


City Council Meeting

Item #4
 RTC 20-521
 Amendment to Development Agreement
 Gateway Crossings Project
 1205 Coleman Avenue
 July 7, 2020

1




City of Santa Clara
 The Center of What's Possible

**Gateway Crossings Project
 1205 Coleman Avenue**

Background

- 21.4 acre site
- Santa Clara Station Area
- Previously developed with 272,840 sq. ft. industrial/office/R&D
- Land use entitlements granted on July 9, 2019 for 1,565 residential units, 45,000 sq. ft. of supporting retail and a 225 room hotel



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POST MEETING MATERIAL



**City of
Santa Clara**
The Center of What's Possible

Gateway Crossings Project 1205 Coleman Avenue

Approved Entitlements

- Certified EIR
- General Plan Amendment
- Rezone
- Vesting Tentative Subdivision Map
- Development Agreement



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**City of
Santa Clara**
The Center of What's Possible

Gateway Crossings Project 1205 Coleman Avenue

Approved Development Agreement

- Negotiated agreement between the City and TOD Brokaw, LLC
- Establishes development terms and obligations, including payment of fees
- 10 year term
- Requires construction of hotel in phase 1, prior to construction of Building 2



4



Gateway Crossings Project 1205 Coleman Avenue

Applicant's Request

Amend the Development Agreement (PLN2017-12481) to modify the timing of construction for the 225-room hotel from Phase 1 before the issuance of building permits for the second residential building (Building 2) of the approved development plan to before the first residential building (Building 3) in Phase 2 of project development, in response to market conditions created by the COVID 19 pandemic.

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Gateway Crossings Project 1205 Coleman Avenue

Community Engagement – Community Meeting on May 28, 2020

- 44 Members of public participated
- Some opposed to changes to hotel phasing

Planning Commission Meeting on June 10, 2020

- 11 speakers in support of project
- 2 speakers opposed change / suggested switching Building 1 and 2
- Planning Commission considered additional requirements for DA (e.g., additional affordable housing, additional PAL subsidy).

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Gateway Crossings Project 1205 Coleman Avenue

Alternatives

- Introduce an ordinance approving the First Amendment to the DA for the Gateway Crossings Project between the City of Santa Clara and TOD Brokaw, LLC
- Introduce an ordinance approving the First Amendment to the DA for the Gateway Crossings Project between the City of Santa Clara and TOD Brokaw, LLC with additional terms
- Deny the Amendment to the DA for the Gateway Crossings Project between the City of Santa Clara and TOD Brokaw, LLC

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Gateway Crossings Project 1205 Coleman Avenue


Considerations

- Project conforms with General Plan
- Hotel market severely impacted by pandemic
- Hotel construction would remain tied to residential construction

Planning Commission and Staff Recommendation

Introduce an ordinance approving the First Amendment to the DA for the Gateway Crossings Project between the City of Santa Clara and TOD Brokaw, LLC


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City of Santa Clara
 The Center of What's Possible

**Gateway Crossings Project
 1205 Coleman Avenue**

Alternative – Increase Affordable Housing Benefit for City

- Add an additional 5% units as affordable at 100% AMI
 (total affordable units = 15% with 5% at 80% AMI and 10% at 100% AMI):
 \$10,336,412
- Increase affordability level for the Moderate-income units to Low-Income units
 (total affordable units = 10%, all at 80% AMI):
 \$6,637,428

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Gateway Crossings

Development Agreement Amendment

July 7, 2020

1

Agenda

- Hospitality Overview
- Proposed Amendment

2

POST MEETING MATERIAL

Current Status of the Hospitality Industry Nationally ¹



- As of June 24th, nearly 6 out of 10 hotel rooms were empty
 - This is in addition to the thousands of hotels that are shuttered completely
- Since February U.S. hotels have already lost more than \$38B in room revenue
 - This equates to up to \$400mm revenue/day
- 7.7mm hospitality and leisure jobs were lost in April alone
- Nationally projected occupancy rates are projecting below 20%
 - Below 35% hotels may simply close their doors

¹ Statistics taken from the American Hotel and Lodging Association website

3

Local Hospitality – Next 4 Quarters ¹



- Occupancy will decrease to 37.8%
 - This is a decrease over the last 4 quarters' rate of 68.6% and the long run average of 68.7%
- Revenue Per Available Room (REVPAR)
 - Q1 2020 – Down 30.8%
 - Q2 2020 (est.) – Down 82.4%
 - Q3 2020 (est.) – Down 67.9%
 - Q4 2020 (est.) – Down 53.3%
 - 2025 is when REVPAR is “projected” to return to pre-Covid levels



¹ Statistics taken from Hotel Horizons San Jose-Santa Cruz Volume XIV – Issue II

4



The Hospitality Effect both Nationally and Locally

New development is stalled –
Cambria Hotel, Santa Clara

Access to capital has evaporated

Existing owners are consolidating
sites or closing their doors completely

33,000 small business owners
are at risk given current
occupancy rates

5

Our Efforts

- In 2019 we partnered with CBRE to market our hotel parcel
- Initially we had over 70 inquiries for this property
- Through Q1 2020 that number dropped to zero
- The market for this parcel has essentially evaporated

CBRE HOTELS

The World's Leading Hotel Experts.

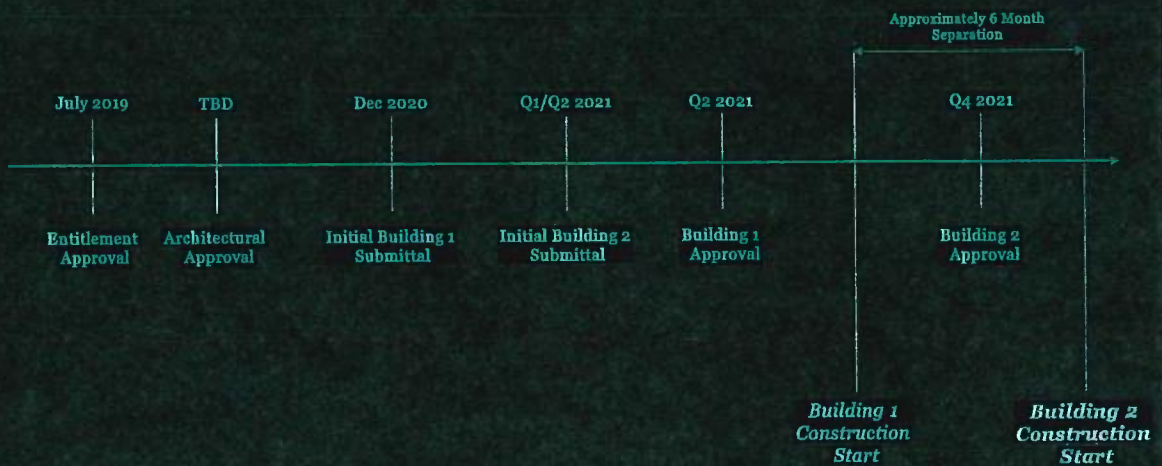
6

DA Amendment Request

- The existing development agreement (DA) requires that we begin construction prior to issuing building permits for the 2nd residential building
- ***We are requesting to move the hotel start date to prior to the issuance of building permits for Phase 2 of the overall project***
 - This is not a renegotiation
 - This is simply a request to **re-sequence**

7

Estimated Project Schedule with DA Amendment



8

Accelerated Community Benefits

- 725 residential units brought to market sooner
 - Including 73 below market rate units
- Nearly 20K SF of new retail
 - Including 7,500 SF PAL space in Building 2 and 3,500 SF Tavern on the Green
 - Including a 1,000 SF meeting space for PAL which can be shared by the public
- 2 acre public park
- Approximately \$15mm in Brokaw and Coleman Avenue improvements
- Approximately \$30mm in one time fees, or the equivalent, for phase 1 and millions in annual revenues
 - Includes \$15.2mm in estimated park fees
 - \$4mm in estimated DA fees
 - \$3.5mm in estimated school fees

