



October 7, 2011

Ron Alvarado
Partner
Conwy LLC
5241 Arnold Avenue
McClellan, CA 95652

Dear Mr. Alvarado:

We appreciated the opportunity to meet with you again last week to discuss the Cordova Hills project. As we discussed, SACOG has received several letters regarding Cordova Hills—we have identified four letters since 2007. In each case, the letters either followed up on, or resulted in, a meeting between SACOG and members of the Cordova Hills project team. SACOG staff, and I personally, also have had numerous other meetings and telephone calls with the Cordova Hills project team over the last few years. As I think you have acknowledged, SACOG has been willing to meet and discuss the project on all occasions. As a consequence, until last week we did not believe that there were any outstanding requests for information, meetings, or written responses. In fact, as discussed below, based on our conversation in August 2010, I believed that you understood and accepted SACOG's decision not to include Cordova Hills in the three Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) alternatives that were going to be vetted in the public workshop process last fall. In light of the foregoing, I am sending this letter only in response to your specific request last week that we put in writing the issues we have discussed in our many meetings. The letter provides a brief summary of the main questions and concerns we have raised about the suitability of including Cordova Hills in this MTP/SCS update cycle.

I will first say that in our many conversations about Cordova Hills we have noted several elements of the evolving land use plan and transportation system that we thought were consistent with SACOG's priorities, and we have made suggestions for refinements to the plan. The plan in its current form contains many elements that are consistent with principles we encourage our members and members of the development community to follow. We were particularly pleased to learn recently that you intend your project to be consistent with the smart growth criteria in the County draft updated General Plan. Notwithstanding the positive elements in the current plan, for over a year we have indicated that we did not believe Cordova Hills, at this juncture, would meet the criteria for inclusion in the current update to the Metropolitan Transportation Plan, which will for the first time include a Sustainability Communities Strategy that implements SB 375, a new state law.

In June 2010, SACOG published a memorandum titled "Method for Developing MTP Update Growth Projections" to help our members and stakeholders understand the federal and state rules, and SACOG priorities when developing the land use component of the MTP/SCS. Rather than repeat the examples of market and regulatory/policy issues that we address through this process, I am reattaching the memorandum for your information and reference.

Auburn
Citrus Heights
Colusa
Davis
El Dorado County
Elk Grove
Folsom
Galt
Isleton
Lincoln
Live Oak
Loomis
Marysville
Placer County
Placerville
Rancho Cordova
Rocklin
Roseville
Sacramento
Sacramento County
Sutter County
West Sacramento
Wheatland
Winters
Woodland
Yolo County
Yuba City
Yuba County

Many in the development community who read this memorandum indicated that they better understood how we do our best to take into account all of the relevant market and regulatory/policy considerations that together drive the estimate of the likely future growth pattern for the planning period (2035 in this case). Many developers specifically acknowledged the limitations SACOG had including their project in this plan update, but wanted to work with us to develop a clear process for adding more lands to the plan in future updates. As mentioned above, you told me on August 10, 2010, after reading this memorandum that you could not argue with SACOG's decision not to include Cordova Hills in the three alternatives that were going to be vetted in the public workshop process that fall, but instead would work with us and hope to be included in the next update four years hence. Last week you stated that you would not have told me that had you understood the relevance of that decision to the SCS. Although we have tried to be clear about the integral connection between this MTP update and the SCS (a point that is made throughout the memorandum), I understand that SB 375 is a new law and that we are all climbing a learning curve as we implement it for the first time. For that reason, we have tried to make it very clear in our print materials and in the verbal presentations used in dozens of public focus groups and workshops, as well as at regular briefings with our Board and Committees over the last two years, how integrally connected the MTP and SCS would be.

The 2