



October 21, 2019

Mayor Lisa Matichak and
City Manager Dan Rich
500 Castro Street, 3rd Floor
Mountain View, CA 94041-2010

Dear Honorable Mayor Matichak and City Manager Rich:

On September 25, 2019 Marwood was informed that the Mountain View City Council ("City Council") would require Marwood to pay \$6 million for access over the Lot 4 joint garage ("Joint Garage") ramp that the Robert Green Company ("TRGC") would build as part of its Hotel Project on Lot 4. This letter is a formal response asking that the City Council revisit the matter and deliberate on the options that Marwood presents below.

Following the guidance delivered to Marwood from the City Council Study Session on March 27, 2018 regarding the Joint Garage, Marwood continued to invest considerable sums of capital into the development at 701-727 W. Evelyn ("Evelyn Development"). This includes the investment of time and money in design and entitlement costs. Again 11 months later, following the City Council Study Session on February 26, 2019 when a majority of Council Members supported both the architecture of the Evelyn Development and the underground parking requirement recommended by City Staff, Marwood continued to move forward on project development expenditures (*see Exhibit A*). The culmination of this entitlement effort is weeks away with an entitlement hearing scheduled for November 18, 2019. A tally of the gross costs to build the Marwood underground parking spaces for both the public and private users, combined with the City ramp fee, City parking in-lieu fee, the fee that TRGC is demanding from Marwood to secure the right to access the Marwood garage spaces, plus the cost to Marwood that TRGC is demanding to pay for TRGC's Lot 4 garage costs (i.e., all ramps and drive aisles), makes this small project way too expensive.

In aggregate, these gross garage costs equate to Marwood paying, on a per stall basis, approximately 3-to-4-times the price of a single underground parking stall in a typical development scenario with subterranean parking. We believe there is a better approach

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to the use of the funds that the City is now requiring: an approach that keeps all these funds in the City, provides a material funding mechanism to address immediate, short and long term Downtown parking goals and objectives, and assists in strengthening the overall Downtown parking experience. This, in turn, will directly improve the quality of life for Downtown residents, merchants and the general public.

As you may know, Marwood has worked in good faith and in a thoughtful manner with the City for nearly four years on developing an acceptable site plan for the Evelyn Development. This location is a premier transit-oriented development (TOD) site situated immediately across the street from the Caltrain station. Marwood has consistently taken the position that the Evelyn Development will not pose a major impact to the Downtown parking situation for a host of reasons, including: the strong TOD location of the site, the small net office use (sub 25,000 sf), and deployment of one of the most comprehensive transportation demand management (TDM) plans in downtown Mountain View. Additionally, the Evelyn Development provides an opportunity to make a stronger contribution to the Downtown community by creating a powerful transitional improvement between the adjacent Hotel Project and the evolving Transit Center. The development would also replace the two single -level, cinderblock structures at the site with an elegant building that will have energetic retail, street frontage and wider sidewalks, while providing a significant facelift for the gateway to the City.

Marwood has a long history of working in good faith with the City on this project:

- February 2016 – Marwood expeditiously agreed to the City’s tie-back agreements for the Hotel Project without asking for any compensation in return.
- February 2017 – Marwood submitted its first development application for the Evelyn Development. This application would be revised several times to meet the concerns of City staff, City Council, and community feedback. The downside to Marwood being that this iterative process resulted in a building with a net rental square footage 40% smaller today than originally underwritten using the guidance of the Downtown Precise Plan, though Marwood stayed the course.
- March 2018 – The City Council gave Marwood direction regarding the working relationship with TRGC and guidelines around the development of the joint garage, which Marwood followed assiduously.

- April 2018 – Marwood began collaborating with TRGC and paying all TRGC internal labor as well as 3rd party contractor costs related to the joint garage design that would serve both the Hotel Project and the Evelyn Development.
- September 2018 – The City introduced to Marwood the concept of a "ramp fee" and began negotiating a "ramp fee" that Marwood would pay to the City for access to the Evelyn Development over the garage ramp for the Hotel Project. The City cited the Ameswell Hotel Project (Broadreach Capital) as the benchmark for executing such a fee and Marwood was told repeatedly in October 2018 that the ramp fee would likely be in the range of \$1.2 million to \$1.7 million.
- October 2018 – The City asked Marwood to put together its own financial analysis for the "ramp fee" and submit that analysis to the City (which it did) and subsequently address several questions related to that analysis. This exchange led us to understand that the fee range mentioned was the amount we could reasonably expect.
- February 2019 - Marwood's Evelyn Development was discussed at a City Council Study Session where following a majority support by Council Members, the pathway to entitlement was apparent and Marwood continued to move forward with all partners including the City and TRGC.

Marwood intends to keep this project moving and deliver on the commitment we have demonstrated. We would like to discuss what we consider to be two options to keep the project moving forward, in continued good faith, toward entitlement.

