SAND HILL PROPERTY COMPANY

February 12, 2010

David Heindel, Assistant to the City Manager
City of Morgan Hill
17555 Peak Avenue
Morgan Hill, California 95037

RE: Downtown Development Opportunity

Dear David,

We are very excited to learn of Morgan Hill's Request for Qualified Developers for redevelopment of downtown Morgan Hill and feel that our expertise in local and especially, downtown development, would be invaluable in carrying out the vision of your City. Below and attached, you will find a complete profile of Sand Hill Property including the projects that we have completed and that are in process, as well as our proposal for the first phase of the project.

Development Team: In addition to the expertise of the in-house development team of Sand Hill Property Company led by Peter Pau, we work closely with a local group of highly regarded architects, engineers, and consultants who are very attuned to the local market and have worked alongside us to build quality properties that have enhanced the surrounding neighborhoods and city.

Proposed Site and Project Concept:
We propose either Site A or Site D to be the first phase project. While the housing market in South County is still shaky, Morgan Hill has fared well due to its ability to attract large companies such as Comcast and Abbott Laboratories, thereby providing a built-in demand and catalyst for home buying. Therefore, our first phase project would include a residential component. Site A is ideal for a mixed-use project due to its downtown location, and the fact that it is owned by the City is certainly an asset in moving the project forward without delay. Subject to further architectural studies, we would propose putting retail in front on Monterey Road with some condo-style residential above as well as possibly townhomes or the like behind the retail along E. 1st, thereby providing a scale-down effect to blend in with the adjacent existing single family homes. Site D would be appropriate for ozone-friendly, transit-oriented development as it is ideally located adjacent to Caltrain. Subject to additional studies, we would propose a residential project on this site and explore opportunities to include an ancillary retail component.

Relevant Experience and Capacity: Sand Hill Property Company has developed a range of properties in the Bay Area including mixed-use centers, power centers, office buildings, hotels, and build-to-suit retail in the role of sole or lead developer responsible for all functions ranging from acquisition, planning, design, entitlements, construction as well as financing, marketing, leasing, asset and property management. Please refer to the attached Sand Hill Property Company Profile for a detailed description of each project.

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Financial Capacity: We work closely with a group of brokers and national and local lenders to acquire acquisition financing, construction financing and permanent financing. We would also propose to capitalize the project(s) with an equity component as well. However, for this project to be viable for us, we would be interested in working closely with your department to pursue any redevelopment funds and resources available for the project as well as any federal or state grants or loans available. In addition, because we are an owner-developer whose interest is in acquiring the land for our projects, and since the redevelopment agency owns site A and has some sort of interest in site D, we would be interested in working with the City on creative solutions to help us minimize each development's pre-stabilization cost basis, whether through some sort of deferred-payment or seller-financed purchase or an outright land contribution.

We hope we have given you what you need to make a decision but please don't hesitate to contact me for additional information.

Sincerely,

Karen Ngo
Sand Hill Property Company

Sand Hill Property Company Profile

February 2010

I. Company Profile

II. Project Experience

III. Representative Properties

IV. Development Experience Map

I. Company Profile

Sand Hill Property Company

- Peter Pau, Founder and Principal
- Active in the San Francisco Bay Area since 1986
- More than 40 projects encompassing over 13 million square feet of building areas
- Manages all aspects of the development process:
  - Acquisition
  - Planning
  - Design
  - Entitlements
  - Construction
  - Financing
  - Marketing/ Leasing
  - Asset and Property Management
- Multi-discipline in-house staff consisting of:
  - Architectural Review
  - Project / Construction Management
  - Finance / Accounting
  - Asset Management
  - Property Management

II. Project Experience

CURRENT PROJECTS

- **Sunnyvale Town Center, Sunnyvale** *(Multi-family, Retail, Office, Hotel)*
  - Redevelopment of a 36-acre downtown site approved for 900,000 sq. ft. of life style retail and restaurants, 315,000 sq. ft. of Class A office, 292 condominium and townhouse units, and a 200 room hotel. Project is under construction. Estimated build out cost it $750 million.

- **Sunnyvale Town & Country, Sunnyvale** *(Multi-family, Retail)*
  - Re-development of a 5-acre downtown site zoned for 407 residential units and 50,000 sq. ft. of retail in four mid rise buildings. Project is in entitlement stage. Estimated build-out cost is in excess of $150 million.

