



August 1, 2014

Rommel Pabalinas  
Senior Planner  
Community Development Department  
County of El Dorado  
2850 Fairlane Court  
Placerville, CA 95667

Re: El Dorado Hills Apartment Project: General Plan Amendment, Specific Plan Amendment, Rezone and Revision to Approved Town Center East Development Plan

Dear Mr. Pabalinas:

The Spanos Corporation is the applicant for entitlements for the proposed 250-unit apartment project (the "Apartment Project") intended to complement and revitalize the El Dorado Hills Town Center East (the "Town Center"). The Town Center consists of approximately 900,000 square feet of constructed and proposed commercial and retail space and the Spanos proposal involves the modification of the existing entitlements allowing a 150-room hotel, 4,000 square foot restaurant, conference facility and additional retail and commercial space with the proposed Apartment Project. The intent behind the Apartment Project is to provide significant residential opportunities within easy walking, biking and public transit distance of the existing commercial development in the Town Center. We have developed similar projects around the country and feel strongly that the residential base will greatly assist the success of the other commercial and retail activities within the Town Center.

The Planning Commission conducted the initial public hearing on this matter on June 26 and raised a number of questions and issues requesting additional information. The Commission was kind enough to continue the public hearing from its previously scheduled date of July 24 to August 28 to allow The Spanos Corporation and the County to develop the information and responses necessary to answer all of their questions. The Spanos Corporation is responding to issues relating to aesthetics; visual exhibits, a comparison of similar projects and the economic and fiscal analysis. In addition, you have requested us to respond as to why the large increase in allowable density (24 to 55 units per acre) is necessary for this project and why commercial space on the ground floor on Town Center Boulevard is infeasible. The purpose of this letter is to transmit to you and through you to the Commission, all of the information we have compiled to address these various issues.

A. Reasons Extremely High Density is Required: We listened carefully to the Commission's comments, particularly those of Commissioners Shinault and Heflin. These Commissioners indicated satisfaction with the design and the concept of residential use on the site, but felt the increase in density was simply too drastic to be supported. We understand the concern but as I explained at the hearing, our experience with similar projects across the

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**EXHIBIT H**

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country indicates that the total number of units should be maximized to provide the desired impetus to the commercial/retail development, for the following reasons:

1. Conceptually, we are aiming for as dense a residential use as possible to provide the desired "boost" for the commercial/retail while still presenting environmental impacts that can be mitigated and will not adversely impact the functioning of the Town Center. Diminishing the number of units will diminish the resulting stimulus.

2. Architecturally, we strive to match the design and character of the surroundings in the Town Center. As you can see from the photo simulations we have attached, we believe we have done that with the four-story construction and the structured parking. The Apartment Project compliments and fits into the existing development and does not overwhelm it. A two-story structure would look out of place.

3. The parking structure is very expensive and without it the density could not generate enough stimulus effect without having to rely on shared parking with the rest of the center, as is the current arrangement for the commercial uses. Ample parking is imperative for commercial and residential to thrive which is why we chose to contain our parking within our project, both for our own project as well as to avoid any impact on the existing uses. Thus, the less dense project would either not have the desired stimulus effect on the existing commercial/retail uses, which is one of its primary objectives, or it would be required to share parking with the rest of the center, which is not recommended and which would not be agreed to by the commercial uses. In our opinion, a project with more than thirty units per acre would require structured parking. To amortize the cost of the parking structure, a density of at least 55 units per acre is needed to make the project economically feasible, in our judgment.

For these reasons and others we have requested the increase in allowable density to 55 units per acre. We would not have proposed a project without structured parking at a lesser density but other developers might. However, in our opinion that would forfeit the opportunity to provide a meaningful and substantive stimulus for the commercial/retail uses while offering an urban residential experience within walking distance of shopping, restaurants and offices.

Please keep in mind that this General Plan change will have no precedential value and will not "open the floodgates" to very dense residential development in El Dorado County. The requested change to the General Plan is to establish an "Urban Infill Residential Area" because of its proximity to extensive commercial, retail, office and similar development. This provides an opportunity to stimulate existing commercial/retail uses by providing dense residential development within walking, biking and public transit distance of established shops, stores, restaurants, offices and other services. This concept is in furtherance of a number of General Plan policies enacted to ensure preservation of open space, reduction of traffic trips and other salutary effects. Probably no other area in the County presents these kinds of opportunities to the County to both stimulate commercial/retail activity and locate residents in an urban setting within walking and biking distance of all required services. Therefore, in the foreseeable future we would anticipate no similar applications coming before you.

