

APPLICANT'S STATEMENT REGARDING PROPOSAL TO FORM CANNERY COMMUNITY FACILITIES DISTRICT FOR THE CANNERY PROJECT

Introduction

On October 21, 2014, The New Home Company (TNHC) submitted its Petition to form a Community Facilities District (CFD) to finance public improvements at The Cannery. A proposed Rate and Method of Apportionment (RMA) and a description of proposed eligible facilities and other eligible costs were included in the Petition. In response to the City's request for additional information, TNHC has provided estimated costs of the proposed eligible facilities to the City. The CFD special taxes in the RMA were determined based on the existing base tax rate on the property (which includes the ad-valorem taxes), ranging from 1.34% to 1.45%, such that the overall effective tax rate including the proposed CFD would be 1.70%.

TNHC finds the proposed CFD to be consistent with the City *Goals and Policies* for Mello-Roos Districts. The CFD proposal was envisioned and discussed prior to and during the drafting of the Development Agreement, as CFD financing had always been anticipated and relied upon by TNHC to facilitate the development of a highly-amenitized, special neighborhood. The proposed list of eligible facilities is consistent with the Development Agreement which provides for the consideration of forming "one or more Project CFD(s) for the purpose of providing services or financing of the acquisition or construction of some or all of the improvements and facilities eligible for CFD financing within and associated with the Project, including those improvements which will mitigate impacts of the Project upon areas inside and outside of the Project with a useful life of 5 years or longer, and will be owned, operated or maintained by the City or another public agency as authorized under Government Code 53311 et seq. and City policy." [Cannery Development Agreement, Article 11, Section 1100]

Project Description

The Cannery will be a model multi-generational, mixed-use neighborhood with 547 residential units in a variety of types and configurations that was purposefully designed to accommodate everyone, including families, couples, empty-nesters, working professionals, seniors and multi-generational households. The wide range of home choices include elevator-served flats, attached and detached single-family homes, accessory dwelling units and apartments. Each home has universal design features that enhance the livability for residents and their guests.

The entire Cannery neighborhood will also be incredibly energy efficient. The neighborhood will include over 0.5 Megawatt of Photovoltaic Systems to offset energy demand. Every home will be 24% more efficient than the recently adopted Title 24 Energy Building Code. The combination of the photovoltaic systems and energy efficiency measures will result in considerable energy cost savings for residents. The mixed-use commercial buildings will be LEED Silver equivalent and each home will be pre-wired for electric vehicle charging stations. The neighborhood is sustainable by design reusing property that had been developed for industrial uses creating a place that seamlessly integrates bicycle and pedestrian amenities, parks and open spaces, and the active mixed-use shopping and business areas.

The Cannery neighborhood has also been designed to conserve water through the use of drought tolerant, native landscape and has greatly limited turf areas. Public areas, including open spaces, parks, greenbelts, landscape areas, and Cannery Farm will be irrigated with non-potable water as well. The neighborhood design will also help in promoting sustainability awareness and education through the use of interpretive signage, the implementation of a sustainability awareness program and consultation with the UC Davis Institute for Transportation Studies regarding the effects of smart growth and the travel behavior of The Cannery residents.

The 7.4 acre urban farm is a landmark at The Cannery's project entry and is a defining feature of the neighborhood form, character and identity that will link farm, fork and family. Cannery Farm demonstrates the viability of a relationship between urban uses and agriculture and is expected to be the first urban working farm to be developed within a new community in the region. The farm will be available for partnership with farm-based education programs for community members and for interactive education opportunities for youth, creating a sense of connection and pride for the neighborhood and the City. Cannery Farm will also feature a barn and farmhouse built by TNHC for the benefit of the City.

As presented in staff reports and hearings on The Cannery, City staff's recommendation to approve the project was in part based on their finding that The Cannery project met the City's goals for housing, economic development, sustainability, and community character. In fact, the project has gone above and beyond the City's minimum standards and requirements in many instances, which will result in one of the most sustainable market-rate projects in the nation, the first neighborhood of this scale to be certified by Eskaton's Livable Design program through its integration of universal design features, and the first new home community in the region to incorporate an urban working farm as part of the project. As stated in the Sacramento Area Council of Government (SACOG) Chief Executive Officer's presentation to the City Council in October 2013 on the consistency of The Cannery project with the Blueprint and Sustainable Communities Strategy, he testified that The Cannery is "a blueprint for the Blueprint."

Community-Wide Benefits

TNHC's goal and vision has been to develop the park system, greenbelts, and urban farm for the summer 2015 opening, which will allow the Davis community and the new residents the opportunity to enjoy these amenities as the first residents move into the neighborhood. TNHC intends to bring these facilities on before they are required and at a higher standard than conditioned. As part of the initial phase of development TNHC's vision is to complete the following amenities:

- **Cannery Farm** complete with an approximately 5,800-sf barn structure and a 1,500-sf shop/accessory building to be deeded to the City for leasing to the local non-profit Center for Land-Based Learning organization.

TNHC is prepared to start construction on these facilities in January 2015 to bring this much anticipated community amenity to the City well ahead of the first residents far earlier than required. The project conditions of approval would allow for Cannery Farm to come on at the end of the neighborhood build-out with the barn and accessory building to be the last buildings to be built rather than the first.

- **The Farmhouse** which will ultimately be deeded to the City of Davis for community use/meeting space.