- **Main Street, Cupertino** *(Senior Housing, Retail, Office, Hotel)*
  - Re-development of a 17-acre vacant site for a mixed use project combining 150,000 sq. ft. of retail, 100,000 sq. ft. of office, 160 units of senior housing, a 200 room hotel and a health club. Project has been approved and is in predevelopment and marketing phase.

- **1300 El Camino Real, Menlo Park** *(Multi-family, Retail, Office)*
  - Re-development of a 3.4-acre downtown in-fill site for retail and office uses, as well as a probable residential component. Project is in entitlement stage.

Project Experience

CURRENT PROJECTS

- **Swanson Ford Site, Los Gatos** *(Multi-family, Retail)*
  - Re-development of a 4.4-acre site for a retail and residential mixed use. Project is in entitlement stage.

- **McHugh Site, Los Gatos** *(Office, Retail)*
  - Re-development of a 2-acre site for a two story, 40,000 sq. ft. office with ground floor retail. Project has been approved and is in marketing phase.

- **Mowry Crossing, Newark** *(Retail)*
  - Re-development of a 15-acre site with 200,000 sq. ft. of build-to-suit for big box retail tenants. Project is under construction. Estimated development cost is $50 million.

- **Medical Building, Palo Alto** *(Office)*
  - Development of a 20,000 sq. ft. build-to-suit medical office building with underground parking for Palo Alto Medical Foundation. Construction has commenced. Estimated development cost is $13 million.

- **Mayfield Building, Palo Alto** *(Multi-family, Office)*
  - Proposed re-development of an existing office building into a new Class A office with 50,000 sq. ft. plus three residential penthouses. Project is in entitlement stage.

- **Edgewood Shopping Center, Palo Alto** *(Multi-family, Retail)*
  - Proposed re-development of an existing shopping center into a mixed-use project combining new retail and residential uses. Project is in entitlement stage.

Project Experience

CURRENT PROJECTS

- **The Oaks Shopping Center, Cupertino** *(Office, Retail, Hotel)*
  - Redevelopment of a 8-acre retail center. The property will be expanded to add 40,000 sq. ft. of retail/office and a 130 room hotel, and underground parking. Estimated cost is in excess of $32 million.

- **Brokaw Road, San Jose** *(Retail)*
  - New development of an 18-acre site for 170,000 square feet Lowe's store plus 25,000 sq. ft. of shops. Project is in construction. Estimated development cost if $35 million.

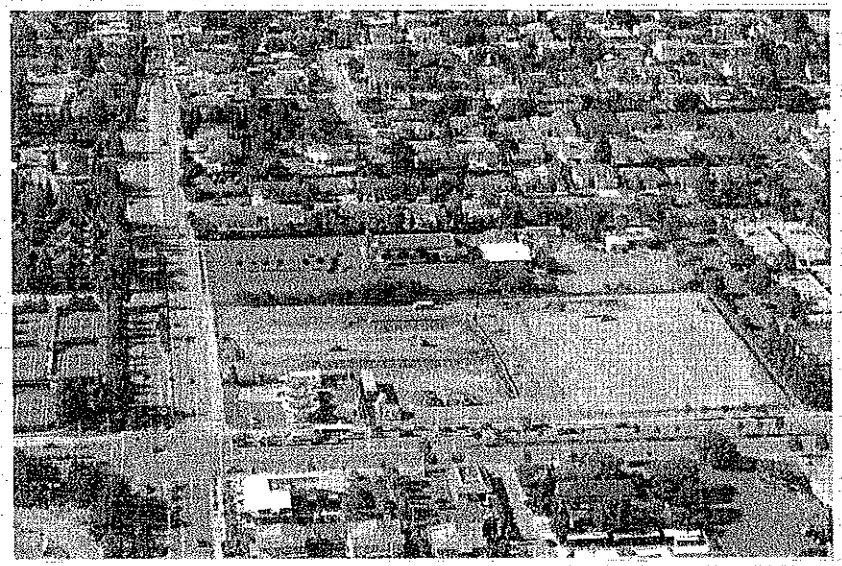
- **Quito Village, Saratoga** *(Retail)*
  - Acquisition of an 80,000 square feet neighborhood shopping center slated for future re-development.

