

**SUPPLEMENT
TO
ADDENDUM TO ECONOMIC AND FISCAL CONDITIONS STUDY
CITY OF GRASS VALLEY**

April 2006

BACKGROUND: This document supplements the information found in the Addendum to the Economic and Fiscal Conditions Study dated March 2006. The information within this supplemental document contains additional letters received on the Economic and Fiscal Conditions Study that were not part of the Addendum (excepting for Letter #4). This document lists these letters and provides summary responses to any comments that were directed to the specific details of the Study. The letters are listed below and attached to this document for reference. The Economic and Fiscal Conditions Study and Addendum can be accessed on the City's website at www.cityofgrassvalley.com and is incorporated herein for reference.

SUMMARY OF ADDITIONAL LETTERS

Written responses received on the Economic and Fiscal Condition Study which was not included in the Addendum is listed below:

From	Date Prepared
1. Donald R. Rivenes, Nevada County General Plan Defense Fund	December 14, 2005
2. Paul Jorgensen, President, Rural Quality Coalition	December 12, 2005
3. Loma Rica Ranch Preservation Committee	October 20, 2005
4. Citizens Concerned About Traffic (CCAT)	December 1, 2005
5. Christina Star, President, Sierra Foothills Audubon Society	December 14, 2005
6. Barbara Rivenes, Chair, Sierra Nevada Group, Sierra Club	December 12, 2005

COMMENTS FROM LETTERS AND RESPONSES

Each of the six letters listed above has been assigned a number (i.e. Letter 1). Comments from these letters that were directed to the specific details of the Economic and Fiscal Conditions Study have been identified and a response developed for consideration. Comments that have raised issues previously addressed in the Addendum were noted and referenced to the specific page or statement in the Addendum. Comments that were informational and not directed to the specific details of the Study were acknowledged.

LETTER 1: Nevada County General Plan Defense Fund

Response to Comment on Page 1, paragraph 2

Statement: The second paragraph of Page 1 makes the following statement: “The Study the concluded that current zoning of the SDA’s is insufficient to meet the demand. It also concluded that the annexation proposals oversupplied the demand, and that perhaps a mixed solution was more appropriate.”

Response: To clarify, the study measures the impacts of three alternatives. There is no statement in the Study that says that the current zoning of the SDA’s is insufficient to meet the demand, nor are there any statements in the report that advocates a mixed solution.

Response to comment on Page 1, bold heading that states “Demand for Housing Based on New Population Growth

Statement: The text of the letter critiques Table 23 and presents alternative projections. This section of the letter also presents alternative projections of the demand for housing.

Response: The alternative housing projection numbers in this letter are incorrect, but we acknowledge that the authors of this letter have prepared their own independent analysis of the demand for housing.

Table 23 in the September 8 draft report was in error, and the Addendum contains the corrected population projections for all jurisdictions. The final Study will project that Grass Valley’s population will expand from 12,000 people in 2003 to 19,669 people by 2020 if the City retains its historical share of growth within Western Nevada County. As stated in the report, this projection depends entirely on the City’s growth management policies, because the City could choose to force the growth to spread elsewhere in Western Nevada County.

Table 27 in the report projects a demand in Grass Valley for 2,890 new housing units. This is the number that will be used in the final Study.

Response to comment on Page 2, bold heading that states “Demand for Housing Based on Pent-Up Housing Demand

Statement: Page 2 and 3 of the letter critique the Study’s analysis that there is a pent up demand for 475 housing units. The letter concludes that the analysis is flawed and there is no pent up demand for housing because of the recent housing price gains.

Response: The author’s opinion is acknowledged. We stand by the data collection effort and the survey results. The results of the survey clearly state that there is a significant demand for housing in Grass Valley and Western Nevada County that is not being met. The lack of housing supply is one, but not the only factor that has affected the increased price of housing during the past few years. Moreover, the demand for new housing comes from people that are

LETTER 1: Nevada County General Plan Defense Fund (Continued)

already living in the region, and it is not simply created by new people that want to move into the region.

Response to Comment on Page 3, bold heading that states “Potential Supply of Housing within the City of Grass Valley limits (infill)”

Statement: Page 3 of the letter states that the Study assumes that 40 percent of commercially zoned infill lots could be developed.

