

**From:** Mavrogenes, Harry  
**Sent:** Monday, October 02, 2006 5:50 PM

**Subject:** Discussions with NVIDIA Corporation Regarding Sobrato Building

**To:** City Council/San Jose Redevelopment Agency Board of Directors  
**From:** Harry Mavrogenes, Executive Director  
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## FOR INFORMATION

On October 2, 2006, executives from NVIDIA Corporation, with its broker and a representative of the Sobrato Development Company, met with executive staff of the San Jose Redevelopment Agency and the San Jose Office of Economic Development to discuss potential opportunities to move its headquarters facilities to the "Sobrato Building" at 488 Almaden Boulevard in Downtown San Jose.

This proposal is a direct result of a site location analysis that this Agency presented to NVIDIA's brokerage firm in June of 2006. (The client was not revealed by the broker at that time.)

I am bringing this to the Board's attention now because of the major significance of this site to downtown and because of public and media interest in what may happen to it. Based on these preliminary discussions with NVIDIA, we have learned that Sobrato and NVIDIA have executed a Letter of Intent for a 15-year lease of the entire building.

Their proposed agreement appears to have a financial gap that could require a number of potential funding solutions to close. NVIDIA approached the Agency and City staff to discuss alternative approaches that could help close this gap, subject to Agency Board and City Council approval.

Agency staff will begin work on the necessary analyses immediately so that we could determine practical alternatives that we can submit to the Board and Council, and we will review the relevant requirements under redevelopment law. Depending on the outcome of this review, staff could prepare recommendations and a staff report for Redevelopment Agency Board and City Council approval at its meeting on November 21, 2006. We would aim at releasing the staff report for this matter by November 8, 2006.

Before staff can make any recommendations to the Board and Council, we will need to conduct a cost/benefit analysis, market analysis, and related due diligence regarding approaches that the Agency and City can take. The following are among the numerous possibilities that the Agency and City are exploring, subject to Board and City Council approval:

1. Agency or City financing of tenant improvements and other costs associated with signage and facade improvements.
2. Use of Enterprise Zone tax benefits, including hiring tax credits and new manufacturing and communications related equipment acquisitions.
3. Use of the City's Special Tenant Improvement Program, including expedited permit approvals, inspection services, and construction-related tax exemptions.
4. Financing of an Employee Zip Code Analysis to provide travel time and distance reports for employees to be relocated to Downtown San Jose.
5. Negotiating with VTA for the Eco Pass Program and grant funds for a shuttle service from the Diridon Caltrain Station and the Convention Center light rail station.
6. Land transaction on Agency-owned property for additional NVIDIA parking.

Founded in 1993, NVIDIA currently is located in Santa Clara with offices in nine other countries and five other states. The company is a leader in programmable graphics processor technologies, products for computing, consumer electronics and mobile devices, and applications such as video games, film production, broadcasting, industrial design, space exploration, and medical imaging. NVIDIA's revenue in its recent quarter was a record \$687.5 million, a nearly 20 percent increase over the same period a year ago.

NVIDIA currently employs over 3,600 worldwide, and it expects to increase its Northern California headcount by 1,500 in the next few years. The company expressed its intention to make significant investments in tenant improvements at the Sobrato Building in order to establish its California headquarters for software and hardware engineers, sales and marketing units, and executive offices. NVIDIA anticipates over 1,500 employees would be located at 488 Almaden.