

Mr. David Brandt
City Manager
City of Cupertino
10300 Torre Avenue
Cupertino, CA 95014

RE: Vallco Town Center Project Application pursuant to SB 35

Dear Mr. Brandt:

On behalf of Vallco Property Owner, LLC (the “Applicant”), please find attached our development application for the Vallco Town Center project (also, the “Application” or the “Project”) that we submit pursuant to California Senate Bill 35 (“SB 35”). This submittal is in direct response to California’s acute housing shortage and the State Legislature’s recent declaration that access to housing, and in particular affordable housing, is a matter of statewide concern. To facilitate and expedite the approval and construction of housing it has provided a variety of reforms and incentives. SB 35 is one such reform. It provides that, in jurisdictions failing to meet their state housing obligations like Cupertino, the construction of qualifying mixed-use residential projects, such as this one, shall be expedited by a streamlined, ministerial, and objective approval process.

The Vallco Town Center advances SB 35’s goal of delivering affordable housing while retaining the major design aspects, innovative features, and community benefits of the previous “Hills at Vallco” application. This includes a 30-acre rooftop park, two town center plazas, and an exciting retail and entertainment district to be anchored by a new, state-of-the-art AMC Theatres, bowling alley and ice facility. In terms of quality, this will be a world-class development.

The Application also makes significant changes to the original Hills plan to assure compliance with the specific requirements of SB 35 and to address past critiques. Specifically, the Vallco Town Center project has reduced total office area (including unoccupied or ancillary spaces) from approximately 2.4 million to 1.8 million square feet, while allowing more diversified uses such as research and development, medical office and allied labs. The retail area has been right-sized, adjusting from 640,000 square feet to 400,000 square feet to better reflect market conditions. At the same time, we have increased housing from 800 units to 2,402, of which an unprecedented 50%, or 1,201 units, will be affordable to low and very low-income households at rents expected to be a fraction of market rates. We anticipate this new land use plan will have other benefits as well, including:

- a 25% reduction in traffic impacts compared to the former Hills plan, in addition to the greenhouse gas (GHG) benefits resulting from reducing now long commute distances for area workers who will be residents
- a healthy fiscal impact and necessary infrastructure for the City’s sustainable economic growth, not to mention thousands of construction jobs over a period of 5-8 years filled by skilled craftspeople and at the prevailing wage

- millions of dollars in one-time and new annual recurring revenue to Cupertino's excellent but severely under-resourced schools

The Project Description sets forth the visionary plan in great detail and includes comprehensive checklists demonstrating compliance with SB 35. As required by SB 35, the application is in full consistency with all applicable objective planning standards currently imposed by the City, including Vallco's decade-old designation for residential use. We make sure that the Application not only meets the mixed-use residential and affordability criteria mandated by this recent legislation, but that we exceed them.

There is a City-administered Specific Plan process in progress, and, though we do not have an active role in it, we fully support its continuation notwithstanding this Application. While SB 35 stipulates the Application is to be processed and approved pursuant to statutory timelines, the City's timely completion of the Specific Plan would still allow Cupertino to fulfill its legal obligations to the State as well as preserve the possibility of an alternative program.

It is our sincere hope that this City process is successful in yielding a project that is derived from the community while also being viable. However, absent such an alternative, our Application offers a viable, housing-focused plan for the dead mall and will allow us to get started on a feasible project with a reasonable schedule of completion.

This is the essence of why today's Application is necessary. When the City's "Specific Plan" process was authorized in October 2017, our intent was to engage with a City-designed process to finally revitalize the mall. We offered a range of options that we considered economically viable and asked that the City focus on increased residential use to help address the Region's and Cupertino's housing shortage and severe and worsening affordability crisis.

However, at this time we are unable to see a successful path to a community-supported, market-feasible project that would not result in another ballot challenge. While we appreciate the hard work of City staff and earnest people to engage in the ongoing community process, the simple fact is that this process is under the relentless attack of the same Political Action Committee (PAC) that has derailed past planning processes with ballot box planning and is presently litigating against the City of Cupertino over it.

This PAC has already made it clear they will not accept any viable outcome of the City's planning process, but all the while failing to articulate a vision of its own, besides the fallacy of bringing a dead mall back to life. Instead of allowing the planning process to take place. There have been significant and ongoing efforts since 2012 to stop revitalization of Vallco and undermine community planning processes including:

- Past and ongoing litigation against the City of Cupertino over Vallco (2016-Present)
- Ballot initiative (Measure C) against Vallco (2016)
- Threats of ballot box challenges against Vallco (2015-Present)
- Attempts to rewrite the General Plan, downzoning Vallco to retail only (2017)
- Actions to strip Vallco's Housing Element designation (2017)

- Fundraising for litigation and ballot box challenges to prevent the revitalization of Vallco (2015-Present)
- Attempts to unduly influence the City-sponsored community Specific Plan process (2017-Present)
- Public request to the City to abandon the City-sponsored community Specific Plan Process (2018)

Given the continued uncertainty and instability in Cupertino and the repeated efforts by a group of Cupertino residents to stop revitalization of Vallco and worsen the housing crisis in Cupertino, we submitted the SB 35 Application.

After 4 years of hard work, we find ourselves in a time loop. Relying solely on this process under these circumstances is untenable. The risks associated with waiting longer to advance the project cannot be justified. The markets won't wait for Cupertino; key tenants have left Vallco and the few that remain are left hanging. Investment capital has become increasingly skeptical of the City's ability to pull off a revitalization of the mall. It is time to advance this project or it may not happen at all.

What is more, this housing and affordability crisis is real and getting worse. It is affecting us on both business and personal levels and requires action now. Businesses at our neighboring Main Street Cupertino project are severely short-handed due to the lack of housing available for their workers.

This is driven by a lack of housing, specifically affordable workforce housing. Cupertino currently provides only one affordable housing unit for every 14 of its low-income jobs — one of the most egregious ratios in the Bay Area — and it's only getting worse: two thirds of Cupertino's own "below market rate" rental housing stock, totaling 142 units, will convert to market rates within the next decade, and the City has yet to permit a single low or very low income unit from its now 3-year old Regional Housing Needs Allocation.

The intent of SB 35 is to alleviate these housing and affordability problems so the well-being of the State and its regions can be safeguarded. Vallco can and must be a substantial part of that solution. It is important to note this Application is informed by years of community engagement on the future of Vallco. We are confident it will be successful and are proud to bring it forward for our community.

While we are ready, willing and able to construct the project defined in this Application, we wish to reiterate that, as the City continues its Specific Plan process, we intend to remain open-minded in the event that the City advances and environmentally clears an alternative project on a reasonable timeline. Such a project would need to be economically viable but could seek to include a different mix of office, retail, and housing types, among other things.

Our doors remain open to you, but in the meantime, it is imperative to secure approval on the Application submitted, a viable project that both revitalizes Vallco and provides solutions to the

housing and affordability crisis we as a community all face. We look forward to your review and timely approval of our Vallco Town Center SB 35-compliant project application.

Sincerely,

A handwritten signature in black ink, appearing to read 'Reed Moulds', with a stylized, cursive script.

Reed Moulds
Managing Director
Sand Hill Property Company

Cc: Mayor and City Council Members
Ms. Aarti Shrivastava, Assistant City Manager