9

Temporary Landscaped Condition



This is a \$1mm commitment by the development team for this temporary condition

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GATEWAY CROSSING

DA Amendment Request

1

RESIDENTIAL PARKING REDUCTION TO EXPEDITE HOTEL IN DEVELOPMENT SCHEDULE

Developer Parking Ratio = 1.44

Revised Parking Ratio = 1.24

Parking Spaces Reduced = 207

Parking Space Types	U/G Parking	U/G \$ Per Stall	Structured Parking	Structured \$ Per Stall	Surface Parking	Surface \$ Per Stall	Total Parking Spaces	Parking Stall Costs
Resubmittal Guest Parking		\$ 48,765.00	238	\$ 32,654.00		\$ 25,328.00	238	\$ 7,771,652.00
Resubmittal Resident Parking	1165	\$ 48,765.00	1070	\$ 32,654.00		\$ 25,328.00	2235	\$ 91,751,005.00
Resubmittal Hotel Parking	71	\$ 48,765.00	224	\$ 32,654.00		\$ 25,328.00	292	\$ 10,776,811.00
						Subtotal Cost	2765	\$ 110,299,468.00
Final Guest Parking		\$ 48,765.00	427	\$ 32,654.00		\$ 25,328.00	427	\$ 13,943,258.00
Final Resident Parking	1138	\$ 48,765.00	794	\$ 32,654.00		\$ 25,328.00	1932	\$ 81,421,846.00
Final Hotel Parking		\$ 48,765.00	47	\$ 32,654.00	32	\$ 25,328.00	199	\$ 2,345,234.00
NOTE Hotel and Guest Parking Shared in Final Plan							Subtotal Cost	2558 \$ 97,710,338.00
	Parking Space Delta	Parking Space Width (AVG)	Drive Isle Width Feet	Drive Isle S.F.	20% Add Turns & Access S.F.	Total Gross S.F.	Cost Per S.F.	Gross Net Drive Isle Net Savings
Parking Space Drive Isle (Per S.F.)	207	8.51	25	29,360	5,872	35,231	\$ 249.62	\$ 8,794,462.07
Parking Savings Negotiated As part of the Hotel								\$ 21,383,592.07

2

CITY OF SANTA CLARA TOT PROJECTED REVENUE IMPACT

(TOT = TRANSIENT OCCUPANCY TAX)

After being stuck at home for eight (or 12? or 16?) weeks, the American consumer will take to the roads and skies with a vengeance.

– HotelNewsNow.com

- 2020 Revenue Per Available Room -50%

- 2021 Revenue Per Available Room +63%

Calculation Description	Room Count	Occupancy	Room Rate	TOT Tax Rate	TOT Revenue Per Day	Days Per Year	TOT Revenue Per Year	Delay (Years)	Total Potential Losses Revenue
COVID Occupancy < Year-1	225	20.00%	\$ 212.31	9.50%	\$ 907.63	364	\$ 330,375.59	N/A	N/A
COVID Occupancy Year-1	225	38.00%	\$ 212.31	9.50%	\$ 1,724.49	365	\$ 629,438.11	N/A	N/A
COVID Occupancy Year-2	225	45.00%	\$ 212.31	9.50%	\$ 2,042.16	365	\$ 745,387.24	N/A	N/A
COVID Occupancy Year-3	225	64.00%	\$ 212.31	9.50%	\$ 2,904.40	365	\$ 1,060,106.29	N/A	N/A
Resume Historical Levels w/ Current TOT Rate	225	75.20%	\$ 239.78	9.50%	\$ 3,854.22	365	\$ 1,406,791.66	4.00	\$ 5,627,166.63
Expected TOT Revenue Loss @ Current TOT Rate									\$ 5,627,166.63
Resume Historical Levels w/ Increased TOT Rate	225	75.20%	\$ 239.78	12.50%	\$ 5,071.35	365	\$ 1,851,041.66	4.00	\$ 7,404,166.63
Expected TOT Revenue Loss @ Increased TOT Rate									\$ 7,404,166.62

*City is currently working on a proposal to increase the TOT rate

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DA AMENDMENT CONSTRUCTION ESCALATION AND EFFICIENCY SAVINGS

Building #2 Construction Cost Currently	Type IA +/- S.F.	Type IIIA +/- S.F.	Total Building Area	Type IA Cost Per S.F.	Total Type IA Cost	Type IIIA Cost Per S.F.	Total Type IIIA Cost	Total Construction Cost @ Current Rates
Year 1	163,576		163,576	\$ 384.88	\$ 62,957,600.10	\$ 329.90	\$ -	\$ 62,957,600.10
Year2	163,576		163,576	\$ 406.05	\$ 66,420,268.11	\$ 348.05	\$ -	\$ 66,420,268.11
Year3		219,724	219,724	\$ 428.39	\$ -	\$ 367.19	\$ 80,679,934.03	\$ 80,679,934.03
Year4		219,724	219,724	\$ 451.95	\$ -	\$ 387.38	\$ 85,117,330.40	\$ 85,117,330.40
Subtotal Gross S.F.	327,151	439,448	766,599		\$ 129,377,868.21		\$ 165,797,264.44	\$ 295,175,132.65
Building #2 Construction Cost Expedited	Type IA +/- S.F.	Type IIIA +/- S.F.	Total Building Area	Type IA Cost Per S.F.	Total Type IA Cost	Type IIIA Cost Per S.F.	Total Type IIIA Cost	Total Construction Cost @ Current Rates
Year 1	163,576		163,576	\$ 364.82	\$ 59,675,450.33	\$ 312.70	\$ -	\$ 59,675,450.33
Year2	163,576		163,576	\$ 384.88	\$ 62,957,600.10	\$ 329.90	\$ -	\$ 62,957,600.10
Year3		219,724	219,724	\$ 406.05	\$ -	\$ 348.05	\$ 76,473,871.12	\$ 76,473,871.12
Year4		219,724	219,724	\$ 428.39	\$ -	\$ 367.19	\$ 80,679,934.03	\$ 80,679,934.03
Subtotal Gross S.F.	327,151	439,448	766,599		\$ 122,633,050.44		\$ 157,153,805.15	\$ 279,786,855.59
Savings If Expedited								\$ 15,388,277.06
General Conditions Savings (2% B1 & B2)								\$ 9,582,477.17
Total Expected Savings								\$ 24,970,754.23

Expedited Construction Schedule Provides Costs Savings

- Labor Rate Escalation
- Material Escalation
- Consolidating General Conditions
 - Site Supervision
 - Equipment
 - Site Services
- Historical Construction Inflation 5.5%

4

AFFORDABLE HOUSING ORDINANCE IS A REGIONAL NEED

- City Ordinance Updated to REQUIRE 15% Affordable Housing on Projects
- DA Agreements "Lock-In" Terms For Both Developer & City; Allowing Both Parties to Get What They Need
- Fees Associated With Project Are "Cost Recovery" NOT General Fund Revenue
- The Need For Affordable Housing Has Been Exacerbated Due to COVID-19
- The Lack of Affordable Housing Has Resulted In Families Not Being Able to Save For An Economic Slowdown

Room Type	Market Rate
Studio	\$ 2,700.00
1-Bedroom	\$ 3,100.00
1-Bedroom + Den	\$ 3,300.00
2-Bedroom	\$ 3,750.00
2-Bedroom + Den	\$ 4,000.00

Additional 5% Affordable Units @ Current Levels	Rent @ 100%	Rent @ 80%	Unit Count Split @ Each Level	30 Year Rent Delta NPV
Studio	\$ 2,300.00	\$1,819.00	10	\$ 855,721.99
1-Bedroom	\$ 2,628.00	\$2,079.00	33	\$ 3,742,646.48
1-Bedroom + Den	\$ 2,792.00	\$2,209.00	2	\$ 272,251.10
2-Bedroom	\$ 2,956.00	\$2,339.00	30	\$ 5,011,925.51
2-Bedroom + Den	\$ 3,120.50	\$2,468.50	3	\$ 453,867.02
Return on Additional 5% Affordable Housing				\$ 10,336,412.10

5

NEW 396 HOTEL DEVELOPMENT PROPOSED 1200 COLEMAN AVE, SANTA CLARA



- New Hotel Proposed Across the Street March 25th, 2020
- This is 9-days after the SIP order & 6-days prior to Hunter/Storm Requesting DA a Amendment



6

DOING THE MATH

- **Benefit/Impact Breakdown:**

Description	City Benefit Lost	Developer Benefit	Description
TOT Revenue	\$ 6,515,666.63	\$ 21,383,592.07	Parking Reduction Savings
		\$ 24,970,754.23	Constructions Efficiency Savings
Total Losses to City	\$ 6,515,666.63	\$ 46,354,346.30	Total Savings to developer

- **The Minimum Request From the Community:**

Additional 5% Affordable Housing Unit Cost **\$ 10,336,412.10**

- **Developer is Still Ahead Millions, Even With This Minimal Request:**

\$ 36,017,934.20

7

"I've earned a seat at the table that I'm someone who is committed to this project and to the city," Hunter Storm President Deke Hunter told councilmembers Tuesday night. "If things change — whether it's market forces, or your goals change, or the VTA's goals change — I think that we've shown ourselves as a company a decade ago, today and tomorrow that we will participate in that process."