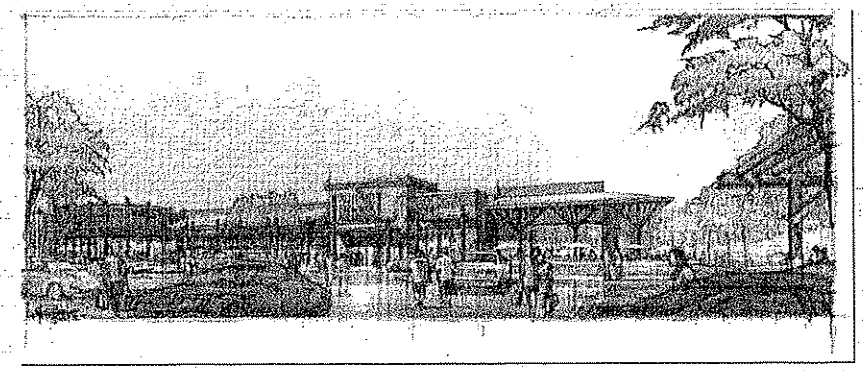
- **Central Park Plaza, San Mateo – Phase II** *(Multi-family)*
  - 150,000 square feet residential project with 90 condominium units over subterranean parking in downtown San Mateo.

- **Almaden Expressway Retail, San Jose** *(Retail)*
  - Development of a vacant site into 20,000 square feet retail. Project is in entitlement stage.

III. Representative Properties

WHOLE FOODS MARKET, *CUPERTINO*

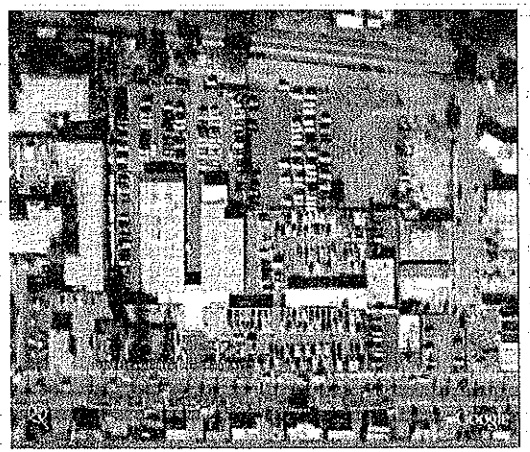


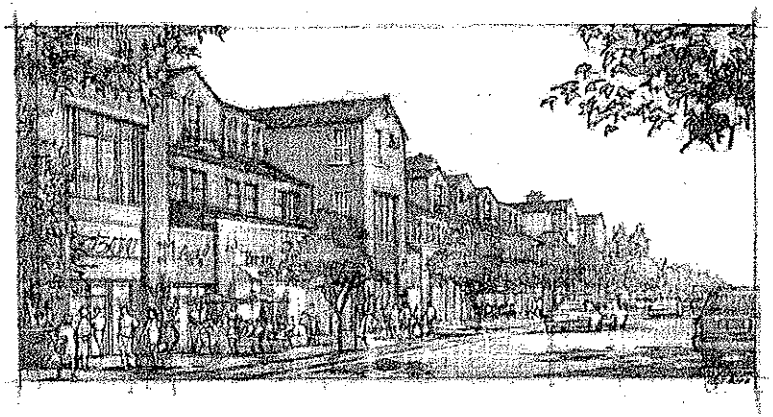


- **Whole Foods Market, Cupertino** Build to suit for a 67,000 square feet Whole Foods Market. Estimated development cost was $12 million.

