

From: [Ali Sapirman](#)
To: [McDougall, Paul@HCD](#); [Danino, Shawn@HCD](#)
Cc: [Jordan Grimes](#); [CityClerk AP](#); [Council AnswerPoint](#); [Trudi Ryan](#); [Kent Steffens](#)
Subject: Sunnyvale's Draft Housing Element 12/11 Comment Letter
Date: Monday, December 11, 2023 5:08:54 PM
Attachments: [Sunnyvale Housing Element comment letter 12_10.pdf](#)
[1139 Karlstad- 2023 Park Fee Based Solely on This Transaction.pdf](#)
[Exhibit.pdf](#)

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Dear Shawn and Paul,

As a follow up to our meeting last week please see the attached comment letter.

In solidarity,

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Ali Sapirman | Pronouns: They/Them

South Bay & Peninsula Organizer | Housing Action Coalition
50 Otis St, San Francisco, CA 94103
Cell: (407) 739-8818 | Email: ali@housingactioncoalition.org



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December 11, 2023

RE: Sunnyvale's Draft Housing Element

Dear HCD Representatives: Shawn Danino and Paul McDougall,

CC: Sunnyvale City Council and Staff

In our past two comment letters we have noted the exorbitant Multi-Family Park-in-lieu fee that is a significant impediment to development. HCD in their July comment letter states, “*pursuant to public comments, the City should analyze its \$72,560 park in lieu fee applied to all multifamily units.*” We have updated our comment letter with our outstanding concerns.

I. Impercise Park-in-lieu Methodology

A) The City Should Not Appraise the Park-In-Lieu-Fee Based on Residential Land Sales

The city's appraisals specifically target residential land sales, which is problematic because this method uses the price of one of the most expensive types of properties to set the fee and implies the City will purchase residentially zoned properties for parks.

- There are two issues with this approach. First, this conflicts with the Housing Element sites inventory if the City intends to purchase residential property for parks. Second, if the City purchases more appropriately zoned property at lower prices for parks, the City is inflating the park impact fee on new housing.

B) The Methodology the City is using is Inappropriate to Justify the Exorbitant Park-In-Lieu Fee

In order to calculate the park-in-lieu fee the city analyzes all the residential property sales of the given year. They remove the outliers (the highest and the lowest sale) and find the average. The fee is then “adjusted” by 25% in order to account for the adjustment from an entitled property to an unentitled property.

In the following exhibit we analyzed the three residential property sales that occurred in 2022, (1175 Aster Ave.) (1139 Karlstad Dr.) and (1101 S Wolfe Rd). In order to find the average and calculate the 2023 park-in-lieu fee, the highest sale (Wolfe) and the lowest sale (Aster) would be



removed as outliers, and the only sale left to analyze is the (Karlstad) sale.

2023 Park Land Values

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
[Detailed spreadsheet data with various columns for property values, fees, and calculations]																																																																																																			

All properties in report

3 included for this year

Removing the highest and lowest sales price, only one property sets the 2023 fee.

The fee is "adjusted" down 25% (from \$240/sf to 180/sf). The appraisal document purports this is a proper adjustment from an entitled property to an unentitled property. It does not provide backup data.

2023 Fee is based solely on 1139 Karlstad Dr.

Example 200 Unit Project

The park fee for 2023 is based off of only one property sale. If this property happened to be sold close to either the highest or lowest property sale, the park fee could have differed by nearly \$5,000,000 for a 200 unit project.

Hypothetical 200 Unit Project						
	Acres	SF	Land Value/sf	Fee per unit	Market Rate Units	Fee
Fee Calculation	0.009	392.04	\$ 143.61	\$ 56,300.86	200	\$ 11,260,173
Fee Calculation	0.009	392.04	\$ 180.14	\$ 70,622.09	200	\$ 14,124,417
Fee Calculation	0.009	392.04	\$ 207.10	\$ 81,191.48	200	\$ 16,238,297

1175 Aster Ave.

1139 Karlstad Dr.

1001 S Wolfe Rd.

As such,

- The park-in-lieu fee for 2023 is reportedly based on **one property sale**, which is inappropriate for determining a high fee on new housing.
- Additionally, there is an unsupported assumption that entitled property is worth 25%-30% more than unentitled property. Given the significant time and expense of entitling property in California, the value increase is likely much more. The city needs to provide backup for this adjustment, especially since the properties used to set the fee are entitled sales comps but they intend to value unentitled land.

The starting point of the Park-in-lieu fee is high, and based on arbitrary methodology, and as such, they shouldn't reduce the fee based on such a high starting point.