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7/7/20

Item 4

Simrat Dhadli

From: Kimo Frazzitta <kimo@effiesheart.com>
Sent: Monday, July 6, 2020 10:40 PM
To: Public Comment
Subject: More affordable housing

I request more affordable housing in the development by the train station. Our community needs this. Please make sure at least 15% of the units in this development are affordable housing. This is important for our community.

Thank you for hearing my comments.

Kimo

Owner/Designer
Effie's Heart
2175 De la Cruz Blvd, Ste A
Santa Clara, CA 95050
408-296-5500
kimo@effiesheart.com
[CLICK HERE TO SIGN UP FOR OUR NEWSLETTER](#)

POST MEETING MATERIAL

7/7/20

Item #4

Julie Minot

From: Donna West <dwestsfo@gmail.com>
Sent: Tuesday, July 7, 2020 10:40 AM
To: Mayor and Council
Cc: Clerk; Donna West
Subject: 2020 July 7 Council Meeting: Action on an Amendment to Development Agreement for Gateway Crossings Project at 1205 Coleman Avenue

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Thank you Mayor and Santa Clara City Council Members, City Clerk and City Staff, respectively, for all you are supporting our great little City of Santa Clara. I appreciate this. It is not seen residents like me collaborating with our citizens, workers and residents that support our city leaders during our challenging times of the COVID19 pandemic.

Please pause and vote no to this amendment development on Coleman that is an actual 5 minutes away from our downtown we are building. Let's start building the infrastructure of our downtown streets and utilities.

Let's create thoughtful solutions to include our 50 age prosperous workers and residents and create an abundant community for everyone. This age group is a part of the housing laws protected ages too.

How many citizens, council members and city staff are currently selling homes and moving away from our great little city? Why?

Thank you for your time and reading this consideration. Our hope is a community of all ages to live and work now.

City history quote from William Kiely The Warnecke report and cited three proposals of downtown Santa Clara. Discussion between citizens committee, council, redevelopment agency manager. July 1964 Santa Clara Journal newspaper

"A few moments later, Councilman William Kiely was saying that redevelopment should never have been attempted in the downtown area without consideration of planning for all of the adjacent land." - William Kiely - Santa Clara CA

I am available to support plans to include our 50 plus age group.

Sincerely Donna West
dwestsfo@gmail.com
408-564-0751

Item #4



City of Santa Clara

The Center of What's Possible

Date: July 7, 2020

To: City Manager

From: Executive Assistant to the Mayor & City Council

Subject: Correspondence received regarding Item #4. 20 - 521 on the July 7, 2020 City Council Meeting Agenda

From Thursday, July 2, 2020 at 5:00 p.m., though Tuesday, July 7, 2020 at 2:00 p.m., the Mayor and City Council Offices received the attached communications regarding agenda item 4. 20 – 521: Public Hearing: Action on an Amendment to Development Agreement for Gateway Crossings Project at 1205 Coleman Avenue,

Julie Minot
Executive Assistant to the
Mayor & City Council

Documents Related to this Report:

- 1) *Communications received*

POST MEETING MATERIAL

Julie Minot

From: Ruben Camacho <rubyrube1999@yahoo.com>
Sent: Monday, July 6, 2020 12:54 PM
To: Mayor and Council
Subject: Hunter Storm Project

Dear Mayor and Council,

I am writing to you to voice my support of the Hunter/Storm project. The way they have approached this project has been logical and it helps get our kids of Santa Clara the PAL space/

Please vote Yes!!

If we keep the existing development agreement there is no telling when the PAL's space would be available. Having been a resident of over 50 years I know how proud we have been about our involvement with youth sports. Once proudly known as the Youth Sports Capital of the World!!!

Please take this in to consideration when you vote tonight and please vote Yes!!

Ruben Camacho
[408-234-1711](tel:408-234-1711)

Julie Minot

From: Janet Stevenson <janetmstevenson@gmail.com>
Sent: Monday, July 6, 2020 11:22 AM
To: Mayor and Council
Subject: Gateway Crossing DA Amendment-Council Hearing July 7th

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mayor and City Council,

The Mayor and Council **should not approve** this DA amendment as-is. Hunter Storm just signed this DA with the City in October of 2019, and is already coming back to renegotiate the deal. By amending the development agreement the City stands to lose millions in transit occupancy tax, while saving the developer 10's of millions in construction costs.

This amendment in its current form is lose-lose for the City. The City should get something in exchange for renegotiating this deal.

COVID-19 has shown us that affordable housing is in critical need in our region. In exchange for millions of savings for the developer, the City should require this development meet the same affordable housing requirement any new project would require.

Sincerely,
Janet Stevenson
Resident of Old Quad

Julie Minot

From: Debra von Huene <debra.vonhuene@gmail.com>
Sent: Monday, July 6, 2020 11:11 AM
To: Mayor and Council
Subject: Council and Authorities Concurrent Meeting - Agenda Item 20-521

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mayor and City Council,

The Mayor and Council **should not approve** this DA amendment as-is. Hunter Storm just signed this DA with the City in October of 2019, and is already coming back to renegotiate the deal. By amending the development agreement the City stands to lose millions in transit occupancy tax, while saving the developer 10's of millions in construction costs.

This amendment in its current form is lose-lose for the City. The City should get something in exchange for renegotiating this deal.

COVID-19 has shown us that affordable housing is in critical need in our region. In exchange for millions of savings for the developer, the City should require this development meet the same affordable housing requirement any new project would require (15%).

Sincerely,
Debra von Huene
District 4

Julie Minot

From: Adam Thompson <adamoldquad@gmail.com>
Sent: Monday, July 6, 2020 9:02 AM
To: Mayor and Council
Cc: Manager; Manuel Pineda; Andrew Crabtree; Reena Brilliot; Debby Fernandez; Jonathan Veach; Gloria Sciara; Planning Commission; Historical Landmarks Commission; Brian Doyle; Alexander Abbe; Kenn Lee; Pat Nikolai; James Teixeira; Lenka Wright; Old Quad Residents Association; Robert Architect Mayer
Subject: Gateway Crossing DA Amendment - Council Hearing July 7th

Follow Up Flag: Follow up
Flag Status: Flagged

Mayor & Council,

I hope you all have enjoyed the 4th of July Holiday, even though this year has posed challenges that have changed the way we usually celebrate.

A proposal to amend a Development Agreement (DA) for the Gateway Crossing project will come before you during tomorrow's council meeting. As you are aware this specific DA took a lot of time from city staff, city leadership, SCU, and included a lot of community input prior to being approved. Now less than a year later the developer (Hunter/Storm) has requested changes to a key element of the DA without involving the community and/or asking the city what adverse effects this would inflict.

Based on our findings described and calculated below, the developer will see an almost \$50M savings to the project, while the City and community are being asked to give up a future revenue stream and loss of getting a rooftop restaurant (community benefit). We ask that this council require this project to meet the City's ordinance requirements of 15% affordable housing to offset the losses this amendment will have long term. Our City and greater region desperately need more affordable housing, and never has it been more of a crisis than now during this COVID-19 pandemic. Please take a moment to review our findings below in order to support our position and request.