Response: There was actually an analysis completed identified as the “Commercial Land Inventory” as part of this Study that evaluated the capacity of the existing commercially zoned infill properties to absorb new business space. This analysis concluded that only 40 percent of the infill parcels are “buildable”. It is an incorrect statement to say that the 40 percent number is based on an assumption.

Statement: In addition, Page 3 of the letter states that the Study assumes the accuracy of the Housing Element, and that new housing could be developed on 70 percent of the vacant infill lots. The author goes on to claim that existing infill lots could absorb 2,375 housing units rather than the 840 units assumed in the study.

Response: The City acknowledges that the author has developed an independent set of numbers about the amount of housing that can be absorbed on infill properties, and the author challenges the accuracy of the infill projections applied in the Study. A more detailed response to this statement can be found on Pages 2-59 to 2-61 (Response 7-1) of the Addendum.

Response to Comment on Page 4, bold heading that states “Supply of Housing within the City of Grass Valley Sphere of Influence”

Statement: The author states that the potential to develop housing elsewhere in the Sphere of Influence, and provides an independent analysis of the ability of other Sphere of Influence properties to absorb the demand.

Response: It is true that there are other properties in the Sphere of Influence that could absorb a portion of the housing demand. Some of these properties are in the process of being annexed into the City, but many of the Sphere of Influence properties including the SDAs have significant infrastructure development challenges. Thus, the SDAs are essentially competing with the other Sphere of Influence properties for a limited amount of growth. The 17-year demand for 3,365 housing units equals a demand for 198 new units per year. The existing infill sites, the SDAs, and there other Sphere of Influence properties will all be competing for this growth. It is not the intent of the Study to assign a percentage of these units to the SDA’s or what areas of the Sphere of Influence may be developed in advance of other areas. A more detailed response to this statement can be found on Page 2-106 (Response 15-6) of the Addendum.

LETTER 1: Nevada County General Plan Defense Fund (Continued)

Response to the letter's Conclusion

Statement: The author concludes that the existing infill properties can meet all growth.

Response: The City acknowledges that the author has developed an independent set of numbers about the amount of housing that can be absorbed on infill properties, and the author challenges the accuracy of the infill projections applied in the Study. A more detailed response to this statement can be found on Pages 2-59 to 2-61 (Response 7-1) of the Addendum.

Response to Additional Tables Attached to the letter

Statement: The author has presented tables in Appendix 1 through 5, which support the author's conclusions.

Response: The City acknowledges the tables and does not question the accuracy of the information which has been presented. However, the tables are not adequately explained in the text of the letter, and it is difficult make an independent linkage between these tables and the author's conclusions that there is a sufficient supply of infill properties to absorb the projected growth of housing. A more detailed response to the issue of infill capacity of the City can be found on Pages 2-59 to 2-61 (Response 7-1) of the Addendum.

LETTER 2: Rural Quality Foundation of Nevada County

The response to this letter will not repeat the statements or questions provided in the letter as the letter is very clear and to the point. Instead, the responses to the various comments are simply listed in the same order as the questions or comments were provided in the letter.

Response to Comment 1.1.1

The population projections in the report are 100 percent consistent with the California Department of Finance (DOF) population projections. DOF has a very sophisticated demographic projection model, which incorporates the age of the population, employment status, in-migration, out-migration, births and deaths.

Response to Comment 1.1.2

Table 23 has been revised and an updated version can be found on Page 3-4 of the Addendum. In 2003 there were 95,700 persons living in Nevada County. DOF projects that Nevada County's population will expand to 133,200 persons by 2020. This amounts to a projected annual growth rate of 2.0 percent, which is based on a mathematical calculation.

Response to Comment 1.1.3

This question has been addressed in that the Study does explore the implications about the impacts of people that live outside the City, but use the City for services, jobs, and commerce. The Study clearly states that City leaders have a choice of absorbing the growth within the City

LETTER 2: Rural Quality Foundation of Nevada County (continued)

limits or allow the growth to be located outside the City limits and elsewhere in Western Nevada County.

