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September 23, 2014

VIA UPS OVERNIGHT

Jose Esteves, Mayor
Althea Polanski, Vice Mayor
Debbie Indihar Giordano, Councilmember
Armando Gomez Jr., Councilmember
Carmen Montano, Councilmember

Milpitas City Hall
455 East Calaveras Boulevard
Milpitas, CA 95035

Re: Complaint Regarding Official Misconduct by City Manager

Dear Mayor Esteves and City Councilmembers:

We are filing this complaint on behalf of Integral Communities and its affiliates owning real property in Milpitas (The Milpitas Project Owner, LP, The Great Mall Parkway Project, LLC, Nine at The District Project Owner, LLC and CP Land, LLC (collectively referred to hereafter as "Integral")), as well as on behalf of Mr. Craig Manchester, in his capacity as Integral's Managing Partner. After reviewing the City of Milpitas' ("City") Municipal Code and various policy documents posted on the City's website, we have been unable to identify an established procedure for filing a citizen's complaint alleging official misconduct by the City Manager. Therefore, we are filing a complaint in the form of this letter to the City Council, since the Municipal Code provides that the City Manager "shall be responsible to the City Council." (Section VI-1-2.01).

This complaint is based on the fact that City Manager Tom Williams has allowed his personal animus toward Integral, Mr. Manchester and other Integral officials to seriously impair his judgment with respect to both the substance of his arbitrary and irrational actions designed to prevent the City Council from considering the merits of Integral's land use applications, and with regard to the unprofessional and hostile form of those communications. Mr. Williams has been using his office to harass Mr. Manchester and Integral, recently culminating in abusive and threatening communications, as well as slanderous communications regarding Integral's reputation in other cities in which it owns property and conducts business.

Before further elaborating on these circumstances, we wish to make clear that Mr. Manchester and Integral are fully aware of the extraordinary nature of this complaint, and do not take this step lightly. Integral has been working diligently with the City to develop the District and Centreponte mixed-use projects in the City's Transit Area Specific Plan ("TASP") areas. Integral has invested billions of dollars developing dozens of projects consisting of thousands of units across California, priding itself on forging common ground with municipalities and designing projects that make sense for both the developer and the community. Much of Integral's success can be attributed to working hard to build the trust of planning commissions and city councils required to work through the unanticipated issues that arise during every development project. However, nothing that Integral has ever experienced compares to the abuse and

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hostility that Mr. Williams has exhibited toward Integral and Mr. Manchester, personally, during the application process for Integral's projects.

The most recent examples of this abuse and misconduct occurred early last week. On Monday, September 15, 2014, Mr. Williams placed a telephone call to Mr. Manchester to complain to him about meetings Integral representative Evan Knapp had with members of the City Council the previous week. In those meetings, Mr. Knapp and Frank Suryan of neighboring property owner Lyon Communities, discussed their desire to put the merits of Integral's development applications to the City Council for a vote. Mr. Williams expressed his anger at Integral's exercise of its rights to communicate with the City's elected representatives to urge an action that he opposed. In the course of this telephone conversation, Mr. Williams verbally abused Mr. Manchester, including yelling at him at least three times, "**You're a f_____ing a__hole!**"

Mr. Manchester followed up this distressing conversation with an e-mail request that evening for a face-to-face meeting.

In Mr. Williams' response, he stated, "Your civil engineering plans are some of the worst I've ever seen," and then stated that he was booked solid the remainder of the week.

Mr. Manchester responded by email: "Then let's meet next week so you can clearly articulate with your staff what is lacking. To date we have received consistently different direction both verbal and in writing. Insulting me over the phone and name calling and verbal abuse aren't going to get this done. Lets roll up our sleeves w[ith] our team and push this forward to council with or without your support ASAP."

In his further email response, Mr. Williams wrote, "Craig: your cheap shots are very unprofessional. You and your firm lack integrity You[r] reputation in the Bay Area is not good as Hayward, Union City, & San Jose have also had major problems with your company." Mr. Williams concluded his email with a threat: "Anymore slanderous communication by you, your staff or consultants will lead to the City taking action."

