

4590 Patrick Henry LLC

April 15, 2021

Via Email
Gina Saporito
City of Santa Clara
Parks and Recreation Department
1500 Warburton Avenue
Santa Clara, California 95050

Re: Comments to Annual Land Valuation Appraisal Report, December 31, 2020

Dear Ms. Saporito,

4590 Patrick Henry LLC owns 4590 Patrick Henry Drive in Santa Clara, CA. I am commenting on the draft Annual Land Valuation Appraisal Report prepared by Frank Schmidt & Associates effective December 31, 2020.

For zip code 95054, the report assumes the land value increased to \$4,830,000 which represents approximately 7.5% increase from prior appraisal. This appraisal assumes many factors, including economic rebound and increase in sales comparatives from another zip code region within Santa Clara.

As a property owner in zip code 95054, I have not seen this economic rebound nor do I believe commercial and industrial land values have increased, rather I believe it has decreased. For example, commercial/industrial tenant that was in the property filed California's version of bankruptcy during 2020 and its subtenant has vacated and downsized into a new premises outside of zip code 95054. The neighboring tenant next door to 4590 Patrick Henry has put majority of its space on the sublease market as well. If one does visit the 95054 zip code area, most properties are not achieving the asking rental rates referenced by the appraiser and many for lease signs are noticeable. Asking rental rates are currently inflated so that property owners can do workouts with its existing lenders.

Also, if there are not substantiated sales comparatives in zip code 95054, it appears using a 95% adjustment factor for residential is too high when asking rates for rental residential has been decreasing by approximately 15% from prior year.

While future development has been referenced for zip code 95054, most are on hold unless GMP was negotiated and was in midst of development. I believe even Related project has not broken ground as today. The ones that are continuing to be built, these projects would be in default with its lender if the sponsor did not proceed and complete the projects.

With the general references above, the new land value per acre especially for zip code 95054 appears too high and may want to consider using prior values prior to COVID-19.

Thank you for your consideration.

Sincerely,

4590 Patrick Henry LLC,
a Delaware limited liability company

By: 

Name: Jimmy Park

Its: Authorized Signatory

SARES REGIS

April 16, 2021

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

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

Dear Mayor Gillmor and City Manager Santana,

On behalf of Clarion Partners, 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 Annual Land Valuation Appraisal Report Effective December 31, 2020 (Appraisal). Similar to our letter from last August, and due to the unprecedented nature of COVID-19 we are in uncharted territory with impacts on real estate yet to be realized. In addition, construction costs are not abating; rents are declining, and vacancies and capitalization rates are increasing.

If the City decides to pursue parks in lieu fee adjustments, we recommend that the City set aside the 2020 Appraisal and instead rely on the 2017 Appraisal to set the land value component of the fees and not increasing land values in the parks in lieu fee calculation for the upcoming year. This is a reasonable and responsible approach to take considering the current economic crisis to promote COVID-19 economic recovery efforts and not further disincentivize the construction of much needed market rate housing and affordable housing.

The park fee increase adopted in November 2019 was the result of significant work and compromise between the home building industry and City of Santa Clara and there are park improvement cost escalators built into the fee. We request that no land value fee increase also be adopted at this time and wait until there is more visibility as to the ramifications of COVID-19 and its impact on both commercial and residential markets as well as property values.

Thank you for your time and consideration on this important matter.

Sincerely,



Jeff Smith, Director, Sares Regis

CC: Manuel Pineda
James Teixeira

Sares Regis Group of Northern California, LLC
901 Mariners Island Boulevard, Suite 700, San Mateo, CA 94404
T: 650-378-2800 F: 650-570-2233