



August 14, 2020

***By Email and Overnight Mail, Next Business Day***

City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050  
Attn: Deanna J. Santana, City Manager

Re: ***Request for Approval of an Alternate Leasing Plan for Major Department Stores under DDA Section 5.3.7(b)***

Alternate Leasing Plan for Major Department Stores within Phase 1, Phase 2 and Phase 3, under that certain Disposition and Development Agreement, dated as of August 12, 2016, by and between Related Santa Clara, LLC ("**Developer**") and the City of Santa Clara ("**City**") (the "**DDA**"), in connection with the City Place Santa Clara project (the "**Project**")

Dear Ms. Santana:

By this letter, Developer submits its written request that it be relieved of the best efforts obligation under DDA Section 5.3.7(a) with regard to Major Department Stores within Phase 1, Phase 2 and Phase 3 of the Project. As required under Section 5.3.7(b) of the DDA, this written request includes the following information:

***(i) a written request as to the nature and scope of the requested relief, including the applicable Phase(s) and square footage of improvements;***

Developer requests relief from the best efforts obligation with regard to Major Department Stores within Phase 1, Phase 2 and Phase 3 of the Project. The DAP application for Phase 1 was approved by City Council on March 24, 2020. Phase 1 will include a total of 1,047,000 GSF. Uses in Phase 1 will include 440,000 GSF of office; a 480 key hotel consisting of 381,000 SF; 200 serviced apartments comprising 175,000 SF; 51,000 SF of retail and food & beverage and 1,913 parking spaces.

The DAP application for Phase 2 was approved by City Council on July 13, 2020. Phase 2 will include a total of 1,750,000 GSF. Uses in Phase 2 will include 435,000 GSF of office; a 220 key hotel consisting of 180,000 SF; 500 residential dwelling units consisting of 530,000 GSF; 555,000 GSF of retail and food and beverage; 50,000 GSF of entertainment use and 3,845 parking spaces.

***(ii) a copy of its Alternate Leasing Plan for the applicable Phase(s);***

An Alternate Leasing Plan is attached to this letter as Exhibit 1. The Alternative Leasing Plan for CityCenter totals 815,000 square feet of Retail, Food and Beverage, and Entertainment programming to be developed in Phases 1, 2 and 3 of the Project. The 535,000 square feet of Retail programming will consist of local, regional and national tenants offering a broad range of price points in fast fashion, luxury, home, cosmetics, fitness, jewelry and accessory categories. The 210,000 square feet of Food and Beverage will offer all types of regional and international cuisine options in quick serve, bar, family dining and fine dining categories, including over 75k square feet of leasable area in a signature Global Food Market building. The 70,000 square feet of Entertainment area will offer cinema, music, bowling and live theater programming, providing diverse entertainment options for all audience, including families, adults and children.

***(iii) an updated Best Efforts Report covering a minimum period of twenty-four (24) months (starting with the April 2013 execution of the ENA) that will include a description of factors that have contributed to Developer's inability to develop the applicable Additional Buildings, Additional Retail Buildings, or Major Department Stores for which it seeks relief.***

See Exhibit 2 for the updated Best Efforts Report. For your reference, we are also attaching all previous Best Efforts Reports submitted in accordance with Section 5.3.7(a) of the DDA. As evidenced by the attached Best Efforts Reports, Developer has made best efforts to achieve the development of the Major Department Stores within Phase 1, Phase 2 and Phase 3, but despite these best efforts, has been unable to find Major Department Store tenants for the Project. As is well known and extensively documented throughout the Real Estate industry, the Department Store segment has suffered significant setbacks and challenges in recent years. It has fundamentally resulted in the closure of many department stores throughout the country and the decrease in economic viability of almost all of the brands within the industry. As such no department store brands are attempting to expand by adding new store facilities. Department store efforts are focused on store closures, consolidations and downsizing. This trend will continue for many years and it is not expected that department stores will be in a position to reverse this trend anytime soon if ever.

