



January 21, 2020

Deanna Santana
City Manager
1500 Warburton Ave
Santa Clara, Ca.

Dear Ms. Santana,

In the wake of the City Council's denial of our Development Agreement extension request for the 3005 Democracy Way project, we are writing to clarify our request's intent and memorialize what we heard from the Council. We respect the decision made by the Council and value their candor and write in hope of securing a better mutual understanding of the goals the City would like to see achieved from the opportunity presented in our application.

First, we would like to apologize for any confusion and clarify the purpose of our extension request. The intent was simple; to preserve the ability to move forward with the Council approved project in the event the mixed-use approvals cannot be secured due to the FAA restrictions or if there are other City or community concerns that prove unsolvable. Nothing more.

We mistakenly thought that the City would be jointly interested in preserving the existing entitlements it granted to Yahoo that were acquired by LeEco - a company that was purchased by Kylli - which is the parent company of Innovation Commons Owner. We were willing and enthusiastic to update the terms of that agreement to ensure that the City was fairly compensated through updated fees and community benefits not defined in the current agreement and we were hopeful to enter into that discussion. We also understood this request to be consistent with the City's continued pursuit of similar zoning in the ongoing updates to the General Plan. We had been in discussions about the DA extension since our acquisition of the property, and while potential updates to the DA were discussed by the Planning Commissioners, we otherwise were not met with resistance for this request during our outreach or processing, as reflected in Staff and Planning Commission's recommendation. What we did not understand is that although the General Plan identifies the site for office, the City Council has no desire to preserve an all-office entitlement and now views the Yahoo! office project, or any office project without a housing component, as undesirable.

Although we are a new developer to the City of Santa Clara, Kylli has strong financial backing and owns two large and successful Bay Area office projects, including the newly constructed 804,000 sq. ft. Burlingame Point project in Burlingame that was recently leased to Facebook. We used our recent local experience, as well as feedback from the broker community, to conclude that the Yahoo! plan continues to have strong market viability. Otherwise, we would not have proposed to extend the Development Agreement and renegotiate terms. It is Kylli's belief that the denial of the DA extension has implications to us and the valuation of the property. It removes certain rights that were in place at the time of the developments acquisition and if the mixed-use entitlement is unsuccessful, does not provide the property entitlement rights for an alternative.

What we did hear from the City Council was unequivocal: The City wishes for us to pursue a mixed-use project along the lines of what Kylli previously submitted but updated to address FAA restrictions on the site. As Kylli proceeds with securing the required approvals for the mixed-use project, we are hopeful that improved communication will lead to a deeper understanding of each other's goals and objectives. We see this as an opportunity to show Kylli's commitment to the City of Santa Clara, while continuing our focus to be strong, long-term community partners. We know this can only be achieved through actions, not words, and we look forward to gaining Santa Clara's confidence in our ability to deliver a high-quality, thoughtful project that will benefit the City of Santa Clara.

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With the direction provided by the City Council last week, we will continue to engage the City's staff and policy makers on an update of our process, plans, and proposed timeline for the mixed-use project. While the most obvious implication is height reductions, those height reductions will require consideration of possible changes to land uses, massing, square footage, project programing and community benefits.

To that end we request that the City initiate a study session on Kylli's proposed mixed-use project so that we can receive directional feedback from the City Council that will assist us in project refinement and our ongoing community outreach program. A study session would also create better understanding of the FAA issues raised and their implications and hopefully improve the partnership between Kylli and the City of Santa Clara on working towards a joint vision for the future of our site and the exciting Santa Clara North. We look forward to continued discussion with you and the community about goals and the proposed plan for the Mission Point development.

Randi and I look forward to continued discussion with you and the community about goals and the proposed plan for the Mission Point development.

Regards,

Ou Sun

CEO Kylli
225 Bush Street
San Francisco, Ca, 94104

CC

Mayor Gillmor

Vice Mayor Hardy

Councilmember Watanabe

Councilmember Chahal

Councilmember Mahan

Councilmember O'Neill

Councilmember Davis

Andrew Crabtree