



City of Santa Clara

The Center of What's Possible

Date: May 25, 2021

To: City Manager

From: Executive Assistant to the Mayor & City Council

Subject: Correspondence received regarding item 10 on the May 25, 2021 Council and Authorities Concurrent Meeting Agenda

As of May 25, 2021, at 3:00 p.m. the Mayor and City Council Offices received the attached communications regarding item 10: Public Hearing: Action on a Resolution Establishing the Average Per-Acre Land Values and Updating the Parkland In-Lieu Fee Schedule for FY2021/22 for New Residential Development.

A handwritten signature in blue ink, appearing to be "JM", written over a horizontal line.

Julie Minot
Executive Assistant to the
Mayor & City Council

Documents Related to this Report:

- 1) *Communications received*

POST MEETING MATERIAL

5/25/21

Item 10

4590 Patrick Henry LLC

May 24, 2021

The Honorable Mayor Lisa Gillmor
City Manager Deanna Santana
City of Santa Clara
1500 Warburton Avenue, Santa Clara, CA 95050
TRANSMITTED BY EMAIL

Re: Request to defer ANNUAL LAND VALUATION APPRAISAL REPORT and ACTION ON A PARK FEE INCREASE

Dear Mayor Gillmor and City Manager Santana,

As owner of the property at 4590 Patrick Henry Drive, Santa Clara, I am writing to request the City of Santa Clara defer action to update the land value component of the parks in lieu fees based the draft Annual Land Valuation Appraisal Report Effective December 31, 2020 (the "Appraisal").

The Appraisal assumed many factors, including economic rebound and increase in sales comparatives from another zip code region within Santa Clara. Even though these factors have not occurred during 2020 or within certain zip codes such as 95054, the Appraisal assumed it was appropriate to factor these potential forward looking assumptions. As previously mentioned, the Appraisal does not address the economic downturn the existing tenants experienced and the workouts in which the tenants, landlords, and lenders have engaged. These items would all insinuates to having lower land values in comparison to forward looking assumptions.

If the City decides to still contemplate a parks in lieu fee adjustments, we strongly recommend that the City use the 2017 appraisal to set the land value component of the fees and that the City not increase land values for the upcoming year fee calculation. The 2017 appraisal values promote the construction of both market rate and affordable housing in the City of Santa Clara.

Thank you very much for your consideration.

Sincerely,

4590 Patrick Henry LLC,
a Delaware limited liability company

By: 

Name: Jimmy Park

Its: Authorized Signatory

CC: Manuel Pineda
James Teixeira
Gina Saporito

5/25/21

Item # 10

Julie Minot

From: Jimmy Park <jpark@walnuthillgroup.com>
Sent: Monday, May 24, 2021 2:59 PM
To: Mayor and Council
Cc: Gina Saporito; Manuel Pineda; James Teixeira
Subject: Request to Defer Annual Land Valuation Appraisal and Parks in Lieu Fee Increase (May 2021)
Attachments: Request Letter-Defer Annual Land Val Appraisal and Park Fees 2021.5.24.pdf
Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mayor Gillmor and City Manager Santana,

First of all, I hope you are still safe and well.

I write this email and pass along the attachment to share with you my request for the City of Santa Clara to defer the adaptation of any new annual land valuation and potential parks in lieu fee increase updates.

Thank you for your consideration.

Sincerely,
Jimmy Park

4590 Patrick Henry LLC
c/o Walnut Hill Capital LLC
101 California Street, Suite 950
San Francisco, CA 94111
T: (415) 373-6242
F: (415) 373-6281

5/25/21

Item 10

Julie Minot

From: Breeze, Elaine <EBreeze@shapartments.com>
Sent: Monday, May 24, 2021 12:58 PM
To: Mayor and Council
Cc: Deanna Santana; James Teixeira; Andrew Crabtree; John Choe; Zeisler, Jeffrey; Manager
Subject: 5/25/2021 City Council Meeting - Request to Defer Park Fee Increase

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mayor Gillmor and City Councilmembers,
Thank you for attending the ribbon cutting celebration at Nuevo on Friday. It was great to see all of you and appreciate our continued partnership with the City of Santa Clara.

I am writing to request the City of Santa Clara **defer action** to update the park in-lieu fees based on the Annual Land Valuation Appraisal Report Effective December 31, 2020 (Appraisal). As a community partner delivering both parks and housing to the City of Santa Clara (SummerHill is actively working within both the Tasman East and Patrick Henry Specific Plan areas), this is a reasonable and responsible approach to take in order to promote COVID-19 economic recovery efforts and not further disincentivize the construction of much needed affordable and market-rate housing.

Due to the unprecedented nature of COVID-19, we continue to be in uncharted territory with impacts on real estate yet to be realized. Construction costs, in particular lumber costs, are at a record high and apartment rents have been significantly impacted by COVID-19.

As you are aware, park improvement cost escalators are already built into the park fee that will go into effect July 2021. With the recommended increase in the fee's land value component, the park fee for rental units in the Patrick Henry Specific Plan area, as an example, will increase by **\$6,619 per unit** (\$5,060 land + \$1,631 construction), **or 21.6%**. We request that no land value fee increase be adopted at this time and wait until there is more visibility as to the ramifications of COVID-19 on both commercial and residential markets and property values.