Representative Properties

1300 EL CAMINO REAL, *MENLO PARK*

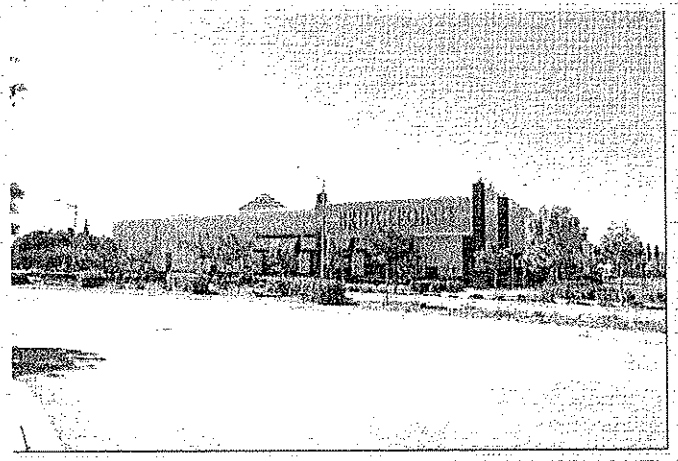


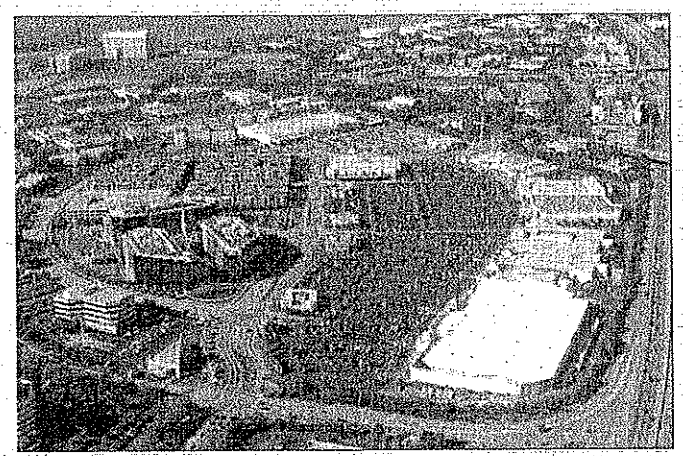


- **1300 El Camino Real, Menlo Park** Re-development of a 3.4-acre downtown site zoned for retail and office. Project is in entitlement stage.

Representative Properties

BRIDGEPOINTE, *SAN MATEO*



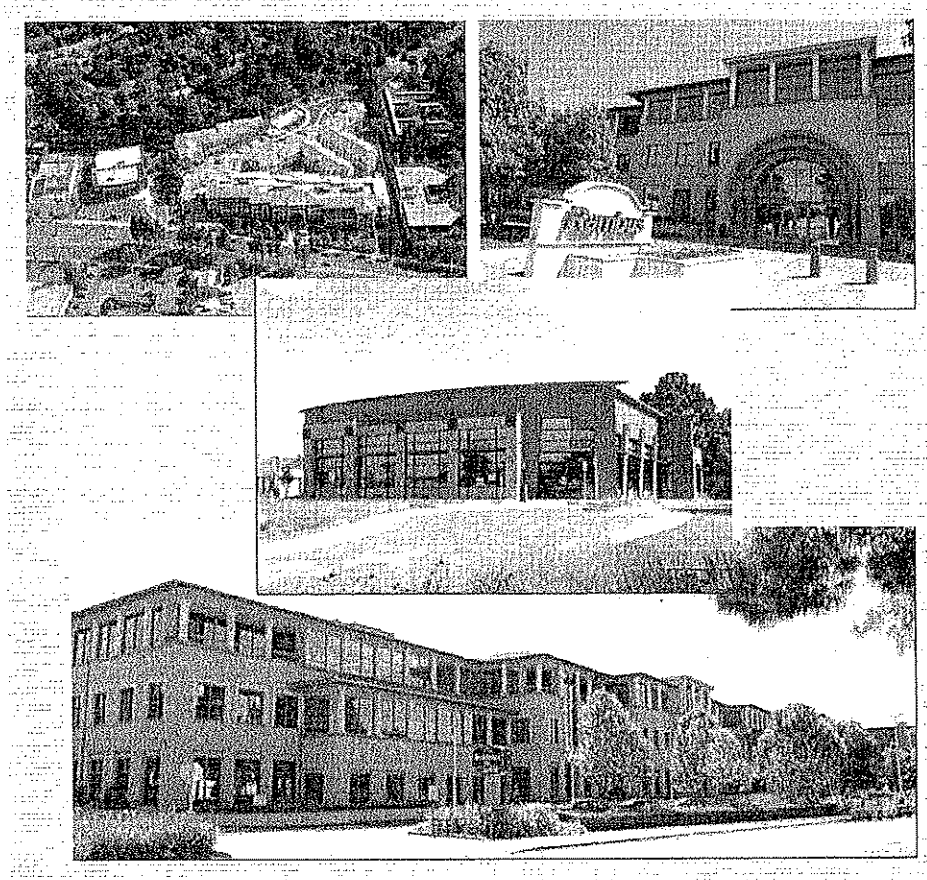


- **Bridgepointe, San Mateo**
  (formerly Fashion Island)

The total redevelopment of a one million plus square feet enclosed mall located on 75 acres. The entire mall was razed and replaced with a new master planned mix-used development. The retail component is in a power center format, with a total of 600,000 square feet of national big box tenants. There is also an office campus of 460,000 square feet in three six-story buildings housing the Siebel headquarter, 400 apartment units and a 154 room Hilton hotel. The Company was the master developer, and was also the developer of the shopping center. The office, apartment and hotel land were subdivided and sold to other developers. Total project cost exceeded $300 million, with the retail portion accounting for $60 million. The shopping center was completed in 1998 and sold in 2001.

