



TERM SHEET

DEVELOPMENT OF LOT 7 – SAN LUIS RANCH SPECIFIC PLAN

Williams Homes (Williams) is proposing to develop Lot 7 of the San Luis Ranch Specific Plan with up to 276 market rate rental apartments and up to 15,000 square feet of neighborhood commercial. A 1.88-acre parcel within Lot 7 would be created and given to People's Self-Help Housing (People's) for the development of at least 69, and up to 77 affordable units. Consistent with the existing Development Agreement, San Luis Ranch is dedicating the parcel and will provide a \$500,000.00 contribution to People's for use in construction of the affordable units.

During discussions with City staff, it has become clear there are concerns about the timing of the construction of the affordable units. Presently, the City is requiring construction of the affordable units in conjunction with the market rate units. As People's competes for grant funding from a number of private and public programs potentially over multiple years to construct their projects, tying the affordable and market rate units together makes it very difficult if not impossible to finance the market rate apartments.

To address this issue initially, San Luis Ranch and Williams Homes offered to post a bond with the City in an amount equal to the extension of utilities and access to the People's parcel. City staff is still concerned with this "bond offer" as there can be difficulties and costs, along with timing issues associated with calling a bond and obtaining the funding from the bonding company.

To address this issue and allow the affordable and market rate units to move forward independently Williams is proposing the following:

- As a condition of the formal project entitlement for the market rate units, Williams within 30 days of approval would post a cash Letter of Credit in favor of the City in an amount equivalent to the costs associated with the extension of utilities and access to the People's parcel (presently it is estimated that those costs are approximately \$1.5 million). This along with providing People's with their parcel will allow People's to start securing grant funding for their project. This Letter of Credit would be released to Williams upon completion of the access and utility extension to People's parcel. If for some reason the Williams market rate project is delayed for an extended period the City would have the ability to use the cash Letter of Credit funds to complete the improvements for People's if they are in a position to move forward. We can work with staff on a recommended "delay" time frame during the formal entitlement process. A Letter of Credit in favor of the City is basically cash sitting in an account that the City can obtain much quicker and easier than calling a bond.
- As a condition of the formal project entitlements for the market rate units, Williams within 30 days of approval would post a second Letter of Credit in favor of the City in the amount of \$1.5 million to motivate Williams to assist People's to ensure completion of the People's project. The



Letter of Credit would be reduced to \$750,000 at such time that People's confirms to the City in writing that they have secured the necessary funding for their project. The Letter of Credit would be completely released at such time People's commences construction of their project.

- Williams and San Luis Ranch agree to amend the Development Agreement to pay impact fees to the City in an amount equal to the fees in effect in December 2024, rather than the 2018 fees locked in by the approved Development Agreement. This results in an additional approximately \$5.5 million to the City.
- Williams has also confirmed to City staff that as a condition of the formal entitlement approvals Williams would complete any additional landscape improvements within the parkway along the project frontage as well as maintaining those ultimate parkway improvements.

Williams would like to thank City staff for continuing to collaborate with us on this exciting project. They have provided great feedback and direction as we have moved through the conceptual plan for Lot 7. We strongly believe we will be able to work with the City and People's to make this project happen. Finally, it is Williams intent to develop and hold the market rate units for the long-term and we have no intent or interest to sell the market rate units to Cal Poly.

Thanks for your consideration and we look forward to working with the City through the entitlement and development process.