In Summary

Benefit/Impact Breakdown:

Description	City Benefit Lost	Developer Benefit	Description
TOT Revenue	\$ 6,515,666.63	\$ 21,383,592.07	Parking Reduction Savings
		\$ 24,970,754.23	Constructions Efficiency Savings
		\$ 3,424,931.96	PAL covering Building "NNN" Costs
Total Losses to City	\$ 6,515,666.63	\$ 49,779,278.26	Total Savings to developer

The Minimum Request From the Community:

Additional 5% Affordable Housing Unit Cost	\$ 10,336,412.10
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Developer is Still Ahead Millions, Even With This Minimal Request:

\$ 39,442,866.16

Findings Described and Calculated below:

The key element that comes before you is the schedule delay of a 225 room hotel component that would produce large amounts of yearly revenue from collecting transient occupancy tax (TOT). Based on the developer's own words, "this would delay the hotel by 4-years". Being that hotels generate large amounts of tax revenue with minimal city services required to support these structures, the city will have a more difficult time closing the deficit gap in years to come. The city as you know has been discussing the possibility of proposing a ballot measure to raise the TOT rate to a median regional average, making the loss revenue even greater.

There is an argument that due to COVID-19 there is a reduced TOT value in having these rooms available to rent. The data and consensus within the industry shows a building demand for travel once we recover from this COVID-19 pandemic. This hotel would take 3-4 years from today to be completed if started now, missing most, if not all of the market impact from COVID-19.

After being stuck at home for eight (or 12? or 16?) weeks, the American consumer will take to the roads and skies with a vengeance.

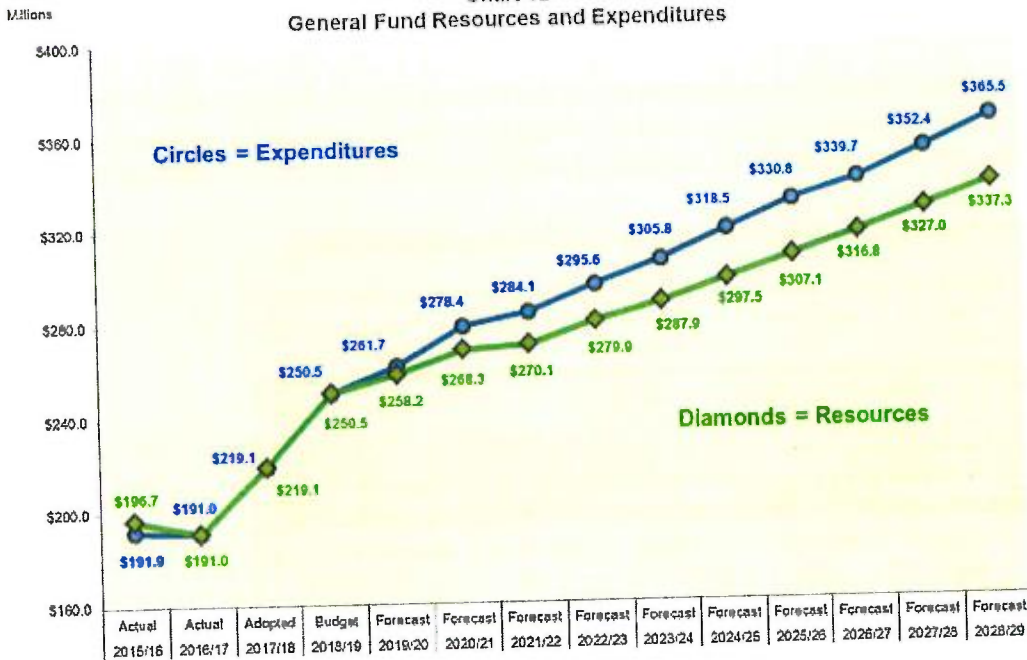
– HotelNewsNow.com

Scenario Description	Room Count	Occupancy	Room Rate	TOT Tax Rate	TOT Revenue Per Day	Days Per Year	TOT Revenue Per Year	Debt Years	Total
COVID Occupancy Year-1	225	20.00%	\$ 212.81	9.50%	\$ 937.63	365	\$ 339,375.55	N/A	
COVID Occupancy Year-2	225	35.00%	\$ 212.81	9.50%	\$ 1,721.49	365	\$ 629,435.11	N/A	
COVID Occupancy Year-3	225	45.00%	\$ 212.81	9.50%	\$ 2,042.16	365	\$ 745,567.21	N/A	
COVID Occupancy Year-4	225	64.00%	\$ 212.81	9.50%	\$ 2,804.40	365	\$ 1,060,106.25	N/A	
Recovery - Standard Level 1	225	75.00%	\$ 239.78	9.50%	\$ 3,354.22	365	\$ 1,406,791.65	4.00	\$
Expected TOT Revenue Loss @ Current TOT Rate									\$
Recovery - Standard Level 2	225	75.00%	\$ 239.78	12.50%	\$ 5,071.35	365	\$ 1,851,041.65	4.00	\$
Expected TOT Revenue Loss @ Increased TOT Rate									\$

*TOT Revenue Impacts Based on Historical Data and Hospitality Recover Schedule

This DA amendment would significantly impact the City revenue, at a time when the city is expecting to experience an increasing deficit for years to come.

Chart 12
General Fund Resources and Expenditures



*City Ten Year Financial Plan

During negotiations with the developer last year, one of the main items the city, SCU, and residents wanted was to ensure the hotel would be built as early as possible within the project schedule. The city was looking to increase their revenue stream, SCU worked out using the hotel conference center & meeting rooms, and the residents wanted the roof-top restaurant, giving them a unique place to go. This was something the developer had been reluctant to do, because it posed challenges to leasing/selling-off the housing component of the project. After many meetings and adjustments, including the community suggesting reducing the overall site parking ratio to save costs, offsetting potential financial impacts to the developer might incur (reduced hotel lease/sale value). The finale DA included a requirement to build the hotel in Phase 1 between building #1 and building #2.

Parking Space Types	U/G Parking	U/G \$ Per Stall	Structured Parking	Structured \$ Per Stall	Surface Parking	Surface \$ Per Stall	Total Parking Spaces	Parking Stall Costs
Resubmittal Guest Parking		\$ 48,765.00	238	\$ 32,654.00		\$ 25,328.00	238	\$ 7,771,652.00
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Final Hotel Parking		\$ 48,765.00	47	\$ 32,654.00	32	\$ 25,328.00	199	\$ 2,345,234.00
Subtotal Cost							2558	\$ 97,710,338.00
NOTE Hotel and Guest Parking Shared in Final Plan								
	Parking Space Delta	Parking Space Width (AVG)	Drive Isle Width Feet	Drive Isle S.F.	20% Add Turns & Access S.F.	Total Gross S.F.	Cost Per S.F.	Gross Net Drive Isle Net Savings
Parking Space Drive Isle (Per S.F.)	207	8.51	25	29,360	5,872	35,231	\$ 249.62	\$ 8,794,462.07
Parking Savings Negotiated As part of the Hotel								\$ 21,383,592.07

* Reduced Parking Savings the Hotel was "Bought" with Along Other Details Within the DA

There is however an alternative motive the developer mentioned during the planning commissioning meeting, and what many believe to be the real reason behind the DA amendment request. Currently the property is expected to be leased to Holland Partner Group, a large developer headquartered in Washington State. Deke Hunter stated at the planning commissioning "that no one is interested in constructing building #1 only. It is more economical to build both buildings at the same time". Being a project manager in commercial construction and working at all levels within the industry for over 15 years, it got me thinking about what these efficiency savings would be on a large-scale project like this. I was

able to pull historical data from multiple projects to generate a composite cost per square foot rate to complete an analysis.

By allowing the hotel component to be relocated in the project schedule, the developer will be able to expedite the construction schedule for building #2. This will allow them to build this building without future annual labor raises, material escalation, and even realizing efficiency savings due to reduced mobilizations and supervision staff needed.

As broken down below, this DA amendment has an estimated savings to the developer of **\$25M**.

