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City of Davis
Planning & Building

December 6, 2004

Mr. David Robertson
Chairman
Davis Planning Commission
23 Russell Boulevard
Davis, CA 95616

Dear Chairman Robertson,

We would like to thank the Planning Commission for its time and consideration of Covell Village at its October 22nd meeting. We had not responded to questions posed in the previous "open mike" meeting because it was our understanding that City staff would provide a summary of those questions but, checking with Katherine, we learned that only one Commissioner gave her questions. In order to avoid this situation, we attempt to respond below to salient questions we noted:

1. Are the geographic area (location and size) and number of units of the project appropriate, based on the city's projected needs through 2015?

Covell Village site represents the most logical location for a project for the following reasons.

A. Council Priority

As the staff report indicates, the Davis City Council in June, 2002 reviewed more than a dozen possible project sites and determined that this site is the most logical location to accommodate the next phase of City growth because there are existing neighborhoods on three sides of the project and major arterial access already exists. In addition, the project was in the 1987 General Plan.

B. Agricultural Limitations

Given that the current agriculture practices are constrained by the adjacencies of surrounding neighborhoods, we believe the most prudent planning approach is to develop to the natural border of the community on the existing project scale. The current size of the project will allow us to meet a broad array of community housing needs while our Agricultural Preservation program purchases and protects farm land in the county. Those preserved farm lands are more productive than the project site by virtue of their size, soils and adjacent uses.

C. Number of Units

Current Davis policy expresses a need for 250 housing units per year to meet internal growth needs (a 1% growth rate). Covell Village could provide approximately 170 units per year, which translates into two-thirds of the annual housing need identified by the city. This number appears to be sufficient for Covell Village to provide infrastructure, parks and promised community benefits on a timely basis.

The City Council is now in the process of achieving more precision as to which types of units qualify toward meeting the 250 housing units required of new projects.

2. Why is the project infeasible if only half of it is constructed on the lower portion of the property?

As local residents we are committed to providing a project that will:

- improve schools for all Davis children
- be fiscally positive to the city from an operating budget and capital outlay perspective
- support an affordable housing program that meets the needs of middle income people employed in Davis
- achieve new heights in environmental planning
- provide tangible long-term benefits to the entire community in the form of sites for such things as sports fields, a fire station, hospice, a public meeting hall, a non profit nursery school, and a group home

Each of these goals serves the entire city but each carries a significant price tag that can only be met through development of the entire project site.

Put another way, a scenario that envisages a high proportion of dense, smaller units south of the ditch does not generate the surplus of tax revenues for the City of Davis our plan promises nor would it provide the school funding, affordable housing, environmental innovation, and public amenities Covell Village is committed to providing. The fixed cost of infrastructure, the village center and demand for community amenities and open space are not significantly reduced by eliminating the project components north of the ditch.

3. Is the mix and distribution of housing consistent with community goals? What is the project's density?

We are acutely aware of the Commission's interest in increasing the density of Covell Village. The issue of density has several interrelated facets, including whether the project could be built on the lower portion of the site (which was addressed above), whether the size of the lots are appropriate, traffic associated with the project, and whether the project is "affordable enough."

Size of Lots

Perhaps we agree that a key component of meeting Davis' internal housing needs lies in providing smaller lots and an array of housing options for the entire community. Of Covell Village's 1,515 units, over 70% are equal to or smaller than those found in Old North Davis based on an approximately 6,000 square foot (50 x 120) lot size. These units include co-housing, condominiums, lofts over retail shops, Aggie Village sized homes and our senior housing. Less than 1% of the project is comprised of lots at or above a quarter acre.

(It is vital in this discussion to be clear that we are referring only to lot sizes, not home sizes. Also, as noted, an arithmetic error led to the erroneous statement in the City staff report that the majority of our smaller lots were restricted to seniors. Only 185 of 637 or 29 percent of small lots are designated for seniors.)

Traffic

Until the results of the traffic study are known, discussion of increased density remains academic because the ability of the traffic system to carry a larger number of houses is unknown.

Is the project affordable enough?