OPTION 1: Marwood would execute a Development Agreement (DA) with the City through which it would provide \$8 million to the City in exchange for vesting the entitlements for the Evelyn Development for a period of 10 years. The \$8 million amount represents an addition of approximately \$3.8 million over the amount the City would normally receive through in-lieu fees, which could help the City pay for a range of priorities for Downtown such as a new public/private garage on City land as was recently discussed by the City Council, strengthening the residential parking permit program and/or Downtown parking permit program, technology solutions for parking, parking enforcement, a TMA, etc. The \$8 million paid directly to the City could help create 100+ more public parking spaces than the 25 public spaces Marwood would deliver through the joint garage.

Marwood Funds Committed: \$8 million committed to City via an executed DA.

Use of Funds: The City would have full discretion over the use of the funds with the caveat being the funds must be deployed to assist with Downtown parking initiatives.

Entitlement Vesting Period: 10 years.

Timing of Building Permit: The DA could prohibit Marwood from pulling a building permit up to 5-years, which corresponds to the long-end of the Phase 2 Downtown Parking Programs/Initiatives. This timeline would allow for a "seasoning period" of the planned revamp of the residential parking permit program and the Downtown permit program, allowing them to demonstrate tangible, positive impacts on the Downtown parking situation. Additionally, this 5-year period would allow the Council to consider the potential construction of a 3rd parking structure, to which the Marwood funds could be deployed. Marwood would wait while the City worked through these issues, and would only be able to move forward with a building permit before the 5-year period expired if: (1) the City Council gave its consent or (2) the City moved forward with the construction of a 3rd Downtown garage.

OPTION 2: As in Option 1, Marwood would execute a DA with the City through which it would provide a minimum of \$8 million to the City in exchange for vesting the entitlements for the Evelyn Development for a period of 10 years. The DA would restrict Marwood from pulling building permits for the Evelyn Development for 5 years. However, the DA would allow for the potential that, during the 5-year period, Marwood and the City would negotiate a ground lease or other arrangement for City Lot 6 through which Marwood will build a three-to-four story, above-ground, public/private parking structure that could be repurposed. This three-to-four story parking structure would produce 270-360 parking stalls (*see Exhibit B*). Marwood could build the garage at its cost and be reimbursed by the City via future in-lieu parking fees or other parking-related revenue generated from additional developments, plus receive a market-based interest rate. If this were to occur, the DA would allow for Marwood to use the \$8 million to purchase the right to use 81 of the parking spaces in the new garage for the Evelyn Development. The City would have 100% control of the remainder of the parking spaces.

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Marwood Funds Committed: Minimum of \$8 million via an executed DA. Potentially the full cost to construct a three-to-four story, above-ground parking structure on City Lot 6, with reimbursement of amounts over \$8 million over time.

Ground Lease: The City enters a ground lease with Marwood.

Use of Funds: All funds would be deployed to build an above-ground parking structure at City Lot 6. If the City does not ground lease City Lot 6 to Marwood, the City would have full discretion over the use of the \$8 million with the caveat being the funds must be deployed to assist with Downtown parking initiatives.

Entitlement Vesting Period: 10 years.

Timing of Building Permit: As in Option 1, the DA could prohibit Marwood from pulling a building permit up to 5 years. Marwood would only be able to move forward with a building permit before the 5-year period expired if: (1) Marwood pulled the building permit for construction of a parking garage on City Lot 6, (2) another yet-to-be-determined sequencing milestone is met; or (3) if the City Council gave its consent.

We appreciate your time and consideration, and look forward to receiving your thoughts.

Sincerely,

C-M MV LLC

a California limited liability company

By: MARWOOD MV MANAGER LLC
a California limited liability company, its Manager

By: MARWOOD ASSETS MANAGEMENT, LLC
a California limited liability company, its Manager

By: 

Vincent Woo, its Manager

Attachment

Exhibit A
Marwood Costs since 03/27/2018

	Marwood Cost's Following the City Council Study Session on March 27, 2018
City Fees & 3rd Party Reports	\$144,277
Marwood Design Cost	\$400,418
Marwood Legal Cost	\$207,885
Other Marwood 3rd-Party Costs	\$126,197
Costs to reimburse TRGC** labor	\$151,824
Total	\$1,030,601

** The Robert Green Company

Exhibit B
Above-Ground Garage Cost Detail (High-Level)
(Hard & Soft Cost Estimates Only)**

Planning Assumptions		
	- Levels of Above Ground Parking	3 // 4
	- Levels Below Ground	0
	- Number of Parking Spaces	270 parking spaces // 360 parking spaces
	- Total Building Area	86,400 GSF // 115,200 GSF
Cost Assumptions		
	- Total Construction Costs	\$14.4M // \$17.2M
	- Costs Per Parking Space	\$53K per space // \$48K per space
	- Cost Per Square Foot	\$165 per SF // \$149 per SF
	- Design Contingency	15% of gross construction cost
	- Soft Costs	30% of gross construction cost

** Does not include escalation for prevailing wage