Building #2 Construction Cost Currently	Type I/A \$/- S.F.	Type I/A \$/- S.F.	Total Building Area	Type I/A Cost Per S.F.	Total Type I/A Cost	Type I/A Cost Per S.F.	Total Type I/A Cost	Total Construction Cost @ Current Rates
Year 1	162,575		162,575	\$ 294.86	\$ 62,957,500.10	\$ 329.80	\$ -	\$ 62,957,500.10
Year 2	162,575		162,575	\$ 406.05	\$ 66,420,268.11	\$ 348.05	\$ -	\$ 66,420,268.11
Year 3		219,724	219,724	\$ 426.58	\$ -	\$ 267.19	\$ 20,578,954.03	\$ 80,679,954.03
Year 4		219,724	219,724	\$ 451.85	\$ -	\$ 357.85	\$ 35,117,350.40	\$ 85,117,350.40
Subtotal: Gross S.F.	327,151	439,448	766,599		\$ 129,277,668.21		\$ 163,797,254.44	\$ 295,175,122.65
Building #2 Construction Cost Expedited	Type I/A \$/- S.F.	Type I/A \$/- S.F.	Total Building Area	Type I/A Cost Per S.F.	Total Type I/A Cost	Type I/A Cost Per S.F.	Total Type I/A Cost	Total Construction Cost @ Current Rates
Year 1	162,575		162,575	\$ 554.82	\$ 90,675,450.35	\$ 512.70	\$ -	\$ 90,675,450.35
Year 2	162,575		162,575	\$ 354.88	\$ 62,957,500.10	\$ 323.80	\$ -	\$ 62,957,500.10
Year 3		219,724	219,724	\$ 406.05	\$ -	\$ 348.05	\$ 76,473,871.12	\$ 76,473,871.12
Year 4		219,724	219,724	\$ 426.58	\$ -	\$ 357.19	\$ 30,679,954.03	\$ 80,679,954.03
Subtotal: Gross S.F.	327,151	439,448	766,599		\$ 122,632,950.44		\$ 107,153,825.15	\$ 229,786,655.59
								Services & Expedited
								\$ 15,335,277.06
								General Conditions @ Avg. 12% 91 & 92
								\$ 9,582,477.17
								Total Expected Savings
								\$ 24,970,754.23

The developer has argued that there are benefits to approving this amendment, four of which I list below along with the flawed logic behind them.

#1 - This project will result in + \$30M in city fees.

These fees are only cost recovery measures and do not go to the general fund to assist with the deficit.

#2 - We need housing.

It is true that the region is in need for additional housing, but it was the community that negotiated to add the maximum amount of housing units allowed within the EIR/CEQA boundary. The project grew from 1200 units to 1556 based on the community seeing the site's location to public transportation and being secluded from single family residences. Building #2 consists of 399 units, which 356 would not exist without the community negotiating for them. Housing WILL get built here, but the hotel is the component that allows the city to generate funds to cover the costs to service those units. Without this revenue the deficit discussed earlier will only grow.

#3 - We need jobs.

Being in the construction industry and a member of the Electrical Union, Local 332, I can confirm that there are enough projects in the pipeline to keep the construction industry employed for the foreseeable future. I remember the last time this city put construction jobs ahead of what was right for the city, and that project was the Levi's stadium. Now we are still dealing with that "bad deal".

#4 - PAL would get their space earlier.

The Police Activities League (PAL) was offered a 7,500 sq ft space in building #2 as a way to sway council support for granting entitlements a year ago. As this was not something the community specifically requested, it was a benefit to

the city and believed to be a "good deal". Unfortunately, due to this deal being put together in secret and haste, the details of the agreement were not properly reviewed. The MOU requires PAL to pay \$1 per month on a triple net basis, along with utilities and tenant improvement (TI) expenses. Triple net requires that the lessee pay the "net" building costs which include real estate taxes, building insurance, and maintenance. These "net" costs would make PAL moving into the space difficult, if not impossible due to them not having a budget to pay the monthly costs or the expected TI costs. As you can see below the expected monthly costs to pal would be \$4,200 per month and almost \$3.5M over the 34.5-year term, not including utilities.

This deal was put together by a sophisticated developer for a community organization that does not have the experience to fully understand what they were agreeing to. It could be concluded that the developer used the PAL organization as a pawn to win support for the project with the understanding PAL would be unable to move in once the project was completed. We would hope that this would not be the case but on the surface, it is simple to draw this conclusion.

Excerpt from PAL MOU

2. **Key Lease Terms.** Upon the issuance of all necessary Project approvals, Landlord and Tenant shall thereafter promptly enter into the Lease, whereby Tenant shall lease from Landlord (i) an approximately 7,500 rentable square foot ground floor retail space, and (ii) a shared, approximately 1,000 rentable square foot ground floor conference room, each in Phase 1 of the Project in a location designated by Landlord in its sole discretion (collectively, the "Premises"). The Lease (i) shall be for a primary term of twenty (20) years, with two successive options to extend on the part of Tenant, the first option being for ten (10) years and the second option being for four (4) years and eleven (11) months, on terms mutually agreed upon, and (ii) shall be on a triple net basis. The base rent for the Premises shall be \$1.00 per month. The Lease shall also contain a right on the part of the Landlord to, at Landlord's sole cost and expense, relocate the Premises to Phase 2 of the Project on substantially the same terms and conditions as the Lease. In addition, the Lease shall terminate if Tenant is unable to reasonably timely obtain the requisite approvals from applicable governmental authorities for Tenant's intended use of the Premises as a gym/boxing/fitness facility. The Lease shall otherwise be prepared by Landlord's counsel on Landlord's standard lease form (which includes, among other things, Landlord's requirements for insurance), and the Parties shall conduct any negotiations in good faith.

Triple Net "NNN" Calculations

PAL Lease	Gross S.F. Leased	Cost Per S.F.	Potential Value	PAL Property Tax Owed	Building Insurance	Building Maintenance	LL Provided Benefit	Cost to PAL	Monthly Expenses
Private Space	7,500	\$ 4.25	\$ 31,875.00	\$ 30,574.67	\$10,000.00	\$ 7,246.38	\$ (31,874.00)	\$47,822.04	\$ 3,965.17
Shared Conference Room	1,000	\$ 1.42	\$ 1,416.67	\$ 815.32	\$ 250.00	1449.275	\$ (1,415.67)	\$ 2,515.60	\$ 209.63
Projected Monthly NNN Expense									\$ 4,194.80
Year-1 Total Annual NNN Expense									\$ 50,337.64
Total Lease Term NNN Expense (w/ 1.8% CPI)									\$ 2,424,931.96
Tenant Improvement Costs									\$ 1,000,000.00
Total Calculated Cost to PAL (34.5 Years)									\$ 3,424,931.96

DAs are voluntary and allow the developer to "lock-in" current ordinance requirements, fees, and allow the city to "ask" for items that would provide a benefit for "locking-in" those terms. Many hours and dollars from both sides are spent negotiating a DA, therefore terms should not be adjusted without heavy consideration, and concessions from the requesting party, ensuring both parties remain whole from said amendments.

Based on the developer's actions thus far and stated above, the community is skeptical that this request is not self-serving and based on greed. This developer has been aware of the community interest in regard to this project and yet they did not reach out to work to discuss options that would have limited impacts to both sides.

Opening up a DA will set a precedent for other developers to follow as the economy slides into a recession, giving away even more city benefits on other projects. The city should be concerned with long term planning and leave the risk/reward side to the developer. Over the past 6-years many developers have benefited from the region's economic growth, profiting far beyond what they're proforma told them they would. Why at the first sign of economic instability is it right for them to ask the city and residents to give up their limited benefits?

This DA amendment proposal was submitted due to the impact COVID-19 has had on the hospitality industry. The unfortunate reality of COVID-19 is that there is no business sector or person that has not been affected by this unprecedented pandemic. This is a time for all of us to come together and work through these issues to ensure we all make it through.

After speaking with the larger community, we feel it only reasonable to request that the developer off-set the impact of their request by meeting the minimum affordable housing requirement the city has adopted. As discussed earlier the region is in need of housing, and more so affordable housing. The community members most affected by COVID-19 are the very people this additional affordable housing would help support in the years to come.

