

DNS Capital, LLC

1350 Treat Blvd.
Suite 400
Walnut Creek, CA 94597

October 24, 2017

VIA EMAIL – Sara.Buizer@hayward-ca.gov

Ms. Sara Buizer AICP
Planning Manager
City of Hayward
777 B. Street
Hayward, CA 94541

Re: Proposed Changes/Concessions to Conditions of Approval

Dear Sara:

On behalf of KB Home and DNS Capital, LLC (collectively, the “Applicant”), we are pleased to submit to you the following changes to and concessions for our joint project for inclusion in the Conditions of Approval with respect thereto:

- Agreement to Provide 6 AHU’s in Project: The Applicant will provide 6 Affordable Housing Units (“AHU’s”) (DNS will provide 3 units and KB Home will provide 3 moderate income units) as part of our project rather than elect to pay the In-lieu fee permitted by the current City of Hayward Affordable Housing regulations (the “HAHR’s”). At this time, as is permitted by the HAHR’s, each of KB Homes and DNS Capital are working out between them whether the 6 AHU’s will be contained entirely in DNS Capital’s apartment project or whether they will be contained in each of KB Home’s townhome project and DNS’ apartment project in combination. Once we have worked that out between us, we will let you know if our proposed agreement provides an allocation of AHU’s that is different from 3 AHU’s each and we understand that any such arrangement that is different from 3 AHU’s each is subject to Planning Staff approval. That said, the Applicant has agreed to forego its rights to pay the In-lieu fees for AHU’s and will provide the AHU’s as part of their joint project.
- Increase of Commercial Space in DNS Apartment Project: DNS Capital has agreed to reconfigure its commercial space included as part of its application to do the following:

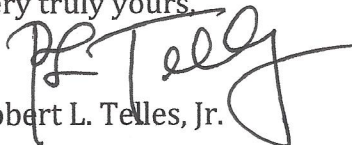
- Relocate the bike storage and garbage space on the ground floor to another area of the Apartment project and convert that approximately 500 square feet into commercial space.
 - Change the use of the second story above the current 1,000 square foot retail space from Apartment tenant storage to office space, creating an additional 1,000 square foot of commercial space.
 - With the addition of these two changes, the commercial space square footage of the Apartment project increases from approximately 1,000 square feet to approximately 2,500 square feet.
- KB Home to Provide Universal Design Principles Option: KB Homes will agree to provide an option (at an additional cost to the purchaser), as part of its construction drawings for one of its floor plans, to have incorporated Universal Design Principles to accommodate an individual with physical limitations. The following shall be included as such options in the ground floor level of such floor plan:
 - Wheelchair accessible shower
 - Lower kitchen countertop
 - Electrical outlets to support a mini refrigerator, stovetop and other kitchen appliances
 - A sink
 - Wide doors
 - Lowered light switches
 - Wood flooring or carpet
- KB Home to provide a residential Solar System for the Townhouse Units: In addition to the solar provided for the community common areas in the original Conditions of Approval, KB Home will also agree to provide solar to the residential Townhouse Units.
- Applicant to Make \$40,000 Donation to City for Public Purpose of City Council's Choosing: Recognizing that the City Council would like to obtain an additional tangible "public benefit" from our project, the Applicant has agreed to make a \$40,000 donation to the City to be used as the City Council elects (for public art or renovation of any public space or park).

Sara, we believe these changes represent a significant contribution by the Applicant to answer every one of the issues raised by each of the City Council members in our last public hearing on October 3rd. We hope that the City Council feels that we have carefully listened to and acted upon all of their concerns voiced in

our public hearing on October 3rd and believe that these concessions should be enough to garner unanimous approval of our project as proposed with the above concessions.

Please let me know if there are any other things you need from us. Time is of the essence and we would like to be in a position to obtain City Council approval of our project in the upcoming November 14th meeting.

Very truly yours,



Robert L. Telles, Jr.

cc: Mr. Jeffrey McMullen, KB Home
Mr. Ray Panek, KB Home
Ms. Kelly McAdoo, City Manager
Kelly.McAdoo@hayward-ca.gov
Ms. Stacey Bristow, Director of Development Services
Stacey.Bristow@hayward-ca.gov