Very truly yours,

**RELATED SANTA CLARA, LLC,**  
a Delaware limited liability company

By: 

Name: Steve Eimer

Title: EVP

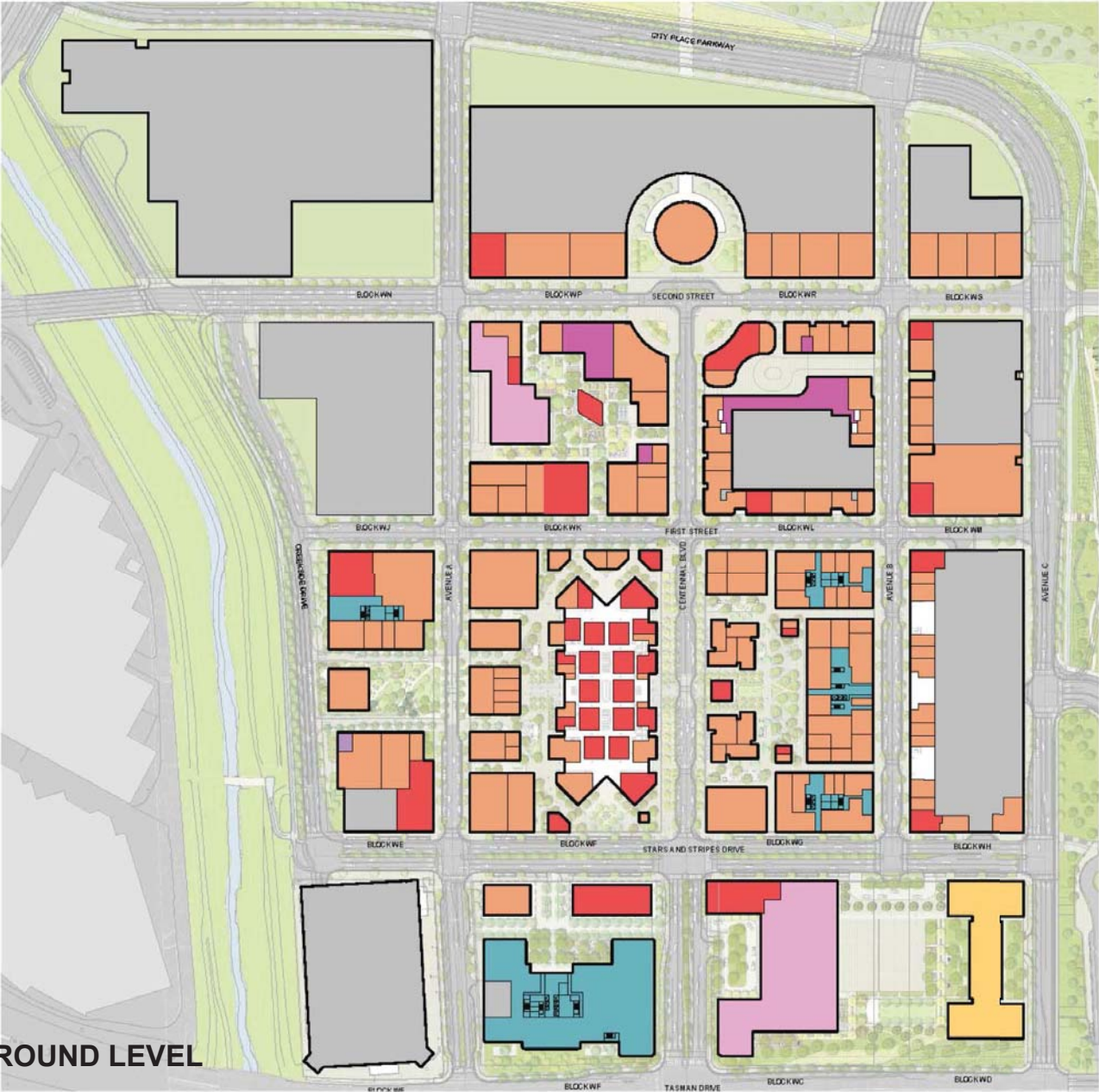
ALTERNATE LEASING PLAN

Areas:

Retail	535,000 sf
F&B	210,000 sf
Entertainment	70,000 sf
Total	815,000 sf

- Legend:
- Retail
  - F&B
  - Entertainment

LEASE PLAN - GROUND LEVEL



PRELIMINARY RETAIL LEASING PLAN  
SUBJECT TO CHANGE BY MASTER DEVELOPER



# ALTERNATE LEASING PLAN

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Legend:

- Retail
- F&B
- Entertainment

## LEASE PLAN - PHASES



PRELIMINARY RETAIL LEASING PLAN  
SUBJECT TO CHANGE BY MASTER DEVELOPER



# LEASE PLAN - SOUTH

PRELIMINARY RETAIL LEASING PLAN  
SUBJECT TO CHANGE BY MASTER DEVELOPER

RELATED

ELKUS | MANFREDI  
ARCHITECTS





Legend:

- Retail
- F&B
- Entertainment



# LEASE PLAN - NORTH

PRELIMINARY RETAIL LEASING PLAN  
SUBJECT TO CHANGE BY MASTER DEVELOPER



**Retail Best Efforts Report #6**  
*August 14, 2020*

The purpose of this report is to describe the retail marketing efforts undertaken by Related, in accordance with Section 5.3.7 of the DDA, to identify tenants for “Additional Buildings, Additional Retail Buildings, or Major Department Stores” within Phase 1, Phase 2 and Phase 3 of the Project (all capitalized terms hereunder refer to definitions provided in the DDA).

