Baty, John

From: Jim F Zito [zitojf@appliedbiosystems.com]
Sent: Thursday, December 15, 2005 7:34 PM
To: Baty, John
Cc: Crabtree, Andrew; Dave.Cortese@sanjoseca.gov
Subject: EEHVS: Task Force Meeting 12/14/05

Hello Gentlemen -

Here are some questions I would like to have answered, and points I'd like to make part of the public record:

- I believe the unit value estimates presented last night are low by approximately 10%. The current selling price of Dist 8 new homes are in the range of $425 - $450/sqft. This delta has a large impact on the contribution value, and therefore the number of units necessary to meet the amenities needs.
- When, why and by who's request did the concept of a CFD become part of the recommendation for funding the project amenities? Please explain the history behind this.
- Please run an analysis of trade-offs between this (CFD) approach where buyers are taxed - versus - where developers bond to pay for the amenities, and repay these bonds with unit sales proceeds.

I have several concerns and comments regarding the use of a CFD for funding the project amenities, they are:

1. This will greatly reduce the bonding capacity of the district for other needed funding, both financially and conscientiously from the owner's perspective. They will be much less likely to approve a new tax if they are already taxed 35% higher then their neighbors.
2. It removes the "partnership" between the developers and the community regarding risk and "cost", and it reverses the understanding the task force had regarding developer participation.
3. It places all the financial risk on the City/Community rather than the developers.
4. It creates a huge inequity among neighbors using the same funded amenities.
5. I disagree strongly with the assertion there is a linear correlation between the price paid for the unit and the increase tax burden. This will be a windfall for the developers and a tax burden for the new owners.
6. Units will always sell for the market price, with only a slight discount necessary to offset the assessment tax.... mainly because most people do not expect to stay in a residence for a full 30 years.... therefore they will not feel they will be paying the whole tax.
7. I disagree with the notion that regardless of the vehicle used (CFD -vs- Developer funding), the amenities trade-off will be the same. Each choice has it own set of dynamics, variables and fiscal outcome. For example, with developer funding there is a set amount of contribution allocated per unit type and location. With CFD, the rate of appreciation and owner turnover over the 30 years dramatically affects the financial contribution of each taxed unit.
8. During the first EVP the developer reps gave the Task Force it's spreadsheet of formulas to determine per unit developer contribution. As explained, this was a per unit developer contribution, not a buyer funded bonding. While it was understood there would be developer bonding to secure funds to build the up-front infrastructure, it was explained that the pay-off would be through unit sales, not buyer taxes.
9. Unfortunately, if the developers continue to push for this funding alternative, I am concerned it will further weaken the community's faith in the developer's intentions to work as a team toward a win-win. Instead it will be perceived as another "money-grab" by the developers/land owners, and loss by the community.

Thank you for the opportunity to comment on these issues.

Sincerely - Jim Zito

[redacted]

12/19/2005