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VIA EMAIL: andrew.crabtree@sajnjoseca.gov

May 22, 2009

Andrew Crabtree
Planning Division
City of San Jose
200 East Santa Clara Street
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Dear Andrew:

The purpose of this letter is to respond to your request for my input regarding the location of future growth in the City, and specifically the potential development within the Evergreen Campus Industrial Area through the year 2040. As you know, Legacy Commercial Partners (Legacy), on behalf of its partnership Yerba Buena OPCO LLC, has been involved in the on-going planning effort in Evergreen since the Evergreen-East Hills Vision Strategy was started over six years ago.

I was very disappointed to receive only one weeks notice of a meeting to be held tomorrow, Friday, May 22,2009 from 3-5 pm. The lack of notice and the facts that the meeting was scheduled on a Friday before a holiday weekend and our comments would be unlikely documented and distributed prior to Tuesday nights 2040 Task Force Meeting begs the question whether Staff has any interest in our comments at all.

It has been Legacy's position since the very start of that process that a residential led alternative for the Evergreen Campus Industrial Area is the "right thing to do".

Legacy believes it is very important for the Community and the Task Force to understand the following points:

- The Evergreen Campus Industrial Area were historically always considered residential properties. The designation of Campus Industrial came in 1980 as part of the "Berryessa Swap" that allowed more housing to be placed in Berryessa without the City losing out on that potential industrial acreage on a city-wide basis.

- Since 1980 only one property has developed. The Syntex building was built, but never occupied, in 1982.
  - The building sat vacant until 2006 when Hitachi Global Systems occupied the building as its headquarters.

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  - Hitachi only selected the Syntex building after receiving a very favorable below market lease and after the City granted Hitachi the right to build residential on its then current headquarter site in Edenvale.

- No other activity has occurred on the Evergreen sites in over 20 years as being designated for Campus Industrial.

- In 2006, as part of the Evergreen East Hills Visioning Strategy, a third party study was conducted that concluded that the conversion of these sites to residential would be a "positive" net fiscal impact for the City.
  - The same study concluded that it would take over 30 years, even using very aggressive assumptions on market absorption, for the Evergreen sites to develop.
  - A conclusion that undoubtedly would be much worse given the current market conditions and the historic global recession that was never contemplated even two years ago.
  - Proximate synergy with other Silicon Valley Companies
  - Flat topography free of fault lines

- The Evergreen Campus Industrial Area is fundamentally flawed for industrial uses as they lack the following key ingredients:
  - Easy freeway access (5 ± miles from freeway)
  - Easy transit connections
  - Good visibility

- The Evergreen Campus Industrial Area becomes even more unfeasible as the City continues to implement its "Strategy for Employment Land" policy that includes:
  - Increase densities for employment in North San Jose
  - Create additional employment opportunities in Downtown core
  - Retain large areas of contiguous light and heavy industrial lands in Monterey Corridor and Old Oakland Road Corridor; eliminating the potential for further conversions in these areas
  - Promote employment opportunities in Edenvale and North Coyote Valley was accepted and approved by the City Council in 2007.

- The Evergreen Campus Industrial sites are completely surrounded by residential uses and would be highly compatible for a residential use. In fact, as part of the Evergreen East Hills Visioning Strategy, residential uses were studied, analyzed and evaluated in a full EIR that was accepted and approved by the City.

Legacy and its partners purchased 120 acres of the 320 Evergreen Campus Industrial Area in 1999 at the height of the short lived "Dot-Com" euphoria. It was a regrettable mistake on our part, one in which we readily admit we got caught up in the "Dot-Com" craze. The subsequent bust of the "Dot-Com" bubble made everyone, including Legacy, get back to evaluating the fundamentals. For the reasons noted above, the Evergreen Campus Industrial lands lack the proper fundamentals to be successful.

Legacy has been a long time partner with the City of San Jose in the creation of job opportunities. We have developed, owned and managed over 50,000,000 square feet of commercial properties over the past 35 years. Even today, in the face of the most historic economic crisis since the Great Depression, we are investing over $375M in job creating opportunities in the City of San Jose. We

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are investing those dollars in the right places, in the Downtown core and in the North First Street Corridor. These are the places that have the "right" fundamentals.

Our history, our intimate knowledge of the current market place, and our continued analysis of future employment trends, give us the knowledge and experience to know that the Evergreen Campus Industrial Lands lack the necessary fundamentals to be developed under its current land use.

We urge the Community, the Staff, the Task Force, and the City Council to consider a residential land use for this area in the current General Plan update...It is the right thing to do. For the reasons noted above and as documented by over 20 top commercial real estate professionals, the Evergreen Campus Industrial lands lack the proper fundamentals to be success as industrial employment lands.

Very truly yours,

Steven M. Dunn

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