As noted in Retail Best Efforts Report #5 dated December 3, 2019, over the past several years there has been a dramatic downward shift in the feasibility of the development of traditional Department Stores as once reliable retail anchors and as a principal draw for inline tenants. It is widely documented that traditional Department Stores are failing and are not expanding, and are in fact contracting by closing poor performing stores and focusing their efforts instead on existing operations in an attempt to preserve market share. As a result, Related has focused its efforts on an alternative leasing plan with several credit worthy fashion, fitness, technology and home tenants as mini-anchors; combined with a variety of food/beverage, and entertainment venues to anchor the retail component of the Project. Related does not expect traditional Department Stores to be a viable option for the Project and is seeking relief of this requirement under the terms of the DDA.

During the beginning of the first half of 2020, Related was actively engaged in all aspects of marketing the Project to the retail, food and beverage and entertainment prospective tenant base we had identified for the Project, consistent with the efforts described in Retail Best Efforts Report #5.

However, the worldwide Covid-19 pandemic has had a devastating effect on our ability to advance those marketing efforts beginning in the month of March as the effects of the virus were becoming clear in the United States. Since that time, all of our prospective tenants have been occupied with dealing with the effects of the pandemic. Many have had to conduct large-scale store closures, employee layoffs, business bankruptcies, etc. None of the prospective tenants in our target categories have been accepting any level of discussion about new store/space opportunities.

Related’s efforts during this unprecedented time have been devoted to working fully with our existing base of users/tenants and assisting in every way possible to maintain a positive relationship, not only for the benefit of our existing real estate relationships, but also to be in a positive position to pursue new opportunities at the Project once the significant effects of this pandemic have ceased to be the overriding factor in the business conduct of these prospective tenants. We will continue to focus on those efforts during the second half of 2020 in the hopes that 2021 will provide a positive forum for rejuvenating our direct marketing efforts to retail, food and beverage and entertainment users.



**Retail Best Efforts Report #5**  
*December 3, 2019*

The purpose of this report is to describe the retail marketing efforts undertaken by Related, in accordance with Section 5.3.7 of the DDA, to identify tenants for “Additional Buildings, Additional Retail Buildings, or Major Department Stores” within Phase 1, Phase 2 and Phase 3 of the Project (all capitalized terms hereunder refer to definitions provided in the DDA).

Related continues to be very active in discussions with many retail tenants about the Project. The recent opening of Related’s Hudson Yards project in New York has over 100 retailers totaling over 700,000 square feet, many of which are applicable to our retail vision for the Santa Clara Project. In addition, Related is under construction on The Grand in downtown Los Angeles designed by Frank Gehry, which will include 200,000 square feet of retail in addition to 436 apartments, and Related is in the process of renovating and re-leasing the retail portion of the 650,000 square foot mixed-use project at Rosemary Square in West Palm Beach, FL. The scale and quality of these projects gives Related the unique advantage of high level access to the strongest retailers in the market - regional, national and global credit worthy retail tenants that are actively looking to expand their store counts.

Over the past several years there has been a dramatic downward shift in the feasibility of the development of traditional Department Stores as once reliable retail anchors and as a principal draw for inline tenants. It is widely documented that traditional Department Stores are failing and are not expanding, and are in fact contracting by closing poor performing stores and focusing their efforts instead on existing operations in an attempt to preserve market share. As a result, Related has focused its efforts on an alternative leasing plan with several credit worthy fashion, fitness, technology and home tenants as mini-anchors; combined with a variety of food/beverage, and entertainment venues to anchor the retail project. Related does not expect traditional Department Stores to be a viable option for the Santa Clara project and is seeking relief of this requirement under the terms of the DDA.