Representative Properties

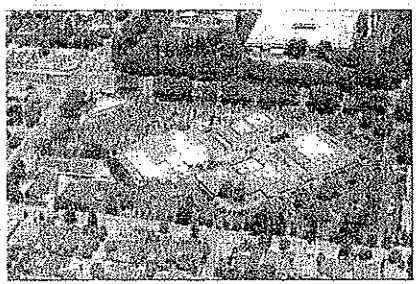
TREEFARM, *LOS ALTOS*

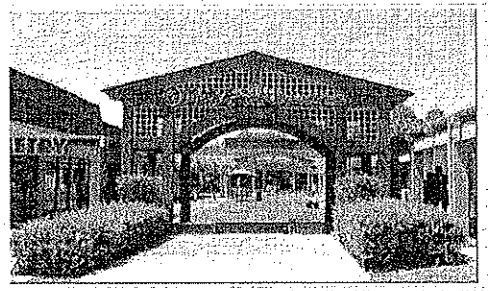


- **Treefarm, Los Altos** Development of a three story, 100,000 square feet Class A office building and a 156-room hotel, over two levels of subterranean parking. The office building is leased to a single user and was completed in December 2000 and sold in 2006. The hotel is a Marriot Residence Inn, and opened in December 2001.
  The Company continues to be the hotel franchisee and operator. *(Office, Hotel)*

Representative Properties

CUPERTINO VILLAGE, *CUPERTINO*

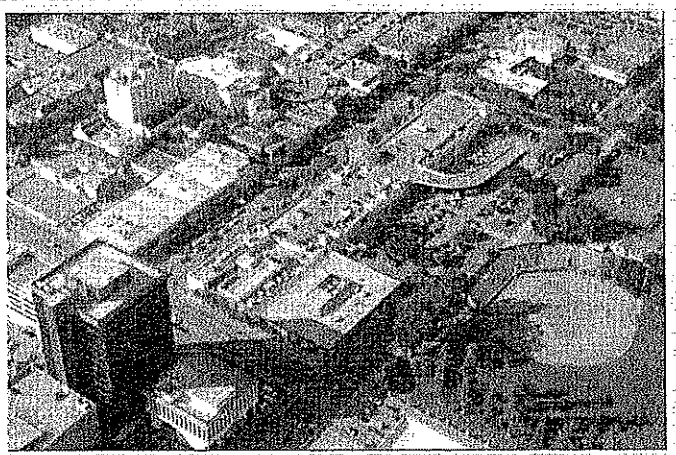


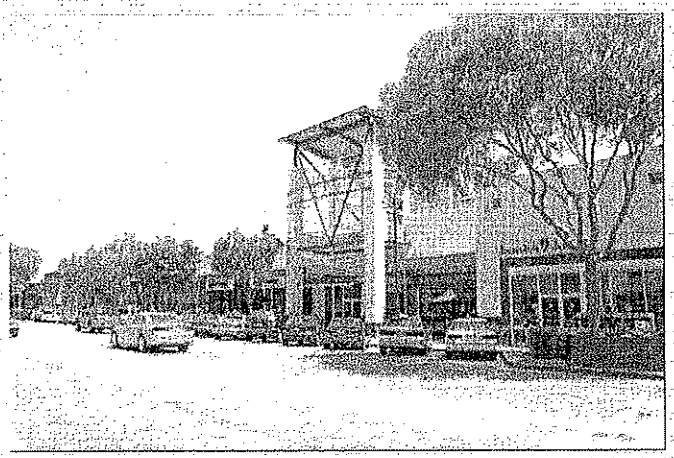


- **Cupertino Village, Cupertino** The redevelopment of an existing retail center on 12 acres with 120,000 square feet of buildings through re-tenanting and complete architectural and building component upgrading. Total project cost was $23 million. Renovation was completed in 1997.
  The project was sold in 2006.