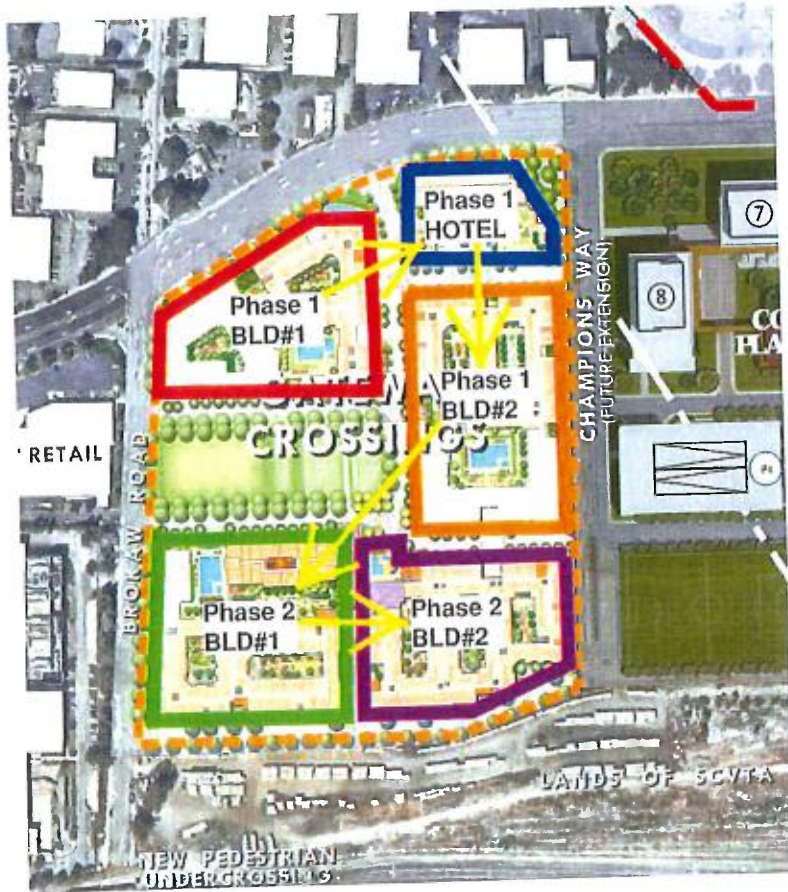
This request is a deferred benefit to the city since the rent savings are not an "out-of-pocket" expense to the developer and only once the project is complete it will take 30-years to realize. Please see the breakdown of the request below and the benefits for both sides in order to assist with your decision.

Room Type	Market Rate
Studio	\$ 2,700.00
1-Bedroom	\$ 3,100.00
1-Bedroom + Den	\$ 3,300.00
2-Bedroom	\$ 3,750.00
2-Bedroom + Den	\$ 4,000.00

Additional 5% Affordable Units @ Current Levels	Rent @ 100%	Rent @ 80%	Unit Count Split @ Each Level	30 Year Rent Delta NPV
Studio	\$ 2,300.00	\$1,819.00	10	\$ 855,721.99
1-Bedroom	\$ 2,628.00	\$2,079.00	33	\$ 3,742,646.48
1-Bedroom + Den	\$ 2,792.00	\$2,209.00	2	\$ 272,251.10
2-Bedroom	\$ 2,956.00	\$2,339.00	30	\$ 5,011,925.51
2-Bedroom + Den	\$ 3,120.50	\$2,468.50	3	\$ 453,867.02
Return on Additional 5% Affordable Housing				\$ 10,336,412.10

I know this email has been long and detailed. I speak behalf of The Old Quad when saying THANK YOU for your time, service, and consideration. If there are any questions, please feel free to reach out for clarifications (contact info below).

Current Phase Reference:



Cheers,

Adam Thompson
OQRA Board Member

Julie Minot

From: Brian G. <bgold16@yahoo.com>
Sent: Sunday, July 5, 2020 11:26 PM
To: Mayor and Council
Subject: In support of Hunter-Storm amendment

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mayor Gilmor and City Council Members,

As a lifelong Santa Clara resident, I enthusiastically support Hunter-Storm's proposed amendment. It wisely accelerates many community benefits, including a much-needed 7,500 sq. ft. Police Athletic Leagues space for our youth. The 3,500 sq. ft. Tavern on the Green restaurant and the new public park will also enhance this site and help make it a destination point in the South Bay. The restaurant will bring tax revenue to the City and the project will be another shining example of what is possible in Santa Clara.

Thank you for your leadership and service to our community.

Sincerely,

Brian Goldenberg
Santa Clara since 1969

Julie Minot

From: Sudhanshu Jain <suds@sudsjain.com>
Sent: Friday, July 3, 2020 3:37 PM
To: Mayor and Council; Manager; Raj Chahal; Teresa O'Neill; khardyca@comcast.net
Subject: Gateway Crossings Project on July 7th

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Dear Mayor, Councilmembers and City Manager,

I'm writing to you about the amendment to the development agreement for the Gateway Crossings Project which will come before you this next Tuesday.

Hunter Storm is claiming that they need to change the phasing of construction because of an inability to get funding for the hotel. I am very skeptical of that argument since I believe that we will have a vaccine or therapy for SARS-CoV-2 with high probability in the next 3 years which is before the hotel would even be completed.

During the lengthy Planning Commission hearing on June 10th, the applicant, Hunter Storm, admitted two things :

1. **No one wants to build building 1 by itself**
2. **Building both #1 and #2 simultaneously gives them "economies of scale".**

That implies to me that Hunter Storm stands to save a lot of money by building both 1&2 together and they are using COVID-19 as an excuse to make more money.

Development agreements are risky propositions for both the City and the applicant; they lock in conditions, rights and obligations. Since the DA was signed, the City has started to require 15% inclusionary affordable housing. Hunter Storm is building only 10%.

Delay of the hotel will cost the City a lot of money in lost transit occupancy taxes. By my estimate, this is \$2.4 million of TOT PER YEAR. So the City is actually losing money by granting this amendment and the applicant is SAVING money. Seems like a very one-sided deal to me.

The only benefit of building 1&2 together is that we get more housing earlier and PAL gets it's room a little earlier. But the City's budget which is in deficit will actually be hurt by this amendment.

Finally I believe that the facility that Hunter Storm is offering to PAL will actually bankrupt PAL since PAL can't afford the utilities, insurance, maintenance and real estate taxes.

That is why I voted against this very one-sided amendment on Planning Commission since Hunter Storm refused to offer more concessions like 15% affordable housing (City's current standard).

Thank you,

-- Suds Jain



This email has been checked for viruses by Avast antivirus software.
www.avast.com

Julie Minot

From: Sudhanshu Jain <suds@sudsjain.com>
Sent: Sunday, July 5, 2020 7:22 PM
To: Mayor and Council; Teresa O'Neill; Andrew Crabtree; Raj Chahal; Karen Hardy
Subject: Fwd: Editor's Choice: How much insiders think Coleman Highline buildings could fetch

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Mayor, Councilmembers and Andrew,

This article shows how desirable buildings near Santa Clara Station will be.
Looks like Hunter Storm will make a LOT of money on these buildings even with COVID raging.

<https://www.bizjournals.com/sanjose/news/2020/07/02/hunter-storm-coleman-highline-phase-i-for-sale.html>

Hunter Storm Development has put two buildings at its Coleman Highline project that are 100% leased to video streaming tech company Roku Inc. on the market for sale. The properties represent some of the most desirable ones available for sale in Silicon Valley right now, according to multiple real estate industry sources.

Coleman Highline Phase I is located next to the Santa Clara Caltrain station and to Earthquake Stadium, home to San Jose's professional soccer team, and is less than three miles from San Jose airport. "Caltrain is still going to be in high demand after the Covid-19 pandemic is over," a source said, adding that demand will only continue to increase for suburban transit-oriented developments moving forward.

The source said that the office product near Caltrain stations in Silicon Valley that have changed hands have all done so for about \$1,000 a square foot, meaning it's rare to have the opportunity to acquire high-quality Class A product "on rail" for below that price.

