

January 27, 2017

City of Morgan Hill
City Clerk Office
Attn: Ima Torrez, CMC
17575 Peak Ave.
Morgan Hill, CA 95037

Dear Ms. Torrez

TRI Pointe Homes has the privilege of building a new community, *Madison Gate*, on Laurel Road, easterly adjacent to Trader Joe's, which consists of 15 single family homes, 50 townhome-style condominiums and public improvements to Laurel Road. This will be our third community in Morgan Hill, and we look forward to adding our well-designed site and homes to the outstanding character Morgan Hill already enjoys. Over the past three years, our project has competed in the RDCS competition under Measure C, each year receiving allocations:

- 2014 – Five allocations for FY 16/17
- 2015 – 15 allocations for FY 17/18
- 2016 – 11 allocations for FY 18/19

While our application has increased its Measure C point total each year, we find ourselves with no further opportunities to gain points – we are maxed out. To our disadvantage, other open/market applicants have also increased their point totals, thus placing *Madison Gate* outside of the top-scoring projects in 2016. We appreciate Planning Staff's attempt to treat all applicants fairly, however the pool of 2016 allocations is much smaller than normal (165) due to the 2015 commitment for 85 allocations for a large rental project ($250 - 85 = 165$).

Measure C will expire on February 28th and its successor, Measure S, will be the governing growth-control mechanism for the 2017 competition. We have been involved in the refinement of the Competition Manual since the draft was made available to the public in September, 2016 and as the Manual is currently written and points configured, our project will not meet the qualifying score of 160 of 200. This presents a large amount of risk, as we are about to make a large financial commitment, but have no reasonable guarantee that we can finish our community. *Madison Gate* has secured all discretionary permits, has an approved final map, anticipates approval of the grading and improvement plans within 30 days and has cleared the site. Our building construction drawings are under review and we plan to meet our schedule per the approved Development Agreement.

We are not requesting the City Council adjust allocation distribution for Fiscal Year 2018/2019, per Resolution No. 17-01. However, we are appealing to the City Council to draw 34 allocations from Fiscal Year 2019/2020 to provide TRI Pointe the certainty to commence construction. Considering the projects we know will need to compete under Measure S, the downtown projects that are currently seeking allocations ahead of March 1st and the limited number of parcels available for residential development, we anticipate no shortage of allocations in 2017. A reasonable expectation of how allocations will be distributed next year is as follows:

Available allocations	215	(maximum per voter-approved Measure S)
San Sebastian	24	(assuming two allocations/month for an ongoing project; 71 allocations secured)
Butterfield Village	75	(assuming 75 unit/year for a five-year distribution; 383 unit buildout)
Madison Gate	<u>34</u>	(represents project buildout)
Remaining allocations	82	

We find ourselves in a unique situation as the only open/market project that could be subject to allocations from Measure C and Measure S. In addition to our concerns already noted, and per the status report and public testimony received during the January 25th City Council meeting, we understand the schedule for adoption of the Competition Manual could extend into March or April.

In summary, we are eager to commence construction on a new community that will provide entry-level housing opportunities, but have serious reservations while over half our project is at risk. Our request for the City Council to grant 34 allocations from Fiscal Year 2019/2020 will not affect projects that received allocations in 2016, nor will not impact anticipated future requests.

Thank you for your consideration and look forward to the consideration of our appeal at the February 15th City Council hearing.

Sincerely,

Brian O. Barry

Brian O. Barry
Vice President – Project Manager