Response to Comment 1.1.4

The use of a jobs/housing balance ratio is not inappropriate. It helps inform the City's leadership about the balance between the jobs and housing stock, and the need for residents to commute elsewhere to work. Western Nevada County has a jobs/housing balance ratio of 0.7, which implies that there are many residents commuting to work outside of Nevada County.

Response to Comment 2.1

The statement is not accurate. The population projections are based on data from DOF. The employment projections are based on data from Woods & Poole Economics, using data from the U.S. Bureau of Economic Analysis.

As an economist, we have to rely on existing national and state projection models. There are simply inadequate resources to reinvent the wheel and build new demographic and employment projection models for this study.

Response to Comment 2.1.1

Births, deaths, and migration patterns are a central ingredient of the demographic projections.

Response to Comment 2.1.2

Question presents a scenario that is beyond the scope of the Study. It could be addressed the scope of work of this Study was altered and additional funding was provided for the research.

Response to Comment 2.1.3

Same as response to comment 2.1.2

Response to Comment 3.1

The statement is correct. The study was not intended to analyze capitalization costs. An analysis of capitalization costs will need to be completed for each proposed project.

Response to Comment 3.1.1

Our initial analysis indicated that Northstar would need a new fire station, but that existing infrastructure systems could absorb the projected growth. This will need to be refined as the City responds to each individual proposed project.

Response to Comment 3.1.1

The questions are beyond the scope adopted of this Study and more targeted to the particular development details of each SDA. These questions will need to be answered as the City responds and negotiates with each individual proposed project.

LETTER 2: Rural Quality Foundation of Nevada County (continued)

Response to Comments 4.1 – 4.1.3

It is not the intent of the Study to assign a percentage of these units to the SDA's or what areas of the Sphere of Influence may be developed in advance of other areas. The SDAs will be competing with other Sphere of Influence properties for a share of the limited demand for new residential development. A more detailed response to this statement can be found on Page 2-106 (Response 15-6) of the Addendum.

A more detailed response to the issue of infill capacity of the City can be found on Pages 2-59 to 2-61 (Response 7-1) of the Addendum.

Response to Comment 5.1

The statement is correct. The study was focused on the fiscal impacts on the City General Fund. Additional analysis was not funded.

Response to Comment 5.1.1

The study was focused on the fiscal impacts on the City General Fund. Additional analysis was not funded.

Response to Comment 6.1

The report analyzes all four proposed SDA projects as if they were one single project. The report thoroughly documents only the market, fiscal and job-housing cumulative impacts of all four proposed projects.

Response to Comment 7.1

This statement is informational and is acknowledged.

LETTER 3: Loma Rica Ranch Preservation Committee

Statement: The letter lists concerns with the impacts of developing the Loma Rica SDA and the cumulative impacts of the SDA's. The letter also indicates the Study's conclusion on the infill housing supply is flawed.

Response: The comments relative to concerns with the Loma Rica SDA are informational and acknowledged. A more detailed response to the issue of infill capacity of the City can be found on Pages 2-59 to 2-61 (Response 7-1) of the Addendum.

LETTER 4: Citizens Concerned About Traffic (CCAT)

Letter #3 is presently included in the March 2006 Addendum as Letter #14. The CCAT letter and responses can be found on Pages 2-97 to 2-101 of the Addendum.

LETTER 5: Sierra Foothills Audubon Society

Statement: The comments of this letter are focused on the cumulative impacts that the SDA's, if developed, would have on the quality of life and economics of the community. The author suggests that the City should conduct additional meetings on other environmental or quality of life issues before accepting any of the SDA applications.

Response: The comments are informational and are acknowledged.

LETTER 6: Sierra Foothills Audubon Society

Statement: The comments of this letter are focused on the cumulative impacts that the SDA's, if developed, would have on the quality of life and economics of the community. The author emphasizes support for smart growth projects. The author suggests that the City should evaluate other environmental or quality of life issues as part of their consideration of the SDA's.

The letter contains a presentation provided to the City Council on October 27, 2005 that relates concerns with development occurring in line with the current City 2020 General Plan or increasing the residential densities of the SDA's. The letter also contains an attachment entitled, "Adopted Principles for Good Growth in Western Nevada County", which provides suggestions for appropriate growth and development standards for Western Nevada County.

Response: The comments are informational and are acknowledged.