II. Sunnyvale’s Park Fee is Currently the Highest Relative to the Region

Regional Park-In-Lieu Fees Ranked Highest to Lowest

City	Per unit Multi-family in-lieu park fee
Sunnyvale	\$72,560
Cupertino	\$54,000-\$60,000
Mountain View	\$45,600-\$58,560
Palo Alto	\$54,472
Santa Clara	\$43,472-\$52,561
Los Altos	\$48,800
San José	\$8,000-\$41,600
*South San Francisco	\$14,125.08-\$23,647.54
*Redwood City	\$11,939.84-\$23,647.54
Saratoga	\$21,562
*Campbell	\$17,669

* Indicates Cities with a Pro-Housing dedication

After reviewing cities surrounding Sunnyvale, Sunnyvale ranks the highest in their Park-in-lieu fee at \$72,560 per unit.

III. Lack of Clarity on how Sunnyvale will Impose the Park-In-Lieu Fee Reduction

Since our last comment letter and engagement with the City Council and City staff, the city has updated *H19. Review Park Dedication Requirements*. The updated language commits staff to, “Adopt a tiered approach based on density and/or size of unit to reduce park dedication in-lieu fees on multifamily units, targeting an average reduction of about 30 percent.”

The implementation of the fee reduction would occur by the end of 2024, with a mid-cycle review in 2027, and if a constraint is identified, the City will take action within 6 months.



We appreciate the City’s attention to addressing the Park-in-lieu fee. A 30% reduction would be significant progress towards making development feasible in Sunnyvale. However, if the city intends to have a 30% reduction in the fee, the city should make that clear in the language. Based on the current draft, it is unclear how the City intends to implement the “*tiered based approach*”, this language is vague, confusing, could trigger unintended incentives, and add unknowns to projects which add additional costs. On this language alone, it is unclear what developers should expect to pay for the Park-in-lieu fee, and it would be detrimental to development if the City waits to provide clarification until the end of 2024. We recommend the City updates the language to clearly identify the reduction in the Multi-family Park-in-lieu fee.

IV. If the Park-In-Lieu Fee is Reduced, it will be Progress, but the Fee is still High Relative to the Region

Regional Park-In-Lieu Fees Ranked Highest to Lowest
With a 30% Reduction in Sunnyvale’s Fee

Cupertino	\$54,000-\$60,000
Mountain View	\$45,600-\$58,560
Palo Alto	\$54,472
Santa Clara	\$43,472-\$52,561
Sunnyvale	<i>(If reduced by 30%) 50,792</i>
Los Altos	\$48,800
San José	\$8,000-\$41,600
*South San Francisco	\$14,125.08-\$23,647.54
*Redwood City	\$11,939.84-\$23,647.54
Saratoga	\$21,562
*Campbell	\$17,669

** Indicates Cities with a Pro-Housing dedication*



Although a 30% reduction would make progress towards feasible development in Sunnyvale, a 30% reduction would still keep the Sunnyvale fee higher than many surrounding cities. All of the cities that have received a pro-housing designation are half of the cost of proposed Sunnyvale fee reduction. **We recommend the City considers a 50% reduction for the fee to eliminate constraints to housing production. We also note that the City is evaluating this fee in a vacuum and we ought to consider the cumulative fees of development, in which we recommend the City has a feasibility analysis prior to 2027.**

In solidarity,

Ali Sapirman, Housing Action Coalition

Jordan Grimes, Greenbelt Alliance

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Pulte pays \$52M for approved Sunnyvale townhome site

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PulteGroup's Ryan Marshall and a rendering of some of the townhomes approved for 1139 Karlstad Drive (LinkedIn, KTG, Getty)

By Matthew Niksa

AUG 25, 2022, 2:11 PM

PulteGroup has acquired the site of an entitled townhome development in Sunnyvale for \$52 million, a property that was previously approved for almost twice as many apartments and was once part of failed construction startup Katerra's project portfolio.

The Atlanta-based homebuilder paid more than \$385,000 per approved unit to purchase the 5-acre site at 1139 Karlstad Drive from the Sobrato Family Foundation, documents filed with the Santa Clara County Clerk-Recorder's Office on Wednesday show. The property is a vacant parcel where an industrial building once stood. It sits between highways 237 and 101 and is surrounded by three-story townhomes and apartments.

The city approved plans by The Sobrato Organization, the foundation's parent, in May 2021 to build 135 townhomes in more than a dozen three- and four-story buildings. Roughly 12 percent of those homes, 16 total, would be set aside for people on moderate incomes. Mountain View-based Sobrato's development group filed grading and plumbing permits earlier this year but none for construction, according to Sunnyvale's online permit portal.

