



June 22, 2015

Mr. William Meeker
Community Development Director
City of Burlingame
501 Primrose Road
Burlingame, CA 94010

**Re: Potential Amendments to May 8 Proposal
The Village at Burlingame**

Dear Mr. Meeker,

Thank you for the opportunity to submit the following potential amendments to our May 8 proposal as presented to the City Council on June 9. We understood from the meeting that we were to offer areas within our most recent proposal that were flexible relative to the various concerns expressed by the Councilmembers. We also understood that any project design elements would be left to the typical public planning process, and as such, we are not addressing those items here.

We have organized this response as follows for your convenience:

- 1) Re-state our proposal as presented to the City Council on June 9, 2015
- 2) Specify the Councilmember concerns applicable to our proposal; and
- 3) Offer amendments that we are willing to accept that we consider financially and functionally feasible while attempting to address the Councilmember concerns and further specifying any cascading consequences from the amendment

There were of course some individual Councilmember concerns that we simply can't address because of their wholesale impact on the project and our base proposal. If we have not provided an amendment here, it simply means that we are unable to mitigate the concern in any meaningful way.

Finally, with these potential amendments, we are committed to remaining true to these original RFP objectives as specified by the City of Burlingame:

- Optimize use and value of city-owned parking lots
- Expand affordable housing options
- Replace lost public parking
- Provide or fund construction of new public parking
- Create high-density close to Burlingame Avenue

We trust that you will find that this amended proposal does not depart from these goals.

Residential Development Program – Lot F

1) Proposal as of June 9:

- A total of 144 units on Lot F, consisting of:
 - For the Burlingame workforce (78 total units):
 - 48 affordable 1-bedroom units
 - 26 affordable 2-bedroom units
 - 3 affordable 3-bedroom units
 - 1 manager's 2-bedroom unit
 - For Burlingame senior citizens (66 total units):
 - 42 affordable 1-bedroom units
 - 6 market rate 1-bedroom units at discounted rents
 - 11 affordable 2-bedroom units
 - 6 market rate 2-bedroom units at discounted rents
 - 1 manager's 2-bedroom unit
- A below-grade parking garage consisting of 170 conveniently located spaces that fully meets the City of Burlingame's parking codes as follows:
 - 48 one-bedroom units at 1 space per unit – 48 spaces
 - 48 one-bedroom senior units at 1 space per unit – 48 spaces
 - 26 two-bedroom units at 1.5 spaces per unit – 39 spaces
 - 17 two-bedroom senior units at 1.5 spaces per unit – 26 spaces
 - 3 three-bedroom units at 2 spaces per unit – 6 spaces
 - 2 two-bedroom manager's units at 1.5 spaces per unit – 3 spaces

2) Councilmember Concerns:

- a. Serve a broader cross-section of the Burlingame workforce, particularly those with incomes from 100% to 150% of the area median income
- b. Preference housing for Burlingame teachers
- c. Possibly eliminate density on the panhandle portion of Lot F and leave it for open space
- d. Specify whether or not it mattered to have the affordable units be exclusively for seniors

3) Acceptable Amendments to Proposal:

- a. We can amend our proposal to convert 16 of the 60% AMI workforce housing units to 8 units targeted from 80% to 100% AMI and 8 units targeted from 100% to 150% AMI, however, we would prefer to address the need for higher-income workforce housing units in a future project where we weren't trying to deliver as many additional public parking spaces.

- b. Based upon our research, we find that the lowest paid elementary teachers in Burlingame do qualify at 60% AMI; however, many teachers, including high school teachers, earn incomes between 60% AMI and 120% AMI. Regardless, we can establish a priority preference for Burlingame teachers for all of our units, including retired teachers who are eligible for senior housing. To help us pay for the loss of tax credit financing on these higher-targeted units, we are proposing to forego the discount on the 12 senior market units and adjust the rents to something closer to market rates.
- c. We can amend our proposal by eliminating the 12 units we had programmed for the panhandle on Lot F, although we would prefer not to do this. The eliminated units could be either senior or workforce units targeted at 60% AMI. That portion of Lot F could become project open space or some other type of community asset.
- d. While it does not have a major financial impact if we restrict all of the affordable tax credit units to seniors or workforce households, we strongly recommend against a project that is entirely restricted to seniors. The market demographics for Burlingame reveal that the senior population is approximately 15%. This is of course reduced further when you consider only those seniors who can income qualify at 60% AMI or below. While there is absolutely no doubt a senior project of any size in Burlingame would lease up and maintain a substantial waiting list, the statistical evidence suggests that the project would also likely serve seniors from elsewhere on the peninsula.

Public Parking Program – Lot N

1) Proposal as of June 9:

Consistent with our original proposal, we have programmed and budgeted for a 4-level, free-standing parking garage on the entirety of Lot N which will include 371 public parking spaces as follows:

- Full replacement of the existing 199 public parking spaces
- The addition of 172 public parking spaces

This public parking garage will be provided at no additional cost to the City and is fully budgeted in the development's financing structure without reliance on revenue from the parking garage, additional taxes or proceeds from an infrastructure financing district. Furthermore, the City will not be required to provide another land asset for construction of replacement parking.

Opportunity for more public parking: In the event the City is willing to use the revenue from the new parking garage, a 5th level could be added that would generate an additional 103 public parking spaces, bringing the total new public parking count to 275 spaces.

