



CITY COUNCIL TRANSPORTATION & LAND USE SUBCOMMITTEE Approved Meeting Minutes

Date/Time: Monday, March 2, 2009, 3:00 pm

Where: Milpitas City Hall, Committee Conference Room

Attendants: Mayor Bob Livengood, Council Member & Chair Debbie Giordano

Quorum was established

1. **Call to order**
2. **Public Forum** *Please limit comments to 3 minutes*

There were no comments during Public Forum

3. **Approval of agenda**

The Subcommittee approved the agenda

4. **Receive attached report on Valley Transportation Authority's Community Based Transportation Plan (*note receipt & file*).**

Staff Janice Spuller reported the Metropolitan Transportation Commission (MTC) identified Milpitas as a "community of concern" based on diversity and income and has charged the Valley Transportation Authority (VTA) to work with the City of Milpitas to create a Community-Based Transportation Plan. The 6-month effort will consist of community outreach to Milpitas public groups to ask their needs which may include community bus service, improved bus service, and pedestrian and bicycle needs. Three meetings will be held on March 17 at the new Library, April 2 and May 28 here at City Hall. Ms. Spuller stated staff will come back to the Subcommittee to provide a status update. The Plan will be complete by August and any bus service changes will be implemented in the fall when the VTA does their biannual changes.

Mayor Livengood sees there are potential plans for how to use this plan. He would like to include the Great Mall as an economic center of the City in conjunction of the hotels and other uses. He would like to use this as an economic development type of improvement. There is a lot of discussion of shuttles from the Great Mall to the outlying hotels.

5. **Receive attached report on community outreach for the Park Victoria Drive and Kennedy Drive Resurfacing Projects (*note receipt & file*).**

Staff James Lindsey requested this item be tabled until the next meeting due to the absence of the City's Traffic Engineer. There was small discussion on the item and



Council member Giordano asked if resurfacing items will be on future agendas. Staff Greg Armendariz explained the lane reduction of the N. Park Victoria Project. In the future, when there are resurfacing projects, bike facilities will also be included in the striping plan.

Mayor Livengood wanted to alert staff that losing two dedicated lanes, or at least one, would be an issue that would require City Council discussion. In the past, the Council looked at expanding the roadway. Council Member Giordano agreed that she has concern about being regressive instead of progressive.

Mr. Armendariz highlighted there are some improvement with the lane reduction as it provide ample width for the bicycle lanes on each side and provides a protected center turn lane which allows for safer left turns into the residential streets.

6. Recommend to the City Council terms for assisting the Integral Communities mixed-use project (*staff recommendation provided in attached memo*).

Mr. Lindsay introduced the project. The City hired Economic Planning Systems (EPS) to assist with the financing portion of this project. EPS put together the financing package for the Transit Area Specific Plan and has experience throughout the state. EPS staff Walter Keyes presented a PowerPoint presentation on the financing

Mr. Lindsay described the Integral Communities project, located on McCandless Drive. The project will consist of 1,573 residential units and 92,000 square feet of new retail space, which would include 15,000 to 42,000 square feet reserved for grocery, and 3.6 acres of new public open space.

Mr. Lindsay introduced Walter Keys from EPS to present the financing and tax proposal. Integral is requesting a maximum of \$70 million in cost reimbursement from tax increment from bond proceeds. This amount would come from a combination from a Community Facilities District (CFD) and Tax Allocation Bonds (TABs). TABs would be issued and the tax increment would not be issued and would be paid by the owner. Mr. Keyes discussed the cost reimbursement, CFD bonds, and Tax Allocation Bonds. Staff finds this project good and consistent with the Transit Area Specific Plan; however they are not convinced the full amount of tax increment is balanced with public benefits and demonstrated needs for this funding. The project is revenue-neutral because of it's location in the RDA which required a CFD for services, which effectively makes the project, assuming the retail numbers are produced over time. There is no General Fund revenue.

Mayor Livengood asked Mr. Lindsay if this project does not proceed, what will happen to the proposed school and park land. Mr. Lindsay said the council would have to decide if they are willing to purchase the McCandless site, which would be independent of the Integral project and requested the additional density. If the City purchases this site it would require transferring the 211 unit density into their project. If the project is not built immediately, the open space area and public trails



may or may not be constructed near Penitencia Creek. Staff feels this area would be developed over time, but it may take longer.

Council Member Giordano asked how the 211 units be added to the project. Mr. Lindsay said the plans the applicant submitted include these units. The type of construction would be similar to the east-side of Abel Street where the units are built on top of the parking lot.

Evan Knapp of Integral requested to share a prepared statement and PowerPoint presentation thanked the Council Subcommittee and Staff for taking the time to review this project. Integral feels this project is consistent with developing the area around the Great Mall and bring BART to Milpitas.

