

**SOUTH MAIN SENIOR LIFESTYLES
1504-1620 SOUTH MAIN STREET
MILPITAS, CA
APPLICATION FOR “TIME EXTENSION REQUEST TO RESOLUTION #8420”
ORIGINAL RESOLUTION #8420 APPROVED 11-19-2014**

July 1, 2016

Bradley J. Misner
Director of Planning and Neighborhood Services
City of Milpitas
455 E. Calaveras Blvd.
Milpitas, CA 95035-5411

Dear Mr. Misner,

South Main Senior Lifestyles, LLC (SMSL) hereby requests an extension of Vesting Minor Tentative Map No. TP 14-0001, Site Development Permit No. SD 14-0006 and Density Bonus No. DB14-0001 (collectively, the “Permit”) for the construction of Phase 1 of a senior assisted living and congregate care facility including a new 4-story residential building with 199 rental units (including 10 very low-income units) and associated site improvements located at 1504-1620 South Main Street (the “Time Extension”) originally approved by the Milpitas City Council in Resolution No. 8420 on November 18, 2014. Pursuant to Exhibit 1, Item 5 of Resolution No. 8420 and Section XI-10-64.07.E of the Milpitas Zoning Code, SMSL is requesting a one-time, 18-month extension of the Permit, extending the Permit expiration date from November 18, 2016 to May 18, 2018.

As you are aware, SMSL has faced numerous obstacles related to development of the senior housing project on South Main Street, including the dissolution of the Milpitas Redevelopment Agency, the resulting need to obtain California Department of Finance approval of the transfer of the project’s site from the former Redevelopment Agency (“RDA”) to the Housing Authority (the RDA’s successor in interest) and to completely restructure the project’s Disposition and Development Agreement, and the freezing of the debt and equity markets precipitated by the Great Recession.

While the overall development economy for market rate housing (both single family and multifamily) has come roaring back as the economy (or at least portions of it) rebounds from the Great Recession, the financing of senior housing projects designed to enable residents to age in place by utilizing Type IB (steel frame) construction has remained challenging. This is due to the fact that SMSL’s development approach is unique and the construction cost is substantially higher than that typical of Type V (wood frame) projects common to senior housing. The rapid escalation of construction costs (for all types of construction) owing to the post-Recession shortage of skilled construction labor has exacerbated this problem.

As SMSL has worked to overcome the foregoing obstacles, the needs for housing and care by Milpitas senior citizens have evolved. The aging of the senior population has created a greater need for assisted living services than for congregate care services, and a substantial and rapidly growing need for memory care services. SMSL is responding to these changing needs by increasing the proportion of assisted living units relative to congregate care units, and including a memory-care wing in the project. Adding memory care units necessitates some modifications to the interior layout of the building. But the building’s overall footprint, the total number of units and the number of affordable units remain the same.

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Unfortunately, a project providing this higher level of care did not fit the investment parameters of our previous equity partner (Wolff) or the operating expertise of our previous operator (ISL). We are now aligned with a more experienced senior housing equity source and experienced developer / operator team and are well underway in the preparation and submittal of construction drawings for the proposed facility. This new team includes SRM Development (<http://www.srmdevelopment.com/>) and Westmont Living (<http://www.westmontliving.com/>). SRM has constructed thousands of senior and multifamily housing units in the western US, most recently completing two Bay Area senior communities with Merrill Gardens in Campbell and Lafayette. SRM also has a major Type IB senior project under construction in the Rock Ridge area of Oakland currently. Westmont owns and operates numerous senior communities in California and Oregon specializing in independent, assisted living, dementia/memory care and respite care. The principals of SRM and Westmont have been partners in earlier successful ventures. This new alliance brings with it, we believe, an experienced team and a better project for both SMSL and the City.

The process of bringing in a new experienced and qualified senior housing team to better the project has taken some valuable time and necessitates the Time Extension to bring the project to fruition. We introduced our new partners to City Staff in our meeting on April 27th. We have had several meetings with City Staff since the initial meeting and have discussed at length the final entitlements submittals as well as the current financial plans. We appreciate staff's input and support, and greatly value our partnership with the City on this important project.

We have reviewed the “findings” for City Council approval of Resolution No. 8420 and, in our opinion, the bases for the findings have not changed. The subdivision map, site layout, building footprint, number of units/density and other parameters of the project remain the same and, therefore continue to be consistent with the Milpitas General Plan, Midtown Specific Plan and Milpitas Zoning Ordinance, and are harmonious with adjacent and surrounding development; the number, income level and other attributes and requirements pertaining to the affordable units remain the same; and no additional environmental impacts will occur. SMSL's request for a Time Extension is solely for an extension of time to bring the project to fruition.

We would like to move forward with the Time Extension at the earliest time possible. Our discussion with staff for a late July Planning Commission action would be ideal.

Thank you.

South Main Senior Living LLC



James R. Burns Callahan
Co-Managing Member, SMSL