

**HALE LUMBER SITE AND COMMUNITY & CULTURAL CENTER DISPOSITION AND DEVELOPMENT
AGREEMENT ("DDA") TERM SHEET**

RECITALS& TERMS

1. The Downtown Specific Plan, the Infrastructure Master Plan, and the General Plan 2035 guide development in Morgan Hill. These documents envision the re-alignment of Depot Street to connect to Church Avenue, improving transportation circulation and movement in the Downtown area. To realize this, City has been examining partnership opportunities that could lead to realignment of Depot Street by exploring joint development opportunities with adjacent properties. Such joint development opportunity would yield the following benefits: the redevelopment of the Hale Lumber site, including the relocation of an industrial use outside of the Downtown to a more appropriate location, the construction of residential units as envisioned by the Downtown Specific Plan, the realignment of Depot Street to connect to Church Avenue, and the construction of a parking garage to accommodate necessary parking for the CCC.

2. The City has been working to explore opportunities that could lead to the redevelopment of the Hale Lumber Property as well as the construction of housing close to Downtown and the replacement of parking for the CCC. Such opportunities resulting from the realignment of Depot Street include the construction of a parking garage on the portion of the CCC Property to the west of the realigned Depot Street and the development of housing on the Hale Lumber Property and the portion of the CCC Property to the east of the realigned Depot Street realignment, as well as on the vacated Depot Street.

3. Parties: Brookfield Bay Area Holdings, LLC, a California Limited Liability Company and any related entity that may be formed for development purposes ("Developer"), City of Morgan Hill, a municipal corporation ("Morgan Hill")

4. Developer and City will enter into a Disposition and Development Agreement (DDA) for the purpose of memorializing an agreement as follows: 1) a housing development on the Hale Lumber Property, including the portion of the CCC Property to the east of the realigned Depot Street, and the vacated Depot Street, 2) the realignment of Depot Street to connect with Church Avenue, 3) the replacement of the parking spaces for the CCC Property including a multistory parking lot on the CCC Property and a parking lot on a portion of the Hale Lumber Property(the "**Project**").

5.Term: 5 Years or until completion of all construction. Two, one-year extensions can be obtained by Developer making payments of \$100,000 for each year requested, as long as all public facilities have been constructed.

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6. Developer will privately acquire the Hale Lumber Property from the Hale Lumber Property Owners. City will not be a party to this transaction and will not be a third party beneficiary of this transaction.

7. To implement the purposes of this Agreement, the City and Developer desire to sell certain properties to facilitate construction of certain public facilities and their residential project.

DEVELOPER OBLIGATIONS:

1. Entitlement Applications. Developer shall cooperate with City in the preparation, submittal, and processing of a Precise Plan that explores the feasibility of the desired project on the CCC Property and Depot Street. The Precise Plan submittal shall consist of Architectural Review applications along with any required environmental documents/reports concerning the proposed Project.

2. Residential Development. If approved by the City and subject to reasonable conditions, Developer shall construct up to 65 residential dwelling units on the residential site (portion of Depot Street and Hale Lumber site).

3. Parking Construction. If approved by the City, Developer shall replace Morgan Hill Community and Cultural Center ("CCC") parking and on-street parking on a 1:1 basis resulting in a total of 256 parking spaces.

4. CCC onsite and offsite Parking. If approved by the City, Developer shall replace CCC parking by building a parking garage on the remaining CCC parking lot space. The parking structure shall be designed to accommodate solar panels. Of the 256 spaces no more than 33 parking spaces will be replaced off site on a portion of the existing Hale property, which shall be dedicated to the City in fee. The remaining parking lot and surface parking at the CCC shall consist of approximately 1.5 acres.

5. Developer Expense. Pay for all City entitlements, requirements and permits, including preparation of all CEQA documentation for the entire (public and private) Project.

6. Entitlements. File for Project Entitlement Applications for the entire Residential Project and City Infrastructure (including, but not limited to: zoning, subdivision map, general plan designation modification and site review) immediately following approval of DDA and submit these no later than August 15, 2017.

7. Final Map. By January 15, 2018 Developer shall apply for and if approved by the City by June 15, 2018 complete and record the Final Map and execute the Subdivision Improvement Agreement.

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8. Construction Timeline. Developer shall work with City to develop a construction timeline that minimizes impact to CCC parking.