How much of the project own self-generated tax should be used to offset development cost such as affordable housing, grocery store, parking, and construction of transit area plan improvements. Use of the tax increment is one of the uses RDA was created. Mr. Knapp reviewed community benefits such as creating 3,500 jobs during construction, and 343 permanent retail related jobs, and annual sales tax revenue at build-out of \$456,000. Reimbursement will not be made until construction and improvements are completed. No cost or completion risk to the City.

Council Member asked what percentage of this project is utilizing the units of the Transit Area Plan. Mr. Lindsay said it's about 23% of the transit area plan of the 7000 units total, about half of the anticipated Phase 1 of the units in the Transit Area.

Mayor Livengood questioned the delta between the applicants' request of \$197 M versus staff's commitment of \$70M. Mr. Keys confirmed that the amount is \$70M in today's dollars. The \$197 M is what the City will spend over thirty years including interest payments.

Mayor Livengood asked for other examples in the City where he can gauge the cost per unit. Mr. Lindsay referenced is the KB Homes Terra Serena project with 750 dwelling units. The Council set aside \$26M of RDA to deal with development constraints for the Elmwood property. This also helped with the public infrastructure and other objectives. This amounts to \$30,000 per unit. The Integral project is estimated at \$45,000 per union, however staff does not think the same level of improvements are comparable with the KB project.

Assuming there were equal benefits, Mayor Livengood asked what \$30,000/unit would be amounted to. Mr. Lindsay stated about \$47million.

Mayor Livengood requested explanation of having one property owner in a CFD and what if a property owner cannot commit to this investment. Mr. Knapp introduced Cathy Rose from RSG and Ursula Highmen from the Law firm Laythem and Watkins to comment to single-owner CFDs. Ms. Highmen said that for this case, when the development is built out, a lender has a lot of interest in ensuring



this project does not get foreclosed. In addition, jurisdictions ask for a letter of credit supporting a year or two of taxes, with a reserve fund, then foreclosure.. If the market is accepting single-property CFDs, it is Integrals risk, not the City's. Integral is assuming the market will allow single-property CFD and be receptive once money is put into the project. Integral is confident that the combination of the market requiring additional security and the conditions will provide plenty of security.

Ms. Highman also clarified the interest risk taken could only be \$130 M or could be higher and can vary at each phase.

Mr. Knapp said you have to make assumptions when preparing a plan like this. It is important that Integral takes the risks with interest rates and debt, not the City. The construction cycle is 8-year and they need for the market to be better. He feels this is an acceptable level of risk to take and is prepared to do so.

Mayor Livengood discussed prevailing wage and the assumption that public money involved for this project in a RDA, the City and state policy would involve wage. Attorney Bryan Otake stated the prevailing wage should apply to this project unless there are certain safe harbors. Staff is working closely with applicant's staff to find ways which they could present various types of public funds. The way the applicant has structured this deal in terms of agreements and physical structure are important. The City Attorney's office is concerned that this entire project might be subject to prevailing wages.

Mr. Keys stated this would increase construction costs.

Mr. Knapp added they agree that major portions of this project would require prevailing wages, but they ask that the Department of Industrial Relations, a state body, be allowed to rule on this and direct them what to do. Integral will absolutely comply and request language in the OPA that states prevailing wage.

Staff recommends the Subcommittee supports assisting the project by completing the purchase of the 4.8 acre McCandless park site at approximately \$15 million) and transfer the density to Integral (equal to 211 additional units) allowing them to reach their target of 1,573 units.

Council member Giordano requested clarification if this presentation will be made to the Council if the Subcommittee moves this forward. Mr. Lindsay reported it can go to the Planning Commission then the City Council, however upon recommendation of the subcommittee, in a Memorandum of Understanding between the applicant and the City can serve as a term sheet to craft legal agreements that would be brought forward to the Planning Commission then City Council.

Mayor Livengood asked what the cost per unit for the \$15 M staff recommended contribution. Mr. Lindsay stated about \$9,500 per unit. Mayor Livengood restated his position: this project is exactly what the City wanted in a Transit Area Specific



Plan. His biggest concern is the amount of subsidy needed between the staff proposed \$9,500 and applicant-proposed \$45,000. He suggests staff and the applicant to get together and find an amount that works before revisiting. He would like to keep this project alive and moving forward.

Council Member Giordano feels time is of the essence and suggested staff start preparing the legal agreements.

Mr. Knapp stated he thinks the vision of the transit area plan is bar-none. Mr. Knapp stated he is not sure if Integral can do this project at less than their request.

7. Other business

There was no other business.

8. Set time and date for next meeting: Monday, April 6, 2009, 3:00 PM

9. Adjourn