**B. Can Commercial Retail Uses be Included on the Ground Floor Facing Town Center Boulevard?** One of the Commissioners raised this question. To a large extent, the question is answered in A above in that to provide commercial/retail uses on the ground floor adjacent to Town Center Boulevard would simply reduce the residential density designed to stimulate commercial/retail activity in the rest of the Town Center; add costs to the

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development of the project; and worsen an already substantial commercial vacancy rate. Any such shops or locations constructed would likely remain vacant for a long period of time and would be counterproductive to the concept that has underlain our application.

C. Aesthetics: Visual Exhibits: The Commission requested additional drawings and photosimulations to address a number of issues and uncertainties expressed by the various Commissioners. We attach to this letter as Attachment 1 a copy of the photosimulations, drawings and elevations prepared by the project architect, Kephart, transparencies of which will be shown at the hearing. These are meant to address the following:

1. How Will the "Solid Wall" Feel of the Project Be Broken Up and Softened to Avoid the "Tunneling" Effect of the Streets? Photosimulations P2 and P3 show the view toward and from the theater down Town Center Boulevard. As you can see, the diagonal parking along the street, along with the wide sidewalks, softens and opens up the view. In addition, there are architectural elements and extensive planting of street trees to break up and soften the façade of the Apartment Project, both on Town Center Boulevard and on the intersecting streets. The Apartment Project appears totally in scale with the shops and restaurants across Town Center Boulevard, the Mercedes dealership and the theater.

2. Provide Photosimulations and Other Visuals Depicting the Project

Height:

- (a) In relation to the theater;
- (b) In relation to the building across the street;
- (c) In relation to Mercedes Drive;
- (d) From the vantage point of Highway 50; and
- (e) From the vantage point of the Silva Valley Road interchange; and
- (f) From the church, east of the theatre.

Sheets P1, P2, P3, P5, P6, P7 and P8 provide photosimulations showing the relation of the project from these particular vantage points. As can be readily discerned, the Apartment Project is in scale with the surrounding restaurant, retail and commercial development; the theater; and is no more visible than these other features from the vantage point of Highway 50 and the Silva Valley Road interchange.

3. What is the Actual Elevation of the Apartment Project and its Relation to the Buildings Across Town Center Boulevard and the Theater: Sheets P4a and P4b are elevations showing the relative height of the Apartment Project in comparison with Sellands Restaurant across Town Center Boulevard and with the theater. The height at the western edge of the project is the highest at 53.97 feet to the parapet while the height on the eastern edge is 43.97 feet to the parapet. As you can readily see from these elevations, the Apartment Project is in conformity with the height and scale of the commercial/retail/restaurant uses on the west of Town Center Boulevard and significantly lower than the highest point on the theater.

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D. Comparison of Similar Projects: The Apartment Project is an example of the inclusion of dense residential development within large commercial developments, a concept which is gaining favor all over the country. The provision of the residential base is an enormous help and assist for the commercial/retail uses which benefit from end users living within walking, biking and other convenient transportation distance from their shops. Our architect has submitted information on four similar projects, one in San Mateo, California and the others in Colorado, in the information attached as Attachment 2. Those projects are as follows:

1. Arbor Square and the Orchard Town Center, Westminster, Colorado: This project is a 300-unit residential community located within the Orchard Town Center, a suburban mixed-use development not unlike the Town Center. This development includes a central town square as the focus of community activities and the residential community greatly assists the viability of the commercial/retail units.

2. Archstone, San Mateo, California: This project is a 575-unit residential community located within walking distance of a large commercial/retail development and is directly adjacent to a mixed-use community anchored by Whole Foods and containing a number of commercial/retail uses. The surrounding zoning is mixed use and the residential component complements and provides customers for the commercial/retail uses. Being located on the San Francisco Peninsula within easy distance of Silicon Valley, the rents for this project are significantly higher than will be those for the Apartment Project.

3. Larkridge, Thornton, Colorado: This project is a 338-unit residential apartment project that was recently rezoned from its original commercial designation to provide the synergy created by dense residential development near extensive commercial development. This project is, likewise, very similar to the Town Center and is intended to function as an enormous benefit to the commercial/retail uses.

4. Comerstar and Acadia at Comerstar, Aurora, Colorado: This a 400-unit rental community located in southeast Denver. The Comerstar development provides a residential component immediately adjacent to 750,000 square feet of retail/commercial/restaurants to complete the horizontal mixed use development.