We envisage Covell Village as providing housing for three broad groups of buyers: those just starting out in for sale housing; those seeking to move up from starter homes to average sized homes on par with those that currently exist in Davis; and seniors who want to sell larger homes in Davis for smaller, more appropriate houses in a walkable community.

The city staff report lists the median home in Covell Village as costing \$600,000 while the current Davis median house price is \$540,000. This analysis does not consider other affordable housing or the fact that even though homes will sell at market rates, buyers will pay far less due to assistance from Covell Village's silent second mortgages. We believe that the average price in Covell Village will in be less than \$600,000 in today's dollars, meaning that many will be well below the current average house price in Davis.

In addition, the Davis City Council is currently considering perhaps the most comprehensive Affordable Housing program in the country. This policy would result in 50% of Covell Village being for either workforce housing or for low, moderate or middle income earners.

We share the goal of providing affordable housing in Davis and our project will certainly conform to the eventual affordable housing ordinance adopted by the Davis City Council.

4. How should the project be phased?

Phasing refers both to the number of units per year as well as the order of completion of certain elements of the project.

A. Number of Units

We believe phasing the project within the city's 1% growth policy of 250 housing units per year makes good planning sense because it will allow a predictable amount of housing and city revenue each year.

In addition, we believe the phasing of our project from 2007 to 2015 is timed for optimal integration with the next City General Plan Update scheduled for 2010. Since creating any new project necessitates several years of planning, projects brought into the 2010 General Plan would be ready to come online when Covell Village will be completed in 2015.

B. Completion of Parks and Open Space

It was stressed during the meeting that it would be optimal for parks and open spaces to be developed concurrently with the housing. We understand that other recent projects in Davis have not provided these promised amenities, sometimes resulting in delays of years or even decades. We plan to construct parks and greenbelts and habitat areas concurrently with construction of adjacent housing, as we have with our prior projects in Covell Park, Northstar and elsewhere in the community.

C. Schools

As you know, we have agreed to provide to the Davis Joint Unified School District

1. a 10 acre school site
2. a tax structure providing twice as much revenue for school construction as is required by law
3. \$4 million in exchange for the Nugget Fields

While providing unprecedented funding for Davis schools advances one of the primary goals of our project, we cannot and should not control the School Board's decisions as to when to build school facilities and what particular facilities to construct. In short, we can assure you that the School District will have more than adequate funding from Covell Village to meet costs of educating Covell Village children, but we are not in a position to comment on the timing of school construction as it relates to phasing of Covell Village houses.

5. Can Covell Village offer a positive fiscal benefit to the City of Davis now and in the long run?

One of our goals has always been to provide critical funding to the City of Davis for the benefit of the entire community. We expect Covell Village to generate ongoing surplus revenue to the City of Davis, both from one time capitol funds and annual operating funds.

A. Capital Funds

First, the unique location of Covell Village as an infill site means there are relatively few infrastructure costs that must be paid with the capitol taxes and fees that will be generated by the project. Adjacent roads, sewers, storm drains and water systems are already in place and to the site. Therefore, most of the fees generated by Covell Village will be available to pay for other capitol projects throughout the City of Davis.

B. Annual Operating Funds

Second, from an annual operating budget perspective, escalating home values in Davis in recent years will result in more tax revenues than were associated with prior projects because property taxes will be levied at current property values (property taxes in existing neighborhoods lag well behind because houses are only reassessed for tax purposes when they sell, once every five to ten years, except for a 2 percent maximum annual increase in assessed valuation).

Even our affordable housing will generate needed city revenue because it will sell at market rate—and generate taxes at market rate—while still allowing buyers to pay far less due to assistance from silent second mortgages we will fund.

Third, to the extent that Covell Village meets the needs of Davis residents moving up to houses more suitable to their needs, both the houses people sell and those they buy will receive new tax appraisals.

A pending independent economic and fiscal analysis quantifies these complex matters. An early draft form of the fiscal study documents a net ongoing surplus to the City of Davis *after* allowing for the costs of providing services to Covell Village residents and maintaining its community-serving open spaces, habitat areas, and bikeways.

Once again, we appreciate the opportunity to provide further information about Covell Village. We hope that if you have additional questions that you won't hesitate to contact us at 756-6608.

Sincerely,

Covell Village Partners