



Re: The Rise Modification Request, December 4, 2023

Ms. Pamela Wu, City Manager
City of Cupertino
10300 Torre Avenue
Cupertino, CA 95014

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Dear City Manager Wu,

On behalf of Vallco Property Owner, LLC please find our attached modification request application for The Rise. This request maintains the project's ambitious programming while incorporating proposed changes to the approved 2018 SB 35 Approval and 2022 Modification to integrate City and community feedback as well as to reflect today's economic realities. Challenging market conditions of the past year have affected real estate projects throughout our region, and The Rise is no exception. At these times projects have to draw upon great resilience and creativity to move forward and in so doing must look for ways to be adaptable. With this modification, and as the project prepares to continue with the next phase of construction early in the new year, this spirit of adaptability will guide development. The Rise, as proposed to be modified, will continue to provide Cupertino with a vibrant downtown district including a diverse array of housing options, dynamic retail environment and acres of trails and open space.

We greatly appreciate the City's collaboration over the past several months as we developed an approach that meets community goals and meaningfully equips the City to overcome the difficult challenges it faces, including planning for its Housing Element requirements and managing its sudden and severe budget deficit. As we have discussed, the design changes in this modification request are required for three main reasons: 1) to address requests by City leaders and community members; 2) to increase feasibility by reducing cost and optimizing programs; and 3) to improve financeability and flexibility necessary to move forward during uncertain times.

Following Rafael Viñoly's passing earlier this year, The Rise team embarked on a thoughtful process to carry the project forward with a new architectural partner, Kohn Pedersen Fox (KPF). KPF is a world-renowned design firm known for their innovative and community-driven approach to urban design. The modification request provides for a vibrant town center, blurring the boundary between urban and natural environments, while also addressing key City issues and aligning the project with market conditions.

Addressing Cupertino's Housing Crisis

The Rise constitutes the single most important housing opportunity in the history of Cupertino. The City's housing issues have only become more acute over the past several years, as demonstrated by the state's mandate to plan for 4,588 housing units under the City's new Housing Element. We have heard the requests to increase the housing count at The Rise. This modification request increases the project unit count by 11% to 2,669 residences, the maximum allowed today under State Density Bonus Law. Furthermore, we have made the residential offering more diverse with for-sale and for-rent tenures, townhomes, and more family units.

Project delays have diminished our ability to provide additional voluntary affordable housing units. As such, the affordable housing count is reduced to the SB 35 legal requirement of 890 units. This remains a significant increase in the City's affordable housing stock, providing 6 times more than the City's current below market rate rental unit inventory. The modification request also introduces senior and affordable housing programs, substantially diversifying the City's below market rate housing program that lacks sufficient housing options for these key demographics.

By itself, The Rise will fulfill over half of Cupertino's overall Housing Element obligations and 90% of its Low Income obligations.

The combination of the increase in residential units with the reduction in commercial area further improves the project's jobs/housing balance as compared to both the 2018 and 2022 approved plans.

Increasing Ground-Level Open Space

A long-standing community and City request has been to concentrate parks at ground-level and provide more traditional park spaces. The proposed plan allows for over 7 acres of community open space at grade, including two event plazas, recreational parks, playgrounds, dog parks, and bike-pedestrian trails. To be able to provide this amount of space at grade – both physically and economically – the rooftop park feature of the previous design has been removed. Additional open space is provided on building podiums providing 6 more acres of open space and bringing the project open space total to just under 14 acres.

Creating A Walkable Retail Destination

The City and community have continued to advocate for a robust retail offering at the site, and The Rise will continue to provide a dynamic and walkable retail environment, now with an expansion of the retail footprint across Wolfe Road. While the amount of storefronts and overall retail frontage remains approximately the same, the overall retail area has been reduced due to the removal of big box and larger format retail spaces from the program as a result of the declining feasibility of that category of retail. The Rise is designed to be a retail destination for the community with grocery, restaurants and shops, which will now be bolstered by a renewed focus on at-grade open spaces.

Reducing Project Height & Size

The modification request responds to City and community feedback to reduce the height and size of the project, especially near adjacent single family home neighborhoods. The new plan provides a better setback from the Portal neighborhood and less towers across the site. Where height is necessary, it is

concentrated toward Wolfe and I-280. The majority of the project's buildings are now 85 feet or lower, which is in better harmony with the existing neighborhood scale. In addition, the overall project size has been reduced by approximately 1 million square feet by improving the efficiency of residential, office and retail areas while updating the footprint of each use to meet anticipated market needs.

Providing Significant Fiscal Benefit

The Rise will provide millions of dollars of net new, annually recurring sales and use tax, property tax, utility taxes, franchise fee, and business license tax revenue to the City's General Fund for the foreseeable future. Given the state's sales tax audit, this additional revenue will be critical to mitigating the City's ongoing fiscal issues and will provide net new revenue to allow the City budget to maintain crucial programs and policies.

The Rise is a reflection of the innovative ideas and thoughtful community feedback collected over almost 10 years, as well as of the resilience and creativity necessitated by enduring market conditions. The Rise will endeavor to represent the best of the City and community as it meets the challenges ahead. It has never been more important to move swiftly and collaboratively to bring this project from design to reality in order to deliver its critical benefits and policy objectives, not to mention on the promise of becoming a defining moment for Cupertino and the greater Silicon Valley.

We thank the City Manager and City Staff for their years of diligence and hard work in processing this project. We look forward to every upcoming opportunity to partner with the City and community further as design develops and construction continues. As you review the complete application and its supporting materials, please do not hesitate to let us know how we can support the City in the processing of this application.

Sincerely,



Reed Moulds
Managing Director
Sand Hill Property Company