All of these communities are examples of the benefits of establishing a dense residential component within walking and biking distance of extensive commercial/retail development. Proximity of the commercial/retail provides an impetus for the rental of the units and the residential users are an enormous benefit and assist to the economic viability of the commercial/retail development.

E. Issues Relating to Fiscal/Economic Analysis: Several Commissioners asked questions relating to the fiscal/economic analysis of the project and its impact upon County revenues, the "leakage" of retail opportunities out of the County (as addressed in the Buxton Report) and in relation to several other issues. Attached hereto as Attachment 3 is a memorandum prepared by Economic and Planning Systems, Inc. addressing the project revenue impact analysis of the Apartment Project. The analysis is extensive and covers a myriad of economic issues including these raised by the Commission at the June 26 hearing.

1. Provide an Analysis of the Buxton Report and the Impact of Substituting Residential Uses for Commercial (Sales and Other Tax Generating Uses): In the Summary of Findings beginning on page 2 of the Memorandum a revenue comparison is made

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between the Apartment Project and the approved commercial project currently existing on the site. The existing approvals were granted by a planned development approval and have been solidified on the site by the recordation by the property owner of a declaration of use restrictions recorded in 2008 that requires the site to be developed for a full service hotel and conference center which shall include, at a minimum, 100 hotel rooms; a table service lunch and dinner restaurant containing not less than 4,000 square feet; a conference facility sufficient to accommodate at least 250 persons; and retail space with frontage on Town Center Boulevard containing not less than 3,000 square feet of gross rentable area (the "Approved Hotel Project"). The impacts of the Approved Hotel Project are measured against the revenue impacts of the Apartment Project. The summary beginning on page 2 determines that the Apartment Project is estimated to generate approximately \$80,000 more than the Approved Hotel Project over the next ten years. Over the next 15 to 20 years the Approved Hotel Project is estimated to generate significantly more revenue than the Apartment Project.

The assumption which the Memorandum utilizes is that the Approved Hotel Project will be constructed in the year 2019. The Memorandum also analyzes an alternative development absorption scenario in which development of the Approved Hotel Project is delayed until the year 2021. The results are similar in this scenario in that the Apartment Project will produce more revenue over the first ten years but the Approved Hotel Project will produce more revenue over 15 to 20 years.

Unlikelihood of Approved Hotel Project Ever Being Developed: The analysis in the Memorandum is instructive but as an experienced developer of similar projects around the country, it is our opinion that the Approved Hotel Project will not be developed within the foreseeable future. Included as Attachment 4 is a letter from the developer's broker, Greg Margetich, who has attempted to market the hotel project for the last several years and who concludes that there is no interest in the development of such a large hotel with additional restaurant and retail space in an area which already has a significantly increased vacancy level. We have also spoken with the head of all Hyatt Hotel development on the West Coast and sought his opinion as to whether the Approved Hotel Project has any chance of being developed within the foreseeable future. His conclusion is that given the elevated vacancy rate in the commercial space and the demographics of El Dorado County, the only type of hotel that would be viable for development in the foreseeable future would be one similar to the Holiday Inn Executive Suites Hotel which is already developed and in operation in the Town Center. That hotel contains less than 80 rooms and very limited dining and no retail facilities. Thus, the comparison between the revenue generated by the Apartment Project and the Approved Hotel Project is a false one in that it is virtually certain, in our opinion, that the Approved Hotel Project will never be built on this site and any hotel constructed would be significantly smaller in size and utilized only a portion of the site. This is a crucial element of the economic comparisons contained in the Memorandum.

Availability of other Property for Hotel Development: It is worth noting that there remain other opportunities for a smaller scale hotel development, and the resultant TOT, in El Dorado Hills and The County including adjacent sites within and surrounding Town Center. Further, the potential benefits of the scaled back hotel would not be lessened in any way by locating the hotel elsewhere in the area. There is no viability of the Luxury Apartment project as currently proposed in any other location in the region.

2. What is the Approved Level of Commercial Use and What Would be the Revenue From That: This question is analyzed in the Memorandum and discussed above. The 100+ room hotel is not a feasible development in the foreseeable future and the

addition of more commercial/retail space in an already soft commercial market is not a viable alternative.

