approximately \$14 million of pending requests supported by Congresswoman Anna Eshoo and Congressman Mike Honda. These requests will be subject to the typical review and approval processes in Washington D.C. over the coming months and adjustments in the total amount may occur during this time. We are optimistic that some support will be forthcoming; however, the final outcome of these requests may not be known until after the elections in November.

**Ground Lease Amendment: Rent and Re-appraisal**

The UA-SV has been engaged in negotiation for a Ground Lease Amendment with representatives of NASA Ames. There are two key issues at this time that are the basis

for this amendment, rent and appraisal to re-establish the baseline for rent going forward.

#### Rent

Per the terms of the Ground Lease, one half of the rent for year one in the amount of \$888,546 was due and payable on 12/31/09. NASA Ames has recently issued a letter requesting confirmation of a payment plan spread over 36 months as conditional to proceeding with appraisal. UA-SV has proposed to NASA that a stepped payment plan that conserves capital in the near term while allowing the appraisal process to go forward be approved. NASA has indicated its acceptance of the proposed plan.

#### Appraisal

The second amendment item is intended to re-establish the basis for rent going forward through an appraisal process. Our expectation is that an appraisal now will significantly reduce the carrying costs with respect to rent as we work concurrently with NASA to re-structure other key business terms of the lease in light of the current economic conditions.

#### **Master Developer**

The Exclusive Negotiating Agreement (ENA) with TMG Partners and The Related Companies (TMG/TRC) expired on June 30, 2010. UA-SV will negotiate with TMG/TRC to determine if both parties are in agreement on an approach going forward and if so, under what terms for a follow-on ENA. TMG/TRC has indicated a desire to extend the ENA for six months. The negotiations will include a discussion regarding additional contributions by TMG/TRC to cover expenses of the UA-SV.

#### **Budget**

Based upon the UA-SV ongoing "cash conservation strategy" and shared expenses with TMG/TRC, no additional capital contributions are expected from UCSC or from FHDA prior to July 2011.

#### **Project Phasing Studies**

Environmental impact studies are now expected to begin after completion of a new appraisal and amendment of the ground lease as discussed above.

In the past few months, there has been progress in securing some federal money for infrastructure improvements and in renegotiating the ground lease terms with NASA. Additional time is required to complete these efforts.

The extension of the Exclusive Negotiating Agreement (ENA) with TMG Partners and The Related Companies (TMG/TRC) for an additional six months is a critical next step. During this period it will be necessary to re-structure key business terms of the ground lease with NASA and in the Master Developer's plan so as to create a viable economic model for the project.

Copy to:

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