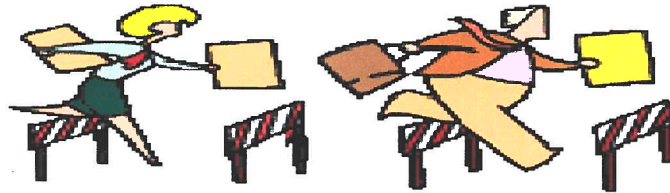




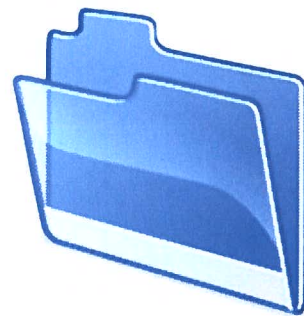
CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
GENERAL INFORMATION: 408-586-3000, www.ci.milpitas.ca.gov

10/01/2019
Agenda Item No. 11



ATTACHMENT RELATED TO AGENDA ITEM RECEIVED AFTER AGENDA PACKET DISTRIBUTION





October 1, 2019

Honorable Mayor and City Council
City of Milpitas
455 E. Calaveras Blvd.
Milpitas, CA 95035

City Clerk's Office
OCT 01 2019
RECEIVED

Dear Mayor and Members of the City Council,

I represent The Core Companies and we are the developers of the 220-unit multifamily project located at 1380-1400 South Main Street. I am writing regarding the proposed Transit Area Specific Plan (TASP) fee increase being considered on the October 1st City Council agenda.

We have been working with Staff since June 2019 when the item was reviewed at a developer round table meeting. The rationale with raising the fee was outlined by Staff as a need to keep up with current construction costs and land prices. We understand the need for the fee increase but find great hardship in the timing and severity in percentage increase with which the fee increase is proposed. Under the Staff proposal, the TASP fee would increase from \$32,781 per unit to \$40,487 per unit. This is almost a 25% increase and, for our project, is close to \$1.7MM in unanticipated fees that overly burden our project.

1380-1400 South Main Street received entitlement approvals in October 2018 which, in parallel with accepting the project's conditions of approval, solidified a substantial amount of the project's construction cost. We then proceeded to acquire the land in December 2018. The proposed fee increase was initiated by Staff with a consultant's study in January 2019 and finalized in May 2019. It was first brought to our attention in June 2019. This timing left us with little ability to adjust given such a substantial change in fees.

We sympathize and understand the need for additional TASP revenues. However, under the Staff proposal, the TASP fee increase leaves entitled pipeline projects with little leeway to proceed as fiscally viable but also retain the scheme that was approved by council. After voicing our concern, Staff has been working on solutions and communicated an option where pipeline projects receive deferred fees at \$40,487 per unit. We recognize that this helps offset financing expenses, yet it still burdens entitled pipeline projects with unanticipated and substantial costs that challenge the financial viability of the project.

Milpitas has always been a leader in providing quality housing for the region and providing the services and infrastructure needed to support residents in new communities. We ask the City Council and Staff to understand that while there is a need for infrastructure improvement fees in the TASP area, it is very difficult for entitled residential projects to pick up such large fee increases with little time to plan or ability to adjust project design aspects. We are requesting that City Council create a steady, predictable fee structure that the development community can count on. With the time it takes projects to go through the development and construction process, predictability creates the best environment for our business and others to plan and execute on quality, industry-leading projects. We urge City Council to consider the timing and impact of these fees on our project and to allow entitled pipeline projects to proceed under the current fee structure.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kyle Zaylor". The signature is stylized and cursive.

Kyle Zaylor
Senior Project Manager
The Core Companies