Related has continued to promote the Project to the fullest extent possible, including the following efforts:

1. Continued investment and expansion of the Related Santa Clara marketing suite in the Techmart Building adjacent to the site – state of the art digital marketing and presentation materials used for tenant presentations, including a custom scale model of the entire project site fabricated by Foster & Partners.
2. Ongoing presentations and discussions with key tenants, users and food and beverage operators including Uniqlo, H&M, Sephora, Williams Sonoma, Restoration Hardware, Carvana, Mercedes Benz, Milo’s Restaurant, Porter House Restaurant, Jose Andres and Thomas Keller to name a few.
3. Distributed Request for Proposal (RFP) to multiple cinema/theater operators for built-to-suit anchor building within CityCenter, including Alamo Theaters, Cinemark and others.



4. Active discussions with live theatre and live music producers and operators for a dedicated entertainment special purpose entertainment building.
5. Continue to highlight the Project at ICSC (International Council of Shopping Centers) New York and Las Vegas exhibitions and tradeshow.
6. Upgrades and updates to the project website - [www.relatedsantaclara.com](http://www.relatedsantaclara.com) and promotion of the project on Related's corporate materials and website ([www.related.com](http://www.related.com)).



## **Retail Best Efforts Report #4**

*November 1, 2019*

The purpose of this report is to describe the retail marketing efforts undertaken by Related, in accordance with Section 5.3.7 of the DDA, to identify tenants for “Additional Buildings, Additional Retail Buildings, or Major Department Stores” within Phase 1, Phase 2 and Phase 3 of the Project (all capitalized terms hereunder refer to definitions provided in the DDA).

Related continues to be very active in discussions with many retail tenants about the Project. The recent opening of Related’s Hudson Yards project in New York has over 100 retailers totaling over 700,000 square feet, many of which are applicable to our retail vision for the Santa Clara Project. In addition, Related is under construction on The Grand in downtown Los Angeles designed by Frank Gehry, which will include 200,000 square feet of retail in addition to 436 apartments, and Related is in the process of renovating and re-leasing the retail portion of the 650,000 square foot mixed-use project at Rosemary Square in West Palm Beach, FL. The scale and quality of these projects gives Related the unique advantage of high level access to the strongest retailers in the market - regional, national and global credit worthy retail tenants that are actively looking to expand their store counts.

Related has continued to promote the Project to the fullest extent possible, including the following efforts:

1. Continued investment and expansion of the Related Santa Clara marketing suite in the Techmart Building adjacent to the site – state of the art digital marketing and presentation materials used for tenant presentations, including a custom scale model of the entire project site fabricated by Foster & Partners.
2. Ongoing presentations and discussions with key tenants, users and food and beverage operators including Uniqlo, H&M, Sephora, Williams Sonoma, Restoration Hardware, Carvana, Mercedes Benz, Milo’s Restaurant, Porter House Restaurant, Jose Andres and Thomas Keller to name a few.
3. Distributed Request for Proposal (RFP) to multiple cinema/theater operators for built-to-suit anchor building within CityCenter, including Alamo Theaters, Cinemark and others.
4. Active discussions with live theatre and live music producers and operators for a dedicated entertainment special purpose entertainment building.
5. Continue to highlight the Project at ICSC (International Council of Shopping Centers) New York and Las Vegas exhibitions and tradeshow.
6. Upgrades and updates to the project website - [www.relatedsantaclara.com](http://www.relatedsantaclara.com) and promotion of the project on Related’s corporate materials and website ([www.related.com](http://www.related.com)).



### **Retail Best Efforts Report #3** *June 13th, 2019*

The purpose of this report is to describe the retail marketing efforts undertaken by Related, in accordance with Section 5.3.7 of the DDA, to identify tenants for “Additional Buildings, Additional Retail Buildings, or Major Department Stores” within Phase 1, Phase 2 and Phase 3 of the Project (all capitalized terms hereunder refer to definitions provided in the DDA).

The Project was approved on June 28, 2016 by the Santa Clara City Council. The City of San Jose filed a CEQA lawsuit against the Project on July 29, 2016 which was finally settled on January 19, 2018. By agreement of the parties under the DDA, the period of force majeure expired on March 12, 2018, causing a 591-day “force majeure” delay.