Representative Properties

CENTRAL PARK PLAZA, *SAN MATEO*

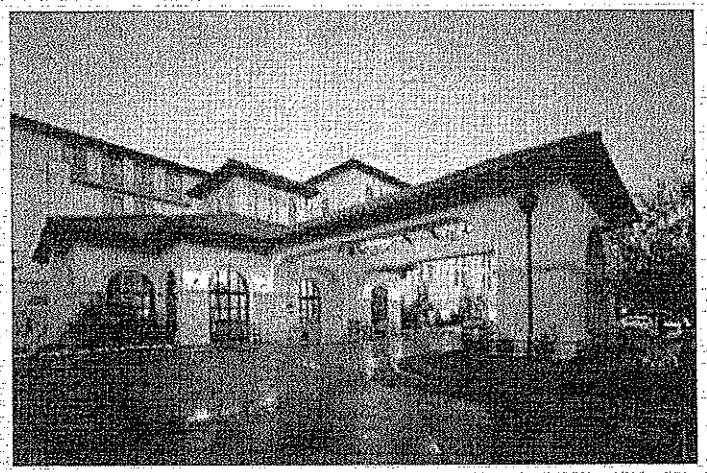


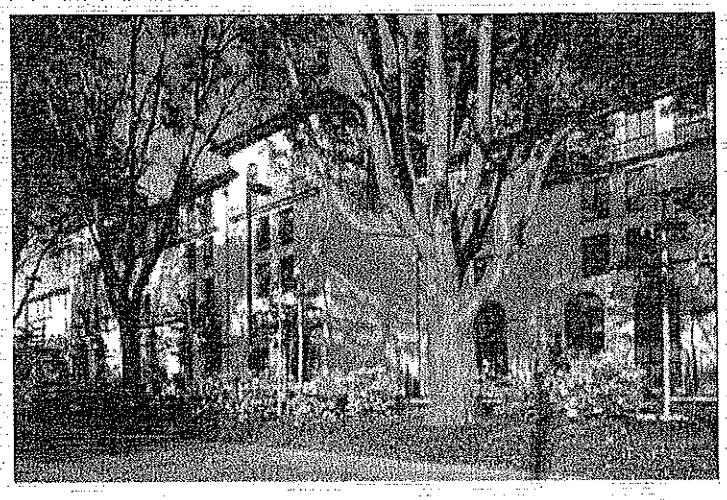


- **Central Park Plaza, San Mateo – Phase 1** The renovation of the entire city block located at the gateway to downtown San Mateo, with over 135,000 square feet of renovated retail buildings and a 200-car parking lot situated on a 3-acre site. Total project cost was $22 million.
  The project was sold in 2004.

Representative Properties

HILTON HOTEL, *CUPERTINO*

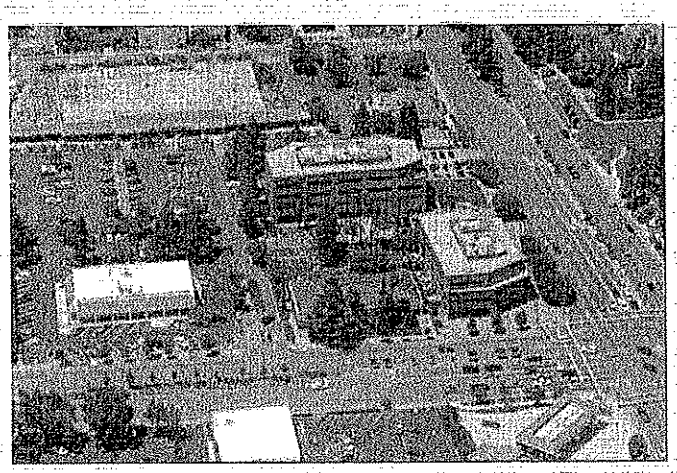


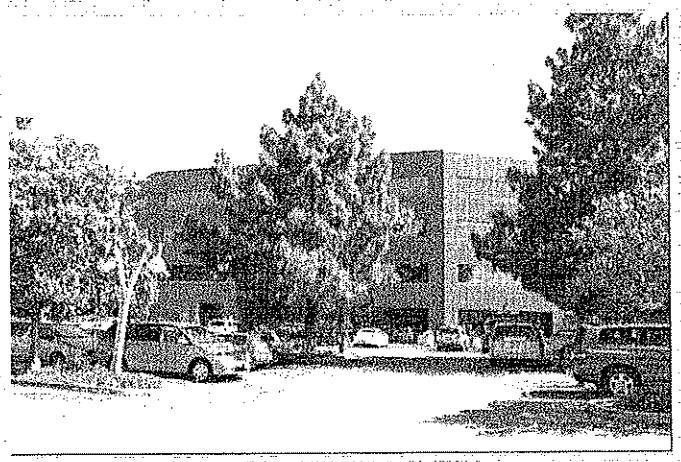


- **Hilton Hotel, Cupertino** A five story, 165 room focused service business hotel with 79,000 square feet of building areas, including restaurant and other amenities. The hotel opened in 1998. Total redevelopment cost was $18 million.
  The property was sold in 2007.