----- Forwarded Message -----

Subject: Editor's Choice: How much insiders think Coleman Highline buildings could fetch
Date: Sun, 5 Jul 2020 18:03:31 -0500 (CDT)
From: Silicon Valley Business Journal <reply@news.bizjournals.com>
Reply-To: reply@news.bizjournals.com
To: suds@sudsjain.com

Sponsored by

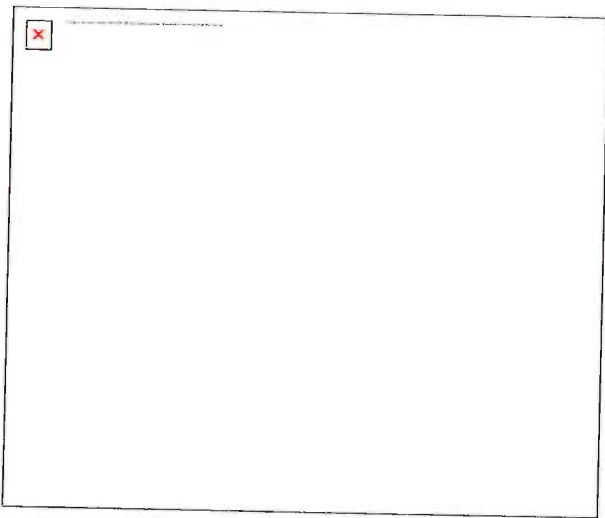
EDITOR'S CHOICE




Coleman Highline Phase I hits the market for sale. Here's how much industry insiders think the buildings could trade for.

By **Matthew Niksa** / Here's why real estate industry sources think the pair of Class A office buildings are some of the most desirable properties available for sale in Silicon Valley right now.


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Julie Minot

From: Mark and Kathy Kelsey <ltmk@me.com>
Sent: Monday, July 6, 2020 6:47 PM
To: Mayor and Council
Subject: Gateway Crossing Agenda item for Council meeting July 7

Dear Mayor and City Council,

The City Council **should not approve** this development agreement amendment for the Gateway Crossing project as proposed. By amending the development agreement the City stands to lose millions in transit occupancy tax, while saving the developer millions in construction costs.

We propose that the developer offer the city significant benefits for making the change. The benefit/impact for the developer in making this change is over \$45 MM. We propose that the developer provide an additional amount of affordable housing consistent with Santa Clara's current affordable housing standard at a cost of \$10.3 MM.

Loss of TOT revenue for the City

The impact of not building the hotel as planned is the loss of TOT revenue--\$5.6 MM at current TOT rates and \$7.4 MM at proposed TOT rates.

Retaining the parking benefit for the developer

The developer is realizing cost savings from the parking requirement agreement negotiated based on building the hotel after phase one of \$21.3 MM.

Realizing construction cost savings for the developer

While the current COVID crisis may make the hotel development more difficult, it appears that the prime motivation for delaying the hotel is to bring Phase 2 residential construction forward which would realize \$24.9 MM in construction cost savings for the developer.

And note that benefits for PAL are overstated

NNN terms of their lease will result in a monthly expense of \$4,200 and almost \$3.5M over the 34.5 year term, not including utilities.

What does the city receive in return for granting this change in the development agreement? We are proposing that the developer be required to add an additional 5% of the total units as affordable housing. This would be consistent with Santa Clara's current 15% affordable housing requirement.

Perhaps the right action for the council is to send this back to staff for further negotiation of benefits for the city?

Mark Kelsey
Kathy Kelsey
740 Hilmar St
Santa Clara, CA 95050

Julie Minot

From: Jonathon Evans <oqra@jthon.com>
Sent: Monday, July 6, 2020 9:43 PM
To: Mayor and Council
Cc: Old Quad Residents Association; Debby Fernandez; Reena Brilliot; Andrew Crabtree
Subject: Council Meeting 07/07/2020 - Item 20-521 - Amendment to DA Agreement for Gateway Crossings

Dear Mayor and City Council,

I'm writing to you about agenda item 20-521 - Amendment to DA Agreement for Gateway Crossings.

Santa Clara should not approve this DA amendment as proposed by Hunter Storm Development/TOD Brokaw LLC.

Despite this request Hotel investment hasn't completely dried up in Santa Clara. This is the only project which has currently requested deferment of a Hotel due to COVID-19. Several Hotel development projects continue to be developed and projects are underway for additional hotels near El Camino, there is a 22-story 319 room Hilton near the Convention Center, and 480 room Equinox hotel in the Related Project.

Not only that there is a development which 6-days before Hunter Storm submitted their application, submitted a proposal to build 396 6-story Hotel at 1290 Coleman Avenue, literally across the street from this project. This project is still proceeding despite the pandemic.

This is the only Hotel project which has currently paused and decided to not go forward.

While Hunter Storm claims this is not a renegotiation of the DA contract it in fact is. In a negotiation both sides should receive a mutual benefit for changing the terms of the contract.

Hunter Storm has stated that they will benefit from an economy of scale by building the two buildings together. What does this mean in real terms? They are going to save \$25 million dollars in construction costs by resequencing when the Hotel is built within the first phase of this project compared to their original plan. This also makes it easier for the developer to find a residential building partner rather than finding someone to build the hotel and residential at the same time. This also allows them to defer risk related to the hotel until later in their project timeline.

What does the City receive in return for this renegotiation? The City loses a future revenue source for ToT, on the order of \$1-2 million a year using pre-COVID occupancy numbers. It also "loses" fees from the developer to cover the costs to the City of building this development.

This is an example of shifting the developer's risk for finding a Hotel partner to the public, and privatizing returns if one is found. If the terms of this contract are to change then the City should negotiate a benefit for itself as well.

Times have changed since Hunter Storm applied for this project back in 2016, and one of those changes is the City of Santa Clara now requires 15% affordable housing as part of new developments.

One thing which COVID-19 has made abundantly clear is that affordable housing is in critical need in Santa Clara county. Yet this development's affordable housing component is out of date. If the developer were to bring this up to current expectations the developer should increase their share of affordable housing to 15%. The cost to the developer to match our current affordable housing requirements is ~\$10 million over 30 years.

With the over \$25 million in savings on construction the developer can meet this affordable housing requirement, and still avail themselves of additional savings. This is win-win for the developer and community.

I support the council taking a strong look at this DA amendment request and making sure that Santa Clara is bargaining for the best development agreement amendment possible.

The City of Santa Clara at a minimum should be asking for this developer to meet the current affordable housing standards as a condition of modifying this development agreement given all the savings the developer will realize with the resequencing request.

Jonathon Evans
President OQRA

Julie Minot

From: Ray Poudrier <raypou@gmail.com>
Sent: Monday, July 6, 2020 10:16 PM
To: Mayor and Council
Subject: Council and Authorities Concurrent Meeting - Agenda Item 20-521

Dear Mayor and City Council,

The Mayor and Council **should not approve** this DA amendment as-is. Hunter Storm just signed this DA with the City in October of 2019, and is already coming back to renegotiate the deal. By amending the development agreement the City stands to lose millions in transit occupancy tax, while saving the developer 10's of millions in construction costs. Using COVID-19 is a poor excuse for construction that will take multiple years to complete, by which time travel will have recovered.

This amendment in its current form is lose-lose for the City. The City should get something in exchange for renegotiating this deal.

COVID-19 has shown us that affordable housing is in critical need in our region. In exchange for millions of savings for the developer, the City should require this development meet the same affordable housing requirement any new project would require.

Sincerely,
Raymond Poudrier

Julie Minot

From: webmanager@santaclaraca.gov
Sent: Tuesday, July 7, 2020 8:07 AM
To: Mayor and Council
Subject: Contact City Council

A new entry to a form/survey has been submitted.

Form Name: Contact City Council
Date & Time: 07/07/2020 8:07 AM
Response #: 235
Submitter ID: 74622
IP address: 2601:647:4580:3be0:c4a6:7d32:338a:529b
Time to complete: 19 min. , 58 sec.

Survey Details

Page 1

1. NAME

Dawn L Thompson

2. EMAIL ADDRESS

dawnlthompson2012@gmail.com

3. COMMENTS

765 Fairlane Avenue

Re: Gateway Crossing DA Amendment

Dear City Council Members,

Tonight when you each have the opportunity to vote on the GC Amendment please remember your city residents, the tax payers of this city. All the work, time, and collaboration and all that went into the approved agreement to build it. Most importantly think, believe and stand strong for the VISION of this development. Adam is right when he says...."Now is the time to build the hotel, conference rooms and roof top dining." People are going to be traveling and wanting to visit our area for so many reasons. This development will have a draw to the stadium. Sunnyvale has a huge development in play designed to be the hot spot for stadium goers. It will surely be competition for revenue. Please be leaders who are strategic, visionary and steadfast in our future. We are depending on you.

