

Item # 08**AGENDA DATE: 01/25/17
SUPPLEMENTAL # 1**

January 24, 2017

Leslie Little, Assistant City Manager for Community Development
City of Morgan Hill
17575 Peak Ave
Morgan Hill, CA 95037

Leslie,

Thank you for meeting with me earlier this week to discuss our residential project, Madison Gate. As you are aware, this project is in a very unique situation as we have earned 31 allocations over the past three Measure 'C' RDCS competitions (2014-2016), but since buildout is 65 allocations (50 multifamily, 15 single family), there are 34 allocations that might be subject to a Measure 'S' competition. What makes our open/market project unique is that all the other applicants, with the exception of one (San Sebastian), are able to complete their projects with allocations collected from Measure 'C' – they have been 'made whole.'

TRI Pointe has been involved in the creation of the new RDCS Competition Manual, and as the points are currently configured, our fully-designed project will not earn a qualifying score. This is a problem, as we have all discretionary permits, an approved final map and anticipate completion of our grading and improvement plans by the end of next month. Commencing construction is a large financial commitment we do not want to make while over half of our project is at risk of not securing the required allocations.

To make our project 'whole', one solution was to draw 34 allocations from the FY 19/20 pool with our FY 18/19 RDCS application. That way, our FY 18/19 11-allocation award, combined with the 20 previously-secured allocations and 34 FY 19/20 allocations, would provide us with a 65-unit buildout over four years. However, just prior to the January 10th Planning Commission allocation-award hearing, planning staff informed the applicants and the Commission that, due to an interpretation by the City Attorney, the passing of Measure 'S' prohibits drawing from FY 19/20 allocations.

This is what we know:

- We have 31 secured allocations through RDCS applications in 2014, 2015 and 2016.
- Over these three years, Madison Gate has increased its score each year.
- Madison Gate has maximized all available RDCS points. There are no design or financial commitments we can make in order to increase our score.
- Our 65-home project is 34 allocations short of full buildout.
- We are the only for-sale project, which can be 'made whole' under Measure 'C' rules and regulations, that will be subject to Measure 'C' and Measure 'S.'
- As the pending Competition Manual is currently written, Madison Gate will not earn a qualifying score (160 points).
- Madison Gate has secured all discretionary permits, the final tract map was approved by City Council this week and our grading/improvement plans will be approved by the end of February.

We ask your assistance in finding a solution. Our goal is to somehow secure the pending 34 allocations as part of this year's Measure 'C' competition, which would allow us to commence construction this spring and continue construction without a gap or unnecessary delay.

Sincerely,

A handwritten signature in black ink, appearing to read "B. O. Barry", with a stylized flourish extending from the end.

Brian O. Barry
Vice President-Project Management
TRI Pointe Homes, Inc.