This 1,644-sf building also includes a 1,836-sf covered porch and will be an iconic building enjoyed by City residents for generations as future meeting space in North Davis. TNHC has worked in good faith with City staff to ensure the building will serve the City well, and further included a 1.5 kW photovoltaic system to offset electricity loads for the farmhouse resulting in energy cost savings consistent with the City's and The Cannery sustainability goals. TNHC is prepared to begin construction of the Farmhouse concurrent with Cannery Farm in January 2015. Building the Farmhouse is not a requirement of the project.

- **Parks & Greenbelts** inclusive of a 2.3-ac park at the southern end of the project that will include an approximately 5,000-sf amphitheater, lawn seating, synthetic bocce courts, state-of-the-art play areas for 2-12 year olds featuring unique and inspiring play equipment that is not commonly seen in municipal parks; a 71,000-sf field that can accommodate many activities, including soccer practices, picnic areas; and an approximately 5,250-sf picnic shade structure that will feature a 45-KW system to offset all public site lighting within The Cannery neighborhood.

The construction drawings for these highly-amenitized parks are being reviewed by City staff with construction anticipated to start in late winter. TNHC has planned to continuously construct the comprehensive park improvements and greenbelt system to ensure these amenities are enjoyed by the larger community and Cannery residents well ahead of when required by the project conditions of approval (please see the attached exhibit that shows the park and greenbelt areas that TNHC is prepared to construct in the spring and summer of 2015). If the conditions of approval were strictly adhered to, the parks could be developed in a patchwork manner with the southern park that features the amphitheater, bocce courts and play area coming on towards the end of the project. The 71,000-sf field could also be delayed until the first small builder homes were built across the street from where the park is to be constructed. Furthermore, the play equipment could be downgraded to be consistent with common municipal equipment.

In addition, an approximately 4,600-sf homeowners association (HOA) clubhouse (not proposed for CFD financing) will also be open in Summer 2015, which will feature a 25-yard pool with five lanes appropriate for Masters swimmers and accommodate wheelchair access, a nearly 130-sf spa, outdoor restrooms and showers, an outdoor kitchen area, an outdoor fireplace, and visiting/meeting space for HOA members. Sustainable features of the clubhouse include solar panels installed on the shade structure at the pool deck to offset electrical demand, and a bicycle repair station.

The Cannery Project will also provide the community-wide financial benefits, including \$6.2 million in Community Enhancement Contributions (above and beyond development impact fees) and millions of dollars in development impact fees, water and sewer connection fees, construction taxes, permit fees, and Yolo County impact fees. A breakdown of Community Enhancement Contributions is listed below:

- Funds for transportation and circulation improvements: \$3,725,000
 - Includes contribution of \$615,000 to provide initial funds for design and engineering of East Covell Corridor Plan improvements (in addition to these funds, TNHC has been funding the design and engineering efforts associated with a Dutch Junction, pursuant to City Council's decision to pursue a non-traditional intersection at J Street)

- Paid to the City on December 17, 2014
- Funds for community park and community-wide improvements: \$2,000,000
- Funds towards Cannery Farm start-up operation, maintenance and staffing: \$300,000
- Funds to support community greenhouse gas reduction programs: \$100,000
 - Paid to the City on November 5, 2014
- Funds to support City's civic arts programs: \$75,000
 - Paid to the City on November 5, 2014
- Commitment to implement Zero Net Electric homes on 25% of the first 100 homes in the project.

Importantly, due to the project's location, the project would have a positive impact for the City's general fund as well as contribute to increased revenues to the Davis Joint Unified School District (DJUSD). As stated in the September 23, 2013 staff report for the City's Finance and Budget Commission meeting on the Cannery Fiscal Model, "The Cannery is in an area of the City where the property tax share is 21.115%, which is significantly higher than the citywide average of just under 17%.... The baseline model run shows a positive General Fund balance at build-out (year 6) of approximately \$68,000." The Cannery project is also located within the boundaries of both Davis Joint Unified School District Community Facilities Districts No. 1 and District No. 2. These CFDs, which are authorized to finance the repair and rehabilitation of existing DJUSD facilities as well as the acquisition and construction of new facilities, in addition to existing sources of revenue (such as state per student funding and DJUSD's 1.% share of ad valorem taxes) will contribute to increased revenues to the DJUSD to support both operational needs (e.g., teachers, student programs, etc.) as well as educational facility needs (e.g., rehabilitation and construction of classrooms).

The New Home Company strives to bring the vision of The Cannery project to a reality, as our team has worked closely with the Davis City Council, City Commissions, City staff, and numerous individuals and organizations within the community to develop and perfect the neighborhood vision. The Cannery design and approval process was remarkable as there was true collaboration with the community. An incredible neighborhood can be achieved that will stand out nationally and will be celebrated throughout our region. The Cannery project has already garnered an award for "Best On The Boards Site Plan" in June 2014 at The Pacific Coast Builders' (PCBC) Conference. The PCBC conducts design award competitions each year to recognize excellence in design on all types of housing construction and innovative plans nationwide.

CFD financing is a critical component in realizing this vision and has always been part of how this vision is achieved. As the City consultants presented at the November 5, 2014 City Council workshop, CFDs are used to finance new development throughout the state and region and the TNHC Petition before the City is straightforward with rates that are at or below generally accepted thresholds.

The Cannery neighborhood infrastructure is at a far greater level and expense than most new development financed through CFDs. The City's consideration and support for the Cannery CFD will ensure that the full vision is realized and completed as early as possible in order for all Davis residents to enjoy The Cannery's community amenities. TNHC respectfully requests support of the Petition to form a Community Facilities District for The Cannery neighborhood.