



Dear Mayor Stewart, Councilmembers,

Thank you very much for meeting with us last week to discuss residential uses on the San Luis Ranch Lot 7 parcel. We truly appreciate your time and thoughtful input, as well as the opportunity to summarize our conversations.

To recap, Williams Homes (WH) and People's Self-Help Housing (PSHH) propose a partnership that will provide the City with 276 market rate rental apartments and a minimum of 70 inclusionary units for low and very low-income tenants. Both organizations have a long track record of successfully completing projects in the City and County. The SLR Lot 7 location provides outstanding access to schools, parks, public transportation and services, and will score well on PSHH funding applications.

Funding Dilemma

Importantly, neither WH nor PSHH can obtain funding for their project if encumbered by the other component. WH cannot secure bank loans for their development if their ability to obtain certificates of occupancy is dependent on PSHH performance. And PSHH cannot secure State or Federal grant funding for their development if they are dependent on WH construction progress for critical infrastructure. All of you indicated that you understand that this "chicken and egg" problem is a critical barrier to developing Lot 7.

SLR proposes the following solution to this impasse:

- SLR is willing to amend the DA to lock in current (2024) impact fees, amounting to approximately \$5.5MM in addition fee income to the City. In exchange for our agreement to pay 2024 fees, the City will agree that upon dedication of the recorded legal parcel to PSHH and payment to PSHH of \$500,000, WH will be free of any construction start or occupancy restrictions related to the affordable component of the project.
- To ensure PSHH has a "shovel ready" project, which is necessary for them to apply for financing, the project would be willing to post a bond in the amount equal to the cost of improvements necessary to provide PSHH with a buildable lot (access and utilities).

We believe that this resolution will allow both components of the Lot 7 project to move forward expeditiously to deliver much needed affordable and workforce housing to the City. If this resolution is deemed unacceptable, we respectfully request that City staff present to us a financial and/or timing arrangement that would compel staff to support and City Council to approve Lot 7 as proposed.



Fiscal Analysis

A number of you expressed concern regarding a perceived loss of sales tax revenue as reported in the EPS memo directed by City staff. However, as we discussed, local retail vacancy and absorption rates, as well as our two- and half-year experience attempting to market Lot 7 to retail developers, confirm that the site will not support additional retail. We understand that you feel the need to take this potential loss into consideration when making decisions about re-entitlement. However, we hope that you will consider both the Fiscal Impact Analysis completed by Applied Development Economics as well as the memo completed by San Luis Ranch. It should be noted, that since the inception of the San Luis Ranch Specific Plan and associated Development Agreement, the fiscal impact analyses of the project have been completed by Applied Development Economics at the direction of the City.

We also registered your alarm regarding the sale of Harvest Loft units to Cal Poly, and the associated loss of property tax revenue. Upon detailed review of the Fiscal Impact Analysis, the total projected loss of property tax revenue from the Harvest Lofts is estimated at approximately \$77,000 per annum. Additionally, the City's concern over the loss of property tax revenue seems to directly conflict with the Lot 7 economic study commissioned by City staff and completed by EPS where a single variable, Lot 7, was isolated. It should also be noted that when taking a holistic approach to fiscal evaluation, which is to say including all revenue and expenses for the master planned community, even after the loss of property taxes from the sale of the Harvest Lofts and the proposed re-entitlement of Lot 7, the entire Specific Plan area returns an annual surplus to the City in excess of \$500,000. This figure is supported by the calculations completed in the supporting documents for the latest EPS memo.

To continue processing the Lot 7 proposal in good faith, we request that the GPA/SPA amendment authorization be brought to hearing prior to year-end. Mayor Stewart indicated potential availability on November 12th and December 10th. We will be pleased to work with staff to prepare a cohesive and comprehensive presentation for Council on either of these dates.

We look forward to working collaboratively with you to further Major City Goals and further burnish the City's Prohousing designation. Thanks again for your time and consideration.

Sincerely,

Josh Birin

Cc. Whitney McDonald, City Manager
Timmi Tway, Community Development Director