Representatives for Sobrato and PulteGroup didn't respond to requests for comment.



Sobrato Organization affiliates and trusts controlled by its founder, John Albert Sobrato, had owned the Sunnyvale site since 1992, title service records show. One of those trusts donated it to the Sobrato Family Foundation, the main grant-making vehicle of the organization's philanthropic arm, in August 2021.



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The deal expands Pulte's portfolio of approved and under-construction homes in Silicon Valley to nearly 500. It's building 356 townhomes and condos in nearby Santa Clara and San Jose, most of which are on the site of a mobile home park on the latter city's west side that's being redeveloped into a mix of rentals and for-sale units.

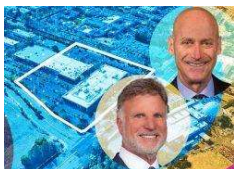
Sunnyvale's condo and townhome market is among the strongest in Silicon Valley, with this year's sales numbers on pace to finish slightly below last year's \$673 million in total sales volume. Nearly \$50 million in condos and townhomes sold there last month, second only to San Jose in Santa Clara County, according to July Santa Clara County Association of Realtors data.

The Karlstad Drive site featured as a footnote in the story of Katerra, a SoftBank-backed construction startup that once had \$15 billion worth of building projects before filing for bankruptcy last year. Sobrato became one of Katerra's customers in 2017, when the property's then-owner received planning approval to redevelop it into a 250-unit apartment building. The two sides clashed over pricing, among other issues, people familiar with the matter told The Information in 2018.

Sobrato confirmed to *The Real Deal* in 2019 that the two were no longer working together on any of its projects, including 1139 Karlstad Drive. That same year, Sobrato filed plans with the city to develop the site into townhomes, a new vision for the property that swapped out the previously approved apartments for for-sale homes.

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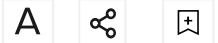


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DEVELOPMENT CHICAGO



PE firm finalizing 150K sf lease in Fulton Market

Deal with Harrison Street would allow JDL, Fulton Street to score financing for project



Co-founder, Chairman and CEO of Harrison Street Christopher Merrill and a rendering of 919 West Fulton Street (Fulton Street Cos, Harrison St., Getty)

By TRD Staff

AUG 25, 2022, 2:05 PM

Harrison Street Real Estate Capital is making a big move.

The private equity firm is leasing 150,000 square feet of office space in a Fulton Market development, the building's developer announced Thursday.

It plans to occupy space in the not-yet-built 11-story office building at 919 W. Fulton St., Fulton Street Cos. Founder and CEO Alex Najem told Crain's. Fulton Street Cos. is a co-developer, along with JDL Development.

Harrison Street is tripling its square footage in Chicago, and the new lease will relocate the company from Downtown to one of Chicago's most desirable office locations.

Assuming reports are accurate, the company would take five floors of the 470,000-square-foot, \$320 million project. The lease would likely give the developers a path to secure financing on the project. Beyond the office portion, the development — called 919 on Fulton — will also include 15,000 square feet of ground-floor retail, which will house a Gibsons restaurant.

In addition to the 150,000-square-foot lease, Harrison Street will also have a 22,000-square-foot outdoor terrace. Should the deal close, the company would relocate from 444 W. Lake St., a 52-story office building about eight blocks east.



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Harrison Street declined to comment.

The lease makes a compelling case for Fulton Market's continued dominance in Chicago's office market. While Downtown and other areas of the city continue to struggle to secure tenants after the pandemic normalized remote work, Fulton Market continues to attract new leases.

Harrison Street was founded in 2005 by investor Chris Merrill and former Motorola Chairman Chris Galvin. It's considered the largest real estate private equity firm in Chicago and has nearly \$50 billion in assets under management. The company's main areas for investment are senior and student housing, self storage and life sciences.

[Crain's] — *Miranda Davis*

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Swiss buyer drops \$21M on Fulton Market offices

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Sterling Bay gets \$206M of financing for Fulton Market office project