Sincerely,

Dawn Thompson

765 Fairlane Avenue

Santa Clara, CA 95051

408-315-0147

Thank you,
City of Santa Clara

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Julie Minot

From: webmanager@santaclaraca.gov
Sent: Tuesday, July 7, 2020 8:20 AM
To: Mayor and Council
Subject: Contact City Council

A new entry to a form/survey has been submitted.

Form Name: Contact City Council
Date & Time: 07/07/2020 8:20 AM
Response #: 236
Submitter ID: 74623
IP address: 2601:647:4580:3be0:c4a6:7d32:338a:529b
Time to complete: 10 min. , 22 sec.

Survey Details

Page 1

1. NAME

Tim Thompson

2. EMAIL ADDRESS

tthompson5768@gmail.com

3. COMMENTS

765 Fairlane Avenue

Re: A No vote for the DA Amendment tonight for the Gateway Crossing

Dear Mayor and City Council members,

Stop being in bed with all the developers and laying back and just taking whatever they give you. Stand up and do what is right for our city's tax payers. We should get something for it instead of higher taxes. The biggest example is Levi Stadium.

Sincerely,

Tim Thompson

765 Fairlane Avenue

Santa Clara, CA 95051

408-209-6893

Thank you,
City of Santa Clara

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Julie Minot

From: Gregory Romano <gjromano@icloud.com>
Sent: Tuesday, July 7, 2020 8:29 AM
To: Mayor and Council
Subject: Council and Authorities Concurrent Meeting - Agenda Item 20-521

Dear Mayor and City Council,

The Mayor and Council **should not approve** this DA amendment as-is. Hunter Storm just signed this DA with the City in October of 2019, and is already coming back to renegotiate the deal. By amending the development agreement the City stands to lose millions in transit occupancy tax, while saving the developer 10's of millions in construction costs.

This amendment in its current form is lose-lose for the City. The City should get something in exchange for renegotiating this deal.

COVID-19 has shown us that affordable housing is in critical need in our region. In exchange for millions of savings for the developer, the City should require this development meet the same affordable housing requirement any new project would require.

Sincerely,

Gregory Romano
Santa Clara Resident

Julie Minot

From: Kathleen Romano <karomano@me.com>
Sent: Tuesday, July 7, 2020 8:32 AM
To: Mayor and Council
Subject: Council and Authorities Concurrent Meeting - Agenda Item 20-521

Dear Mayor and City Council,

The Mayor and Council **should not approve** this DA amendment as-is. Hunter Storm just signed this DA with the City in October of 2019, and is already coming back to renegotiate the deal. By amending the development agreement the City stands to lose millions in transit occupancy tax, while saving the developer 10's of millions in construction costs.

This amendment in its current form is lose-lose for the City. The City should get something in exchange for renegotiating this deal.

COVID-19 has shown us that affordable housing is in critical need in our region. In exchange for millions of savings for the developer, the City should require this development meet the same affordable housing requirement any new project would require.

Sincerely,
Kathleen Romano
Santa Clara Resident, District 5

Julie Minot

From: Patricia Leung <patriciaoqra@gmail.com>
Sent: Tuesday, July 7, 2020 11:37 AM
To: Mayor and Council
Subject: Council Meeting 07/07/2020 - Item 20-521 - Amendment to DA Agreement for Gateway Crossings

Dear Mayor and City Council,

I am asking the City Council to **reject** the current proposal because it comes at a gain for Hunter Storm and a net loss for the City in the long term.

- Sequencing matters
 - Parking ratio is always a huge point of contention for every development that comes up in the city.
 - During the negotiation of the original DA, the city offered to lower the number of parking spaces by 207 that **reduced the parking ration from 1.44 to 1.24 at a cost savings of approximately \$21 million dollars for the Developer.**
 - In exchange, the hotel was sequenced between Building 1 and 2 to ensure it will be built to bring in much needed transient occupancy tax (TOT), property tax of the hotel, and other auxiliary financial benefits to the City such as retail and dining sales tax.
 - **The reason to place the hotel before building 2 is precisely because there is a financial incentive for the Developer to build the hotel as quickly as possible so they can avoid further escalating cost. If that is a deal breaker at the first place, they should not have signed the original DA.**
 - A note on hotel property tax
 - During the planning meeting, one of the commissioners mentioned that we get more tax revenue from a residential development property tax than from TOT. While that may be true, it is comparing apples to oranges and it doesn't factor in the property tax on the hotel itself. In reality, we should be comparing apples to apples PLUS oranges.
 - Property tax on hotels is much more complicated than residential and this is not the place to get into them, but hotels are generally recognized as one of the highest taxed real estate assets for a City.
 - <https://www.lexology.com/library/detail.aspx?g=e24d6a1c-de8b-4676-b817-a677524900b9>
 - A note on hotel opening timing
 - No one expects the hotel to open in the next two years. It was mentioned that the Equinox hotel slated at the Related project will not open until 2025. That is not far from the timeframe we expected this hotel to open due to the recency of the currently signed DA.
- What does Hunter Storm stand to gain?
 - Based on the estimates from historical data, by shifting up the timeline of construction of building 2, the developer can save on both economies of scale by building both buildings at a closer time frame relative to one another and avoid escalation construction costs.
 - **Conservatively this gains them about another \$25 million dollars in cost savings**
- Let's do some math
 - Developer Gains
 - City offered the reduction of 207 parking space ~ \$21 million in cost savings the Developer
 - Changing the sequencing to expedite building 2 ~\$25 million in cost savings for the Developer
 - City Losses
 - Expected TOT for the next 4 years IF the hotel was to open today ~ \$5.6 million dollars

- Again, we are not expecting the hotel to open for 4 years - we expect occupancy rates to rebound by that time
 - Reduced occupancy rate does not equal \$0 dollars in tax revenue
 - Property tax on the hotel
 - Sales tax on hotel amenities
 - What does this translate to?
 - Current City funding
 - City deficit is \$10 million the remainder of the current fiscal year, while 2020-21 could bring a nearly \$23 million decrease in available funds
 - <https://sanjosespotlight.com/santa-clara-prepares-for-financial-deficits-set-to-extend-singer-contract/>
 - City unfunded project outside of the current City budget - \$299.4 million in unmet needs as part of the Capital Improvement Program (CIP) Budget
 - <https://www.santaclaraca.gov/our-city/government/governance/city-initiatives/prioritize-santa-clara/>
 - What kind of things can this impact?
 - Less funding to essential services for residents
 - Higher application fees when residents need to apply for anything in the City
 - Higher rental fees for City owned property for residents
 - Less funding for resident enrichment events such as the 4th of July Celebration, Art and Wine Festival, winter ice rink, and parades
- If the Hunter Storm is coming back to the City to ask us to open up the signed agreement in order to modify it to suit their current reality, the City has the right to ask the Developer to adjust to the City's current reality in return.
 - COVID-19 has shown us that affordable housing is in critical need in our region. In exchange for millions of savings for the developer, the City should require this development meet the same affordable housing requirement any new project would require.
 - We are not asking the Developer to send the City their cost savings from compressing the development timeline to help fix our deficit or make up on the hotel revenue loss, we are simply asking them to adhere to our current city ordinance to improve their affordable housing percentage from 10% to 15%.
 - This is at a cost of ~\$10 million dollars over 30 years to the developer.
 - Affordable housing has a whole host of benefits for the entire community. We are merely asking the Developer to expand that opportunity.
 - <https://www.forbes.com/sites/forbesrealestatecouncil/2020/01/06/how-whole-communities-benefit-from-affordable-housing/#2bb53f1824e8>
- Let's do some math again
 - Hunter Storm saves ~\$46 million dollars
 - City loses ~\$5.6 million in just TOT (not factoring in property tax etc.)
 - We are asking the developer to invest ~\$10 million dollars in the community in the next 30 years
- If Hunter Storm thinks our estimates are way off base, I invite them to share their own numbers as justification to amend the DA per their request.

With the utmost respect,
 Patricia Leung
 Board Member, Old Quad Residents' Association