Despite these previous delays, and the additional current “force majeure” delay due to the status of the Operations & Maintenance Agreement, Related continues to be very active in discussions with dozens of retail tenants about the Project. The recent opening of Related’s Hudson Yards project in New York has over 100 retailers totaling over 700,000 square feet, many of which are applicable to our retail vision for the Santa Clara Project. In addition, Related is under construction on The Grand in downtown Los Angeles designed by Frank Gehry, which will include 200,000 square feet of retail in addition to 436 apartments, and Related is in the process of renovating and re-leasing the retail portion of the 650,000 square foot mixed-use project at Rosemary Square in West Palm Beach, FL. The scale and quality of these active projects in primary markets gives the Related leasing and development teams a front seat at the table in ongoing discussion with credit worthy retail tenants that are actively looking to expand their store counts.

Related has continued to promote the Project to the fullest extent possible, including the following efforts:

1. Completion and opening of Related Santa Clara project marketing suite and executive offices in the Techmart Building adjacent to the site, which opened in November 2018. Related invested over \$3.0M in the design and buildout of this 5,500 square foot project office and has committed to a 5 year lease term.
2. Multiple in-person meetings of Related project executives and Mayor Lisa Gillmor, City Manager Deanna Santana, key City Staff, as well as individual City Council Members to present updates on the Project schedule, design, merchandising and programming.
3. Numerous in-person retail tenant presentations made to key retail mini-anchors including multiple theater/cinema operators, Apple, Restoration Hardware, H&M, Uniqlo, Pin Stripe Bowling, Punch Bowl Social, and many other key retail tenants and food and beverage operators.
4. Highlighted the Project at ICSC (International Council of Shopping Centers) exhibitions in New York December 2018 and Las Vegas in May 2019.



5. Presented digital and printed materials on the Project in all retail tenant presentations and meetings, both domestically and globally.
6. Continued to promote the Project with all key major tenants and operators in the retail, food and beverage and entertainment sectors.
7. Redesign and relaunch of project website - [www.relatedsantaclara.com](http://www.relatedsantaclara.com) - with a more tenant and consumer friendly profile in addition to a marketing video. The project continues to be promoted and highlighted on Related's corporate materials and website ([www.related.com](http://www.related.com)).
8. Specifically geared project marketing/awareness presentations to prospective technology-sector and regional Silicon Valley tenants, as well as all the major brokerage houses in the market area.

All the efforts detailed above have included multiple discussions and meetings with major department stores across the country, none of which are looking to expand their store counts or retail footprint. The contraction and decline of the traditional big-box department store as a viable and credit-worthy tenant has continued over the past several years and we do not see this retail tenant category as viable for the Santa Clara project.



**Retail Best Efforts Report #2**  
*November 16th, 2018*

The purpose of this report is to describe the retail marketing efforts undertaken by Related, in accordance with Section 5.3.7 of the DDA, to identify tenants for “Additional Buildings, Additional Retail Buildings, or Major Department Stores” within Phase 1, Phase 2 and Phase 3 of the Project (all capitalized terms hereunder refer to definitions provided in the DDA).

The Project was approved on June 28, 2016 by the Santa Clara City Council. The City of San Jose filed a CEQA lawsuit against the Project on July 29, 2016 which was finally settled on January 19, 2018. By agreement of the parties under the DDA, the period of force majeure expired on March 12, 2018, causing a 591-day “force majeure” delay.

As noted in the first filing of this Report on May 29<sup>th</sup>, 2018, the extended force majeure delay created an air of uncertainty about the Project going forward. Related continues to leverage its’ extensive range of tenant relationship with retail, food and beverage and entertainment tenants as Related works to merchandise the current retail plan for Santa Clara.

Related remains very active in the retail tenant market, with the scheduled opening of Hudson Yards in New York for March 2019 with over 100 luxury and specialty retailers totaling over 700,000 square feet. In addition, Related has started construction on The Grand in downtown Los Angeles designed by Frank Gehry, which will include 200,000 square feet of retail in addition to 436 apartments. The scale and quality of these active projects in primary markets gives the Related leasing and development teams a front seat at the table in ongoing discussion with credit worthy retail tenants that are in expansion mode as opposed to retreat.

Related has continued to promote the Project to the fullest extent possible, including the following efforts:

1. Work is complete on the Project marketing suite and executive offices in the Techmart Building adjacent to the site, and will officially open on November 26<sup>th</sup> after the Thanksgiving holiday. Related has invested over \$2.5M in the design and buildout of this 5,500 square foot project office and has committed to a 5 year lease term. Related anticipates having a formal launch event with the City and other local officials in the first quarter of 2019.
2. On October 10<sup>th</sup>, Ken Himmel, Steve Eimer and Joshua Young met with Mayor Gillmor, City Manager Deanna Santana, key City Staff, as well as individual City Council Members to present updates on the Project schedule, design, merchandising and programming.
3. Recent in-person custom tenant presentations made to key retail mini-anchors including Apple, Restoration Hardware, Forty Five Ten (luxury apparel), Williams Sonoma collection (Williams Sonoma, West Elm, Rejuvenation, Pottery Barn, Pottery Barn Kids).
4. Planning substantial presentation and highlight of the Project at the ICSC (International Council of Shopping Centers) exhibition in New York December 2018.