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2023 Park Land Values

SITE	1	2	3	4	5	6	7	8	9	10	11	12	13	CALCULATIONS	NOTES ABOUT CALCULATIONS
PROJECT DEVELOPER/ LOCATION	1175 Aster Av	1139 Karlstad Dr	1119 Lawrence Expressway and 1037 Lakehaven Drive	1171 Sonora Ct	585 Columbia Av	925 S Wolfe Rd	1090 E Duane Av	1178-1180 Sonora Ct	1001 S Wolfe Rd	631-693 Grape Av	444 Old San Francisco Rd	582 E Maude Av	842 Sunnyvale Saratoga Rd		
ACTUAL ZONING at time of sale?	M3	R4	C1-PD (Village Center)	MXD-1	R-3	R-3 Residential	R-3 Residential	MXD-1	R1	C2-ECR	R4PD	R-3	R1		
City Corrected Zoning	LSAP	R4/PD		MXD-1		R-3/PD	R-3/PD	MXD-1	R-0		R4/PD				
ENTITLEMENTS	Yes	Yes	No	No	Contingent	Yes	Yes	No	No	No	Contingent	No	Preliminary		
Purchase Date	10/22	8/22	Offer Pending	2/21	11/20	1/20	6/20	1/20	In-Contract	11/19	10/19	5/19	Listing		
UNADJUSTED VALUES (PG 34)	\$ 191.49	\$ 240.19	\$ 147.74	\$ 220.73	\$ 251.09	\$ 249.34	\$ 277.69	\$ 247.67	\$ 306.81	\$ 164.32	\$ 191.56	\$ 153.71	\$ 205.54		
ADJUSTED VALUES per SF	\$ 143.61	\$ 180.14	\$ 121.88	\$ 228.66	\$ 196.47	\$ 203.86	\$ 211.70	\$ 238.20	\$ 207.10	\$ 189.41	\$ 154.60	\$ 167.26	\$ 175.74		
UNADJUSTED VALUE TOTAL	98,500,000	52,000,000	34,000,000	12,500,000	5,250,000	58,000,000	73,000,000	13,550,000	3,888,850	6,800,000	3,518,000	4,875,000	2,998,000	\$ 368,879,850	
SF	514,400	216,493	230,127	56,630	20,909	232,614	262,883	54,710	12,676	41,383	18,365	31,716	14,593	1,707,499	
UNADJUSTED VALUE per usable SF	\$ 191.49	\$ 240.19	\$ 147.74	\$ 220.73	\$ 251.09	\$ 249.34	\$ 277.69	\$ 247.67	\$ 306.79	\$ 164.32	\$ 191.56	\$ 153.71	\$ 205.45	\$ 216.04	Weighted average - All
														\$ 219.06	Straight average
ADJUSTED VALUE TOTAL	\$73,872,990	\$38,999,085	\$28,047,937	\$12,949,078	\$4,107,959	\$47,420,711	\$55,652,346	\$13,031,897	\$2,625,191	\$7,838,291	\$2,839,229	\$5,304,746	\$2,564,504	\$ 295,253,965	
SF	514,400	216,493	230,127	56,630	20,909	232,614	262,883	54,710	12,676	41,383	18,365	31,716	14,593	1,707,499	
ADJUSTED VALUE per USABLE sf (PG 64)	\$ 143.61	\$ 180.14	\$ 121.88	\$ 228.66	\$ 196.47	\$ 203.86	\$ 211.7	\$ 238.2	\$ 207.1	\$ 189.41	\$ 154.6	\$ 167.26	\$ 175.74	\$ 172.92	Weighted average ALL SITES
														\$ 186.05	Straight average
ADJUSTED VALUE TOTAL	\$73,872,990	\$38,999,085		Duplicated Item from last report	Duplicated Item from last report	Duplicated Item from last report	Duplicated Item from last report	Duplicated Item from last report	Removed due to 2019 sale date	Removed due to 2019 sale date	Duplicated Item from last report	Removed due to 2019 sale date	Removed as it has not yet sold	\$ 115,497,266	
SF	514,400	216,493							12,676					743,569	***Weighted average
ADJUSTED VALUE per USABLE sf	\$ 143.61	\$ 180.14							\$ 207.10					\$ 155.33	
														\$ 176.95	Straight average
ADJUSTED VALUE TOTAL	Low	\$38,999,085	Removed from list as offer is still pending	Duplicated Item from last report	Duplicated Item from last report	Duplicated Item from last report	Duplicated Item from last report	Duplicated Item from last report	High	Removed due to 2019 sale date	Duplicated Item from last report	Removed due to 2019 sale date	Removed as it has not yet sold	\$ 38,999,085	
SF		216,493												216,493	***Weighted average
ADJUSTED VALUE per USABLE sf		\$ 180.14												\$ 180.14	With High and Low removed
														\$ 180.14	Straight average

All properties in report

3 included for this year

Removing the highest and lowest sales price, only one property sets the 2023 fee.

The fee is "adjusted" down 25% (from \$240/sf to 180/sf). The appraisal document purports this is a proper adjustment from an entitled property to an unentitled property. It does not provide backup data.

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