2) Councilmember Concerns (these were limited to only 1 Councilmember):

- a. No large parking structure; place parking below grade

3) Acceptable Amendments to Proposal:

- a. We can design the parking structure to be a very appealing building and will budget our construction costs accordingly. We can even theme the building in such a way so that it blends into the neighborhood while signing it so that the public will readily identify it as public parking. We also strongly recommend that the City accept the option to add a 5th level to the garage as this will be the most cost-effective parking the City will ever be able to produce given the efficiency that comes with the other 4 levels. It will also likely drop our overall per space cost, thereby allowing us to do further enhancement to the exterior elevations.

We are however unable to place public parking below grade and deliver the same number of spaces. For example, the cost to build an above-grade parking space is approximately \$28,000 per space. When you drop that space below grade, the cost almost doubles to \$55,000 per space due to the excavation requirements, shoring and de-watering. We are already programmed to do an expensive below-grade parking garage on Lot F and simply can't deliver the amount of public parking with a below-grade scheme on Lot N. We also feel that this particular site and surrounding uses is well-suited for a larger garage structure, especially given the height limitation in this area of 55 feet and the industrial uses on the east side of the property. Additionally, the close proximity to the Caltrain station makes this site ideal for a more intensive public parking use. Finally, garage structures are the most efficient way to affordably maximize the amount of public parking in the City.

Core Elements of Our Amended Proposal

Below we emphasize many of the valuable elements of our proposal along with the new public benefits of our proposed amendments:

- **Affordable Housing for the Burlingame Workforce:** Our proposal will deliver 78 affordable workforce housing units, including:
 - 62 units targeted to households earning up to 60% AMI
 - 8 units targeted to households earning from 80% to 100% AMI
 - 8 units targeted to households earning from 100% to 150% AMI
- **Affordable and Market Rate Housing for Burlingame Seniors:** Our proposal will deliver 66 affordable and market rate housing units for seniors, including
 - 54 units targeted to seniors earning up to 60% AMI
 - 12 units targeted to seniors at market rates with no income restrictions and no asset testing
- **Additional Public Parking at No Cost to the City:** Our proposal will replace the 199 public parking spaces on Lots F and N with a new parking garage that will contain 371 spaces, yielding an additional 172 public parking spaces with an opportunity to produce up to 275 new public spaces, yielding a value of over \$7.5 million in new public parking.

Our proposal includes the design and construction costs to assure that an attractive building is produced that both complements and improves the appeal of the immediate neighborhood.

- **Preference Plan:** Since the June 9 meeting, we have performed extensive research on the matter of establishing preferences for the affordable housing units we will be delivering. It is clear that implementing preferences is a perfectly legitimate way to allocate housing units when demand exceeds supply. Rather than specify those preferences now, we recommend that you allow us to engage with community leaders and business representatives to make an assessment about the amount and type of housing needed for their respective workforces. We are already clear about the importance of housing for teachers, but further research is required to fully assess the most important needs within the City. Ultimately, however, if the demand for housing is indeed there, and we believe it is, it is quite possible that 100% of the units in the proposed project will end up serving people who currently work in the City of Burlingame.
- **Minimizing Other Public Impacts:** We have structured our project with unit sizes that will tend to serve smaller household sizes, so the impact to public services will be reduced relative to typical affordable housing developments.
- **Bonding:** We can post full payment and performance bonds for the entire project, including the public parking garage.
- **Consistency with Downtown Specific Plan and Parking Requirements:** We are proposing a project that requires no significant entitlements and is consistent with the Burlingame Downtown Specific Plan and related residential parking requirements.
- **Our Innovative Financing Strategy is Tested and Proven:** Our development team has executed dozens of tax-exempt bond and 4% tax credit projects, including several using the specific financing structure we are proposing for this project. Each of those financing transactions involved numerous bankers, attorneys, accountants and consultants, all of whom would be pleased to provide references upon request.
- **No Reliance on “Soft” Public Subsidies:** Our financing structure does not rely on any other soft financing or competitive public subsidies, thereby reducing the risk of the project not moving forward or being delayed while at the same time vastly accelerating the City’s vision to provide housing opportunities in the downtown area.
- **No Reliance on 9% Tax Credits:** We are proposing a financing plan that will utilize the heavily-undersubscribed tax-exempt bond and 4% tax credit programs which eliminates the exercise of having to compete twice a year for the scarce and competitive 9% tax credits.

- **No New Taxes, Fees or Infrastructure Financing District:** The construction of the public parking garage will not require new fees, taxes or the formation of an infrastructure financing district.

- **No Co-Mingling of Residential and Public Parking:** By creating a stand-alone parking structure on its own lot, we are able to provide a clear separation of residential and public parking, which produces the following public benefits:
 - More “user-friendly” public parking that eliminates confusion about where to park
 - Public parking that is visible and can be easily located and used
 - No need for cross-easements or a condominium map to separate ownership
 - Eliminates pro-rating shared maintenance costs
 - Avoids the potential inherent conflicts with assigning responsibility for damages and normal wear-and-tear
 - Provides long-term control to the City while preserving a public asset
 - Eliminates problems associated with residential accidents or litigation affecting the City, and vice versa

- **Ownership of Land and Parking Garage:** We propose that the City retain ownership of Lot N and accept dedication of the public parking garage once complete, much like a city handles the construction by a private party of improvements in the city’s public right-of-way. The land ownership of Lot F will depend on a couple factors to be resolved in the near future, but our preference is to structure an agreement whereby the City either dedicates / leases Lot F to The Pacific Companies at no cost in exchange for us building and paying for the public parking garage on Lot N.

Thank you for your continued interest in working with us. We look forward to the opportunity to deliver something very special to your community.

Sincerely,



Caleb Roope
President / C.E.O.