Representative Properties

DE ANZA OFFICE PLAZA, *CUPERTINO*



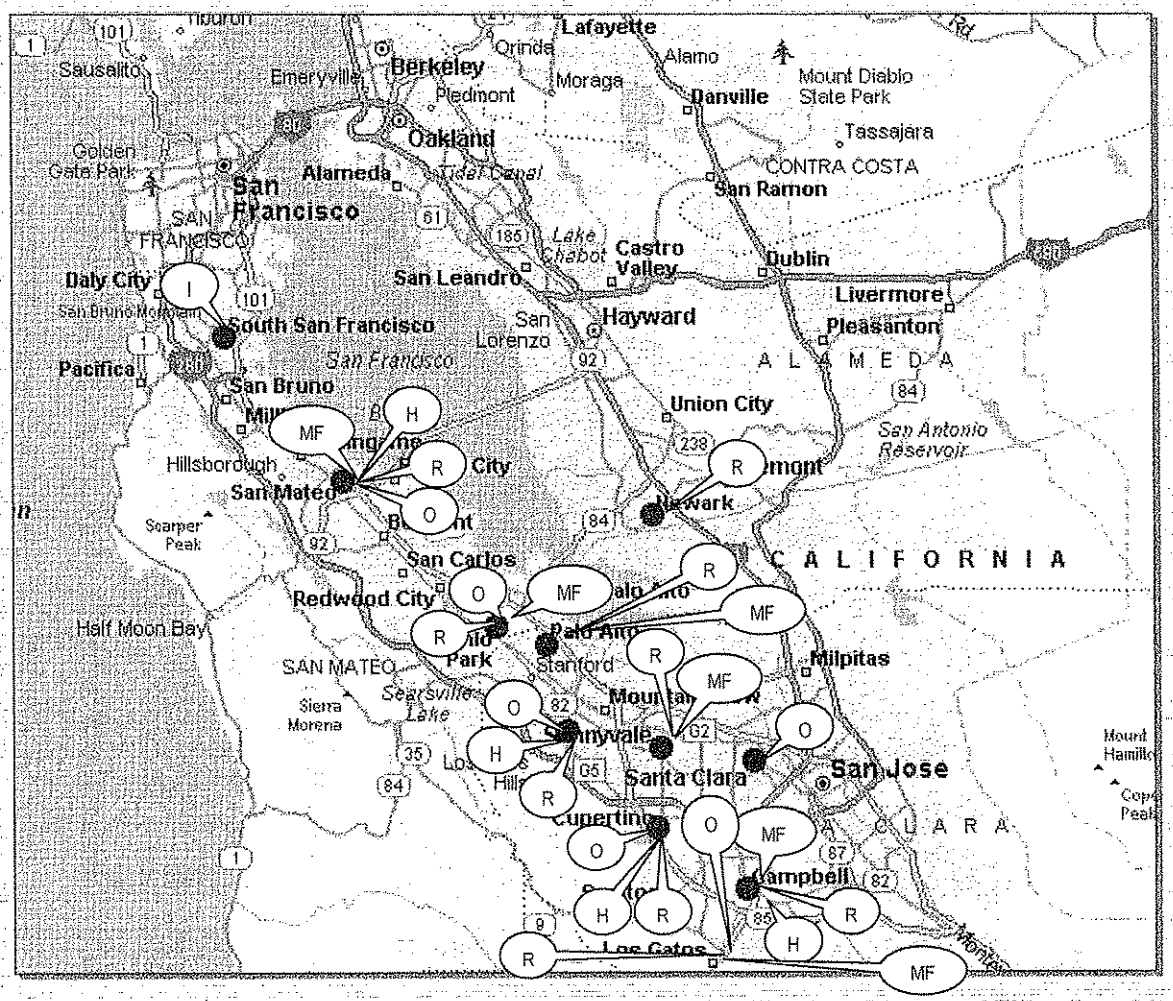


- **De Anza Office Plaza, Cupertino**
  Acquisition of two existing office buildings totaling 75,000 square feet. The buildings are being renovated and re-tenanted.