All Mr. Manchester had done was express a legitimate concern that the City has provided inconsistent directions to Integral. It is not a "cheap shot" and it is not "unprofessional" or "slanderous" for a property owner to express such legitimate concerns to a City official. However, it is certainly unprofessional for the City Manager in the course and scope of his work duties to call a property owner, or for that matter any constituent, obscene names, and threaten him with legal retaliation by the City for essentially making comments that the City Manager seeks to suppress. It is definitely slanderous to accuse Integral of lacking integrity and to spread false rumors about its business operations in other cities. In fact, Integral has never been accused of lacking integrity, being unprofessional, or submitting substandard work by any city, including those referenced by Mr. Williams.

Unfortunately, Mr. Williams' recent misconduct is consistent with the way he has managed the City's review of Integral's project applications for a number of years. Based on our close observations and confidential communications with former City staff over the years, we believe that Mr. Williams has created such a hostile environment among the staff who have worked on Integral projects that the staff believe that they will be fired or reassigned if they seek to fairly and appropriately process Integral's

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development applications or express disagreement with the adverse positions Mr. Williams directs them to take.

Since at least June 2013, Integral has tried to submit a revised tentative map for the Centreponte project, only to have Mr. Williams repeatedly direct staff to reject such map applications as "incomplete." The basis for these repeated incompleteness determinations is *not* because Integral has failed to submit all required materials for review, but rather because Mr. Williams is using this determination as a procedural blocking point to prevent Council from determining for themselves whether such application is consistent with the TASP. By directing City staff to couch their decision as a "completeness determination" on the project application, Mr. Williams has denied Integral the process it is due, and has effectively kept Integral in permanent limbo by preventing the Planning Commission and City Council from evaluating Integral's projects on their merits. The issue of consistency with the TASP is properly addressed by the Planning Commission and City Council. Integral is confident that when its applications are considered on the merits, it will be clear that the applications are fully consistent with the TASP.

In April 2014, Integral appealed the incompleteness determination for Centreponte, which was set to be heard by the City Council on June 17, 2014. On June 2, 2014, Mr. Manchester, Jason Keller from Integral's investment partner Oaktree, and Bob Livengood, met with Mr. Williams and Planning Director Steven McHarris. At that meeting, Integral and the City reached an agreement on a process to move forward with the development applications. The next day, Mr. Manchester outlined the terms of that agreement in the attached letter to Mr. Williams and Mr. McHarris. *Relying on this agreement, Integral dropped its appeal in the good faith belief that its projects would be processed in accordance with this agreement.*

However, shortly after Integral dropped its appeal, Mr. Williams inexplicably backtracked on every one of his prior commitments and again directed staff to reject Integral's revised application. This placed Integral back into the same position it had been in when it filed the appeal. At this point, Mr. Williams stopped returning phone calls from representatives of Integral and its partners, and cancelled meetings at the last minute after Integral had flown consultants from Southern California to Milpitas for the meetings. It was this refusal by Mr. Williams to engage in communications which led Integral to arrange its meetings with City Council members that in turn caused Mr. Williams to react with his obscene tirade on September 15th.

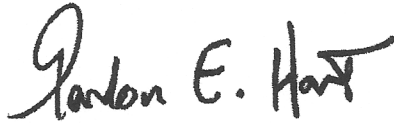
In light of these difficult circumstances, Integral is still trying to determine the best course of action to protect its investment of over \$100 million dollars in Milpitas. In the meantime, we thought it urgent to alert the City Council to Mr. Williams' misconduct as soon as possible. We urge the City to immediately initiate a full investigation into these matters, including a process whereby current and former employees are assured they can candidly express their concerns about Mr. Williams generally, and his unfair and unprofessional treatment of Integral in particular, without fear of retaliation. Furthermore, we urge that, pending this investigation, the City Council remove Mr. Williams from any direct or indirect involvement in decisions related to Integral's applications for the District and Centreponte projects. Integral believes its direct conversations with City Council members have been positive and productive to date and sincerely hopes to continue this open dialogue even as we work together through these difficult issues.

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Integral looks forward to having an opportunity to present its vision for a vibrant, mixed-use development consistent with the TASP to the actual decision makers – the City Council.

Sincerely,

A handwritten signature in black ink that reads "Gordon E. Hart". The signature is written in a cursive, flowing style.

Gordon E. Hart
of PAUL HASTINGS LLP

GEH

cc: Michael J. Ogaz, City Attorney