9. Construction of Parking Facilities and Depot Street. Construction of parking facilities and Depot Street realignment shall begin in 2018.

10. City Infrastructure Construction by Developer. If approved by the City, Developer shall construct the following infrastructure: Depot Street realignment, CCC parking multistory parking lot and parking on Developer Property (collectively "**City Infrastructure**"). The Depot Street realignment will result in an approximately .7 acre realigned street within this Project.

11. Temporary Parking. Developer shall provide temporary parking to users of the CCC during construction of the Project and during construction of the City Infrastructure. This shall include replacement of not less than 200 spaces or the affected parking that is no longer available to the public, whichever is less. Temporary Parking shall be provided concurrently with any activity by Developer which limits access to existing parking on Depot Street or at the CCC.

12. Residential Project Timeline. If approved by the City, commencement of the Residential Project shall be constructed within 5 years of the date of the Date of the Agreement. Two, one-year extensions can be obtained by Developer making payments of \$100,000 for each year requested as long as the City Infrastructure has been constructed.

13. Developer Conveyance. Developer shall convey to the City an approximately .3 acre portion of the Hale Lumber Property for Fair Market Value of \$568,458 based upon \$43.50 per square foot valuation. Should the size of the portion of the parcel be increased or decreased the payment by City shall be adjusted based upon the \$43.50 per square foot calculation.

14. Developer Purchase. Developer shall purchase from City a portion of Depot Street and a portion of the CCC parking lot from City as described below for fair market value.

CITY OBLIGATIONS

1. Vacation of Depot Street. Subject to applicable hearing and notice requirements, City shall vacate Depot Street from approximately 5th Street to Dunne Avenue, once the former street is relocated.

2. City Process. City shall process all entitlements, zone change, and general plan change, following application from the Developer with the City retaining discretion on all items.

3. Sale of City Property. Once vacated, City shall sell for fair market value of \$1,705,374, based upon \$43.50 per square foot valuation an approximately .9 acre portion of existing Depot Street to be made part of the Residential Project development site. City shall also sell for fair market

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value of \$1,326,402 a portion of the Community Cultural Center parking lot identified on Exhibit F of approximately .7 acres, based upon the \$43.50 per square foot valuation. Should the size of the portion of the parcel be increased or decreased the payment by City shall be adjusted based upon the \$43.50 per square foot calculation.

4. City Reimbursement for construction of Public Improvement Imposed as a Condition of Project Approval. City shall reimburse Developer not to exceed \$2 million to pay for the actual costs associated with public improvements including construction of replacement parking spaces and/or the realignment of Depot Street approximately 230 feet from the existing East Dunne Avenue and Depot Street intersection. In no event shall this City Reimbursement exceed the actual cost of the Public Improvements. Reimbursement by City shall be made within 30 days of submission of proof of expenditure by Developer and verification that the reimbursed amount does not exceed the actual cost of the public improvement. City Filing. City shall file for zone changes and General Plan Amendment (if required) for City properties to the appropriate residential designation. City Filing. City shall file for zone changes and General Plan Amendment (if required) for City properties to the appropriate residential designation.

5. City Reimbursement. If the City imposes a condition of approval that developer shall construct public facilities in addition to the City Infrastructure, and should the City further provide public funding for such public facilities, the City funding shall not exceed the actual costs of the public infrastructure.

6. Measure A Allocations. City shall formally reserve 65 Downtown residential allocations in accordance with Measure A for the Brookfield residential development by City Council action on February 15, 2017 or prior to March 1, 2017.

7. Allocation of Sewage Treatment Payment Credits to Developer. The City has a sewer credit program available to all developers within the former downtown redevelopment area on a first come, first served basis. The City shall allocate sewage treatment payment credits to developer for 65 units concurrently with approval of this Agreement by the City Council. These sewer treatment payment credits must be used within the Residential Project Timeline.

8. Vesting Tentative Map. City shall process a Vesting Tentative Map for the Residential Project.

9. Financing Mechanisms. City shall hold any necessary TEFRA hearings and/or execute documents required of the local jurisdiction to facilitate the establishment of public financing district for fees and infrastructure if requested by Developer.

10. Impact Fee Financing Program. City will permit Developer to utilize the City's impact fee financing program for a period of not to exceed a total loan period of ten years.