

September 23, 2011

Mr. Thomas C. Williams, City Manager
City of Milpitas
455 E. Claveras Blvd.
Milpitas, CA 95035-5411



RE: Request for a "Time Extension" to the Disposition and Development Agreement between the Redevelopment Agency of the City of Milpitas and South Main Senior Lifestyle, LLC.

Mr. Williams;

South Main Senior Lifestyles, LLC (SMSL) is formally requesting a two year extension to the Disposition and Development Agreement between the Redevelopment Agency of the City of Milpitas, a public body, corporate and politic and South Main Senior Lifestyle, LLC, a California limited liability company dated August 18, 2009.

Per Article 3.6.1, the term of the DDA ends twenty-four (24) months after the Property Acquisition Date. The Property was acquired by the Agency on November 20, 2009, thus establishing the term of the DDA beginning November 20, 2009 and ending 12 AM November 19, 2011. SMSL is requesting the "term" be extended to 12 AM, November 19, 2013.

SMSL is making this request as allowed per Article 11.2 of the DDA. SMSL requests this extension due to the harsh and unfriendly economic conditions that have been present in the "Bay Area", California and the country. The continued unforeseen market conditions have had no improvement over the last 2 years. The lending environment has been unable to address the needs of the project due to the extreme conservative "underwriting" requirements.

SMSL has been continually developing all aspects of the project over the last 20 months. Extensive architectural and engineering drawings have been prepared, extensive market analysis have been completed and alliances with operating partners have been negotiated. The project as currently designed is the same project as described in the "Recitals" of the DDA C 1 and C 2. The project is a two phased housing project consisting of approximately 180 units of "assisted/congregate" senior housing inclusive of 63 affordable units as described in Article 6.2 of the DDA (for Phase One) and approximately 207 units of "market rate" family housing (for Phase Two). SMSL has put forth a vast effort in "good faith" to develop the project and has made great progress.

SMSL is convinced now more than ever that the demand for senior assisted/congregate housing in Milpitas is underserved. That demand is being compounded by the inability of seniors to exit their own homes due to the loss of equity in their home values. The assisted senior housing market is a "need driven" product due to the inevitability of aging. That need has been building primarily due to the adverse economy and additionally compounded by the first "baby boomer" generation "coming of age" requiring this specialized housing.

By granting our request for a 2 year extension, the City of Milpitas will be allowing the time for the economy to adjust in a favorable manner. The extension will further allow SMSL to solicit lenders and secure financing supported by evidence of the higher demand due to the demographic shifts in our aging population.

We thank you for considering our "Request for Extension".

Sincerely,

A handwritten signature in black ink that reads 'James R. Burns II.' The signature is written in a cursive style with a large, looped 'J' and 'B'.

James R. Burns II, Co-Managing Member
South Main Senior Lifestyles, LLC

Attachments: Exhibit A Site Plan, Exhibit B Cedar Street-North Elevation



Milpitas Senior Lifestyles
Milpitas California
North Elevation