  Total acquisition and retrofit cost $22 million. Property was sold in 2008.

IV. Property Type

MAP



KEY

R	Retail
O	Office
MF	Multi-family
H	Hotel
I	Industrial

Project Experience

COMPLETED AND STABILIZED PROJECTS

- **Cupertino Landing, Cupertino** *(Office)*
  - Development of a 60,000 square feet three-story Class A office building, fully leased to Apple Computer. Development cost was $22 million.

- **Whole Foods Market, Cupertino** *(Retail)*
  - Build to suit for a 67,000 square feet Whole Foods Market, largest in Western US. Development cost was $12 million.

- **Westshore Office Park, Redwood City** *(Office)*
  - Acquisition of a six building, 48,000 square feet office campus slated for future redevelopment. Total acquisition cost is $15 million.

- **El Camino Real Retail, Sunnyvale** *(Retail)*
  - Build-to-suit of a 20,000 square feet building for Walgreen's plus shop spaces.

- **Pedro Point, Pacifica** *(Retail)*
  - Redevelopment of an existing 20,000 square feet shopping center, including retrofitting and re-tenanting of the existing anchor space for a Fresh and Easy market.

Project Experience

COMPLETED AND STABILIZED PROJECTS

- **Bridgepointe, San Mateo** *(formerly Fashion Island) (Multi-family, Retail, Office, Hotel)*
  - The total redevelopment of a one million plus square feet enclosed mall located on 75 acres. The mall was razed and replaced with a new master planned mix-used development, including 600,000 square feet. of big box tenants, an office campus of 460,000 square feet, 400 apartment units and a 154 room Hilton hotel. The Company was the master developer, and was also the developer of the shopping center. The office, apartment and hotel land were subdivided and sold to other developers. Total project cost exceeded $300 million, with the retail portion accounting for $60 million. The shopping center was completed in 1998 and sold in 2001.

- **Treefarm, Los Altos** *(Office, Hotel)*
  - Development of a three story, 100,000 square feet Class A office building and a 156-room hotel, over two levels of subterranean parking. The office building was completed in December 2000. The hotel is a Marriott Residence Inn, and opened in December 2001. Total development cost was $60 million. The office building was sold in 2006, and the Company continues to be the hotel franchisee and operator.

- **Cupertino Village, Cupertino** *(Retail)*
  - The redevelopment of an existing retail center on 12 acres with 120,000 square feet of buildings through re-tenanting and complete architectural and building component upgrading. Total project cost was $23 million. Renovation was completed in 1997. The project was sold in 2006.

Project Experience

COMPLETED AND STABILIZED PROJECTS

- **Hilton Hotel, Cupertino** *(Hotel)*
  - A five story, 165 room focused service business hotel with 79,000 square feet of building areas, including restaurant and other amenities. The hotel opened in 1998. Total development cost was $18 million. The property was sold in 2007.

- **Whole Foods Market, Los Altos** *(Retail)*
  - Build-to-suit of a 55,000 square feet Whole Foods Market with two levels of subterranean parking. Development cost was $25 million. Property was sold in 2007.

- **De Anza Office Plaza, Cupertino** *(Office)*
  - Acquisition of two existing office buildings totaling 75,000 square feet. The buildings are being renovated and re-tenanted. Total acquisition and retrofit cost was $22 million. Property was sold in 2008.

- **405 Victory, South San Francisco** *(Warehouse)*
  - Acquisition of a 210,000 square feet multi-tenant warehouse building for $21 million. The building was upgraded and re-tenanted. The property was sold in 2004.

Project Experience
COMPLETED AND STABLIZED PROJECTS

- **San Mateo Business Center, South San Francisco** *(Warehouse)*
  - Acquisition and re-tenanting of a 90,000 square feet industrial building for $5 million. The project was sold in 2005.

- **Central Park Plaza, San Mateo – Phase I** *(Retail)*
  - The renovation of an entire city block located at the gateway to downtown San Mateo, with over 135,000 square feet of renovated retail buildings and a 200-car parking lot situated on a 3-acre site. Total project cost was $22 million. The project was sold in 2004.

- **El Camino Real Retail, Sunnyvale** *(Retail)*
  - Ground up development of a 5-acre parcel for a new big box development of approximately 53,000 square feet leased to Best Buy and PetsMart. Development cost was $21 million. The project was sold in 2006.