

# Arcadia Development Co.

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May 14, 2007

Honorable Mayor Charles Reed  
City of San Jose  
200 E. Santa Clara St.  
San Jose, CA 95113

HAND DELIVERED

RE: Arcadia Participation in EEHV

Dear Chuck;

As you consider actions related to the EEHVS I want to address the reasons why Arcadia has not yet signed the Funding Agreement that the staff and Property Owners of the Opportunity Sites have been working on over the last several weeks.

While I find the basic tenants of the agreement workable, the level of funding attributable to the Arcadia site is onerous, especially for a rental project and even moreso for a rental project including an affordable component. There are several additional items of concern that are not contained in the agreement or in the pending, companion Evergreen Development Policy (EDP) document that cause me significant concerns. Left unresolved, these concerns will make Arcadia's participation in the funding agreement problematic.

These concerns are as follows:

- 1) Arcadia's requirement to meet the City's 20% affordable housing units mandate shall be satisfied by the construction of 375 units of senior rental housing, in a minimum of 2 phases. We have yet to determine the economic viability of this housing type and what effect the RDA requirements would have on its operations. The timing of the development of these senior rental units shall be at the discretion of Arcadia, and therefore not required to be combined with any other PD Permit for the development of the other components of the Arcadia project, as approved by a PD Zoning and/or Development Agreement. Furthermore, I consider it absolutely outrageous that my property is impacted by the RDA simply because the Council decided to give the RDA jurisdiction in this SNI! I am advised that even the community has expressed dissatisfaction with the fact that the SNI process has yet to yield any benefit related to their needs.
- 2) With regard to the mixture of rental versus ownership housing, Arcadia shall have the right to determine said mix, including the provision for 100% rental. However to facilitate the potential for the future conversion of rental housing to ownership housing, Arcadia will have an approved Tentative Condominium Map

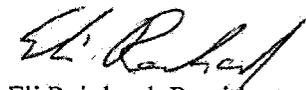
on each phase of residential development, and, if economically feasible, the units will be constructed in a manner to allow the conversion to ownership housing.

- 3) Arcadia may develop single family attached or multi family attached units adjacent to the westerly edge of the site, so long as the new buildings immediately adjacent to single family homes do not exceed two stories in height and have setbacks commensurate with the single family interface.
- 4) In addition to the maximum 200,000 sq ft of Retail/Commercial, the Policy shall allow a maximum of 50,000 sq ft of Office uses, including both professional and medical offices.
- 5) Arcadia will have no obligation to dedicate 4.7 acres of land for the Community Center in advance of the approval of the first PD Permit for the Arcadia site. This 4.7 acres shall be the total dedication by Arcadia for school/park/community facilities. Section 4.03 of the Draft Funding Agreement is not acceptable as written in that it does not stipulate the maximum dedication of 4.7 acres. Additionally, inconsistencies between this Section and the EDP must be eliminated and/or conform to the language of Section 4.03 as it shall be changed.
- 6) As Arcadia will be seeking a Master PD permit on its entire property, it is totally impracticable to have \$38,250,000 payable upon the granting of that permit. This sum shall be paid proportionally upon the issuance of residential building permits.

If these issues can be satisfactorily resolved by certain changes in the Evergreen Development Policy and/or the Funding Agreement then I am prepared to become a signatory to the Funding Agreement.

Very truly yours,

Arcadia Development Co.

  
Eli Reinhard, President

cc: San Jose City Councilmembers

Laurel Prevetti  
Deputy Director  
Planning, Building Code & Enforcement

Opportunity Site owners