Thank you for your time and consideration on this important matter. I have copied John Choe, owner of 3000 Patrick Henry Drive. Please let us know if you have any questions.

Sincerely,

Elaine Breeze
Senior Vice President of Development
SummerHill Apartment Communities | SummerHill Homes
777 S. California Avenue, Palo Alto, CA 94304
Tel (650) 842-2404 • Mobile (415) 971-0660 • Fax (650) 857-1077
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5/25/21

Item 10

Julie Minot

From: Dennis Martin <dmartin@biabayarea.org>
Sent: Monday, May 24, 2021 4:49 PM
To: Mayor and Council
Subject: Council Agenda 5.25.21 Item 10, Parkland Fees on Residential Development
Attachments: BIA_Gillmor_Council 2021ParksFees_5.24.21.pdf

Dear Mayor Gillmor and City Councilmembers,

On behalf of BIA Bay Area, I respectfully request that you accept and consider the comments contained in the attached letter regarding Item 10 on the May 25, 2021 agenda, Parkland In-lieu Fees on Residential Development. Please do not hesitate to contact me with any questions or concerns.

Thank you,

Dennis Martin

BIA Government Affairs

408-499-2739





Contra Costa Centre Transit Village
1350 Treat Blvd., Suite 140, Walnut Creek, CA 94597

May 24, 2021

Mayor Lisa Gillmor
Santa City Councilmembers
City of Santa Clara
1500 Warburton Avenue, Santa Clara, CA 95050
TRANSMITTED BY EMAIL

Re: Council Agenda 5.25.21, Item #10, 2021 Parkland In-lieu Fee on Residential Development

Dear Mayor Gillmor and Councilmembers,

The Building Industry Association of the Bay Area (BIA) writes to request the City of Santa Clara reevaluate and defer action to update the land value component of the parks in-lieu fees based on the Annual Land Valuation Appraisal Report Effective December 31, 2020 (Appraisal) because of the unforeseeable, severe effects of the COVID-19 induced real estate downturn. 2021 park in-lieu fees would still increase in line with the 2018 Fee Resolution; the City would still see fee increases even while the land value portion of the fee formula is temporarily frozen until the economic picture is clearer.

The proposed steep 2021 fee increases range from 25% upwards to over 28%, depending on product type and project location. If the City decides to pursue parks in lieu fee adjustments, BIA recommends that the City set aside the 2020 Appraisal and instead rely on the 2017 Appraisal to set the land value component of the fees, effectively freezing land values in the parks in-lieu fee calculation for the upcoming year. This is a reasonable and conservative approach to take in light of the current economic emergency in order to preserve project viability.

Almost all of the in-lieu fee increase is attributable to the 2020 Appraisal's opinion of increases in Santa Clara land value. While the Appraisal relies significantly on comparable land sales of office, industrial, hotel, and retail properties executed from 2017 through 2020, many of these transactions were made at the height of the region's real estate market and may not reflect fluctuations in residential residual land values. While single family home values are up, the rental market has taken a huge COVID-19 induced hit.

Worrisome economic conditions brought on by COVID-19 prevail. Sales and hotel tax revenues have fallen precipitously and overall business activity has slowed markedly. Hotel vacancy is at an all-time high and unemployment is hovering at 8.3%, but the decline was largely caused by the nearly 40,000 Californians who stopped looking for work altogether, even as employers added 119,600 new jobs. With the exception of essential businesses, most in-person tech industry activity has ceased and is not expected to resume for at least several months, further suppressing vital economic recovery.

The State of the San Francisco Bay Area rental market has changed dramatically over the course of 2020/21. There is no other rental market that has taken as large of a hit in terms of price, and few that have seen a similar number of renters abandon it, opting for cheaper, often neighboring locations like Sacramento, Stockton, and Modesto.

While rental prices are at the lowest that they have been since 2014, Bay Area cities still comprise some of the most expensive rental markets in the country, reflecting the need to keep housing production robust. Apartment rental prices have fallen 15-25% across the Bay Area and renter behavior in 2020 clearly reflects the expensive prices in the Bay Area.

Rising construction costs too are a serious concern. The National Association of Home Builders reports that lumber prices have been especially volatile in the wake of the COVID-19 pandemic due to increased demand and supply-side constraints. The unprecedented spikes in lumber prices have added nearly \$36,000 to the average price of a new single-family home, and nearly \$13,000 to the price of a multifamily home since April 2020.

Until the impacts of COVID-19 on the economy, land values, construction costs and rental prices become clear, cautious consideration should be given to the timing of additional cost and fee burdens placed on new development. Now is not the right time to raise fees on new housing based on the 2020 Appraisal.

Despite the COVID 19 pandemic and the resulting economic slowdown, Silicon Valley still faces a housing crisis and the construction of new housing is in the vital interests of the City. BIA is looking forward to finding solutions that are fair and reasonable for both the City and the home building industry. Please do not hesitate to contact me with any questions or comments.

Very truly yours,

Dennis Martin

Dennis Martin
BIA Government Affairs