5. Presented digital and printed materials on the Project in all retail tenant presentations and meetings, both domestically and globally.
6. Continued to promote the Project with all key major tenants and operators in the retail, food and beverage and entertainment sectors.
7. Redesign and relaunch of initial project website, [www.relatedsantaclara.com](http://www.relatedsantaclara.com) with more tenant-friendly profile in addition to marketing video. The project continues to be promoted on Related's corporate website ([www.related.com](http://www.related.com)).
8. Specifically geared project marketing/awareness presentations to prospective technology-sector and regional Silicon Valley tenants, as well as all the major brokerage houses in the market area.





## **Retail Best Efforts Report**

*May 29<sup>th</sup>, 2018*

The purpose of this report is to describe the retail marketing efforts undertaken by Related, in accordance with Section 5.3.7 of the DDA, to identify tenants for “Additional Buildings, Additional Retail Buildings, or Major Department Stores” within Phase 1, Phase 2 and Phase 3 of the Project (all capitalized terms hereunder refer to definitions provided in the DDA).

The Project was approved on June 28, 2016 by the Santa Clara City Council. The City of San Jose filed a CEQA lawsuit against the Project on July 29, 2016 which was finally settled on January 19, 2018. By agreement of the parties under the DDA, the period of force majeure expired on March 12, 2018, causing a 591-day “force majeure” delay.

One of the significant effects of the lawsuit with respect to Related’s retail marketing efforts has been the uncertainty created about the viability of the Project overall, without firm dates for commencement of construction and eventual occupancy. One of the important aspects of successfully marketing a project to prospective retail tenants is to be able to provide a definitive schedule and dates for construction and opening. Based on the inability to provide these dates with any surety, Related’s marketing efforts to date have been focused on maintaining general project awareness through Related’s existing relationships with a wide range of retail, food and beverage, and entertainment tenants.

In addition to this timing uncertainty, over the past several years there has been a shift in the feasibility of the development of traditional Department Stores as once reliable retail anchors and as a principal draw for inline tenants. It is widely documented that over the past several years, traditional Department Stores are failing and are not expanding, and are in fact contracting by closing poor performing stores and focusing instead on existing operations in an attempt to preserve market share. As a result, Related has focused its efforts on studying new retail anchoring schemes. Related does not expect traditional Department Stores to be a viable option for the Santa Clara project.

The Related Companies has extensive and wide ranging relationships with many of the most noteworthy and successful retail, food and beverage, and entertainment tenants and operators in the country. With active and simultaneous marketing/leasing efforts at Related’s mixed-use projects at CityPlace in West Palm Beach, The Grand in downtown Los Angeles, Time Warner Center and Hudson Yards in New York, as well as numerous mixed-use developments overseas, Related is at the forefront of discussions with an enviable roster of tenants.

This position has allowed Related to be at the vanguard of how brick-and-mortar retail is reacting to the growth and popularity of e-commerce, and has given Related a tremendous opportunity, and challenge, to secure retail elements of the Santa Clara Project. This applies to both the base-case Minimum Retail program as well as the potential to expand with Additional Retail program as defined under the DDA.

Regardless of these “force majeure” delays and substantial market challenges, Related has continued to promote the Project to the fullest extent possible, including the following efforts:

1. Featured the Project in both Spring and Fall ICSC (International Council of Shopping Centers) exhibitions alongside our other major mixed-use development projects for the past 3 years.
2. Presented digital and printed materials on the Project in all retail tenant presentations and meetings, both domestically and globally.
3. Continued to promote the Project with all key major tenants and operators in the retail, food and beverage and entertainment sectors.
4. Maintained full identity and awareness of the Project online at a dedicated project website ([www.relatedsantaclara.com](http://www.relatedsantaclara.com)) as well as Related's corporate website ([www.related.com](http://www.related.com)).
5. Specifically geared project marketing/awareness presentations to prospective technology-sector and regional Silicon Valley tenants, as well as all the major brokerage houses in the market area.