3. What is the Impact Upon the Jobs/Housing Balance: It is our feeling and experience that the addition of 250 residential units in the heart of the Town Center will increase patronage of restaurants, stores and offices and will increase the residential opportunities for employees wishing to live near where they work. That feeling is not borne out in the Memorandum and the conclusion reached in a discussion of the jobs/housing ratio starting on page 13 is that "Neither project significantly impacts the County or EDH RAD jobs to housing ratios". However, employers often look closely at available housing when considering relocation. The Proposed Apartment Project would encourage employment growth by adding a type of housing not currently available.

4. Will the Substitution of Residential Uses Strengthen the Existing Commercial Uses and Enhance the "Downtown Concept"? The Memorandum on page 16 examines the impact of residential land uses on the Town Center commercial uses and concludes as follows:

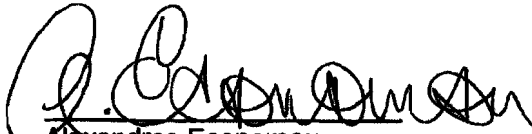
"Developing residential land uses on the Project Site would contribute to the creation of a true 'Town Center' and would bolster demand for retail goods and services in the Town Center."

The Memorandum goes on to state that the Apartment Project would add residents near the existing Town Center retail uses and would strengthen the local retail market dynamics and observes that in downtowns across the country, housing has become an important element in comprehensive revitalization efforts to create an active 24 hours a day/7 days a week environment for living, working, shopping and entertainment. It has always been our feeling, validated by the Memorandum that the residential uses will create a constant flow of foot traffic that will further establish the Town Center as the focal retail point of El Dorado County.

Conclusion: We appreciate the opportunity to appear before the Commission and provide this information. We are convinced that the implementation of this project will come at significantly less environmental impact than the Approved Hotel Project and will be beneficial in establishing the El Dorado Hills Town Center as the "go to" place in El Dorado County. The other information and issues stated and requested by the Commission will be addressed by County staff in the staff report.

Very truly yours,

SPANOS CORPORATION

By:   
Alexandros Economou

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**ATTACHMENT 1**

**REFER TO EXHIBIT E OF  
STAFF MEMORANDUM FOR 8/28 PC**

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## ATTACHMENT 2

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The 215 acre Orchard Town Center is an open-air retail and entertainment district conveniently located on the northwest corner of I-25 and 144th Avenue in Westminster, Colorado. OTC offers guests 900,000 Square feet of retail and office located along a Town Square with tree-lined pathways leading to specialty shops, restaurants and entertainment venues.

Directly adjacent to OTC, Arbor Square is a 300 unit rental community that offers residents a host of amenities including a resort style pool and a workout at a state-of-the art fitness center.

## Arbor Square & The Orchard Town Center Westminster, CO







Archstone San Mateo Apartments is a 575 unit rental community situated between San Francisco and the Silicon Valley with plenty of great restaurants and quaint shops right outside your door. This ideal location has easy access to the 101 and I-280, as well as public transportation to downtown San Mateo and SFO.

The community is directly adjacent to a Whole Foods anchored mixed-use community with ground floor retail spaces and a major Caltrain Station. Other tenants include Chipotle, Habit Burger, and Starbucks.

## Archstone San Mateo San Mateo, CA











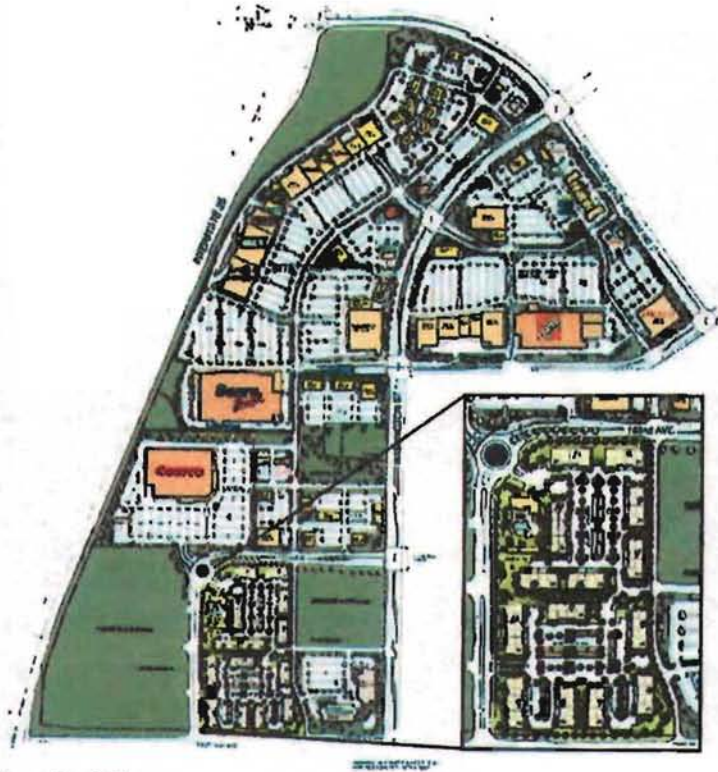
Google earth

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**Larkridge**  
Thornton, CO

Larkridge is a convenient and easily accessible shopping destination with a variety of national and local retailers, along with dining, healthcare services and business service options. Larkridge is home to national anchor tenants, big box retailers, restaurants, banks and a pedestrian village.

Larkridge is located at the southeast corner of the intersection of I-25 and Colorado State Highway 7.

The southern portion of Larkridge features a 338 unit rental community that was rezoned from its original commercial designation to allow for a residential use adjacent to the synergy created by the retail.







The 158 acre Cornerstar combines the convenience and options of a regional shopping destination with the comfort and charm of a neighborhood corner store. Located at a high-traffic intersection in southeast Denver, Cornerstar offers 750,000 square feet of superior shopping and dining experiences for busy residents and commuters alike.

Acadia is a 400 unit rental community cis just minutes from the Denver Tech Center, the I-25 business corridor and RTD lite rail, and just steps from the Cornerstar Shopping Center.

## Cornerstar & Acadia at Cornerstar Aurora, CO



**ATTACHMENT 3**

**REFER TO EXHIBIT F OF  
STAFF MEMORANDUM FOR 8/28 PC**

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**ATTACHMENT 4**

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## El Dorado County Planning Commissioners

My name is Greg Margetich and I am the real estate broker that represents the ownership group and the listing agent. I have been a licensed commercial real estate broker for 37 years. Cassidy Turley has 50 offices nationwide and has a hotel specialty group. I first listed the subject property, commonly known as the Town Center Hotel site, for sale in November of 2012. The objective was to market and sell the property to a hotelier that would purchase the property and construct the approved project. The project consisted of 135 hotel rooms, a 4,500 sq. ft. restaurant, 13,000 sq. ft. of retail space, a 4,250 sq. ft. banquet room, indoor pool, sauna, hot tub and a gym facility. The current owners purchased the property in 2008 with the intention of constructing all improvements as approved. They built and opened their first hotel in 1981. Suffice it to say, they are seasoned, experienced hotel owners and operators, and own or have owned numerous hotels throughout the western United States. To make a long story short, we were not able to generate any interest at all in the project. It is simply too grand in scope and simple not feasible. Financing a project of this magnitude has proven to be impossible, even as the economy improves. I don't know if it would ever be economically feasible.

We did have several hoteliers that were interested in the site but not one of those parties could get comfortable with the project that was approved. All of the hoteliers that expressed interest would only build a much smaller hotel. They would not a restaurant, retail spaces or a banquet room.

In April of 2013, we received an offer from a hotelier and entered into contract. Their proposed project was nothing like the approved project. They planned a simple hotel with approximately 80 rooms and they would have only used about one-third of the site. We were selling the entire site but in the end they could not

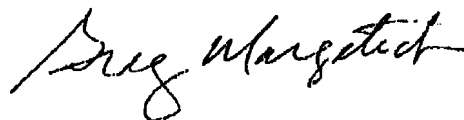
get comfortable and terminated.

In July of 2013, the Spanos Company submitted an offer and after several meetings we agreed to enter into contract.

Although Spanos did not intend to build out the project that was approved but to develop luxury apartments, we all felt that it was a perfect fit. It would however be critical to have a high-quality apartment project and we would have to ensure that it was done right. It would have to surpass anything in the region. It would have to be the finest apartment community in El Dorado County and it would have to greatly contribute to Town Center. Although perhaps somewhat reticent, once we learned of their plans, studied the elevations, the architectural design, the level of improvements, the quality of improvements and the services to be provided, we universally felt that Spanos would deliver exactly that.

Should you have any questions, please do not hesitate to contact me. My office number is 916-706-0360. My email is: [greg@themargetichgroup.com](mailto:greg@themargetichgroup.com).

Kindly

A handwritten signature in cursive script that reads "Greg Margetich".

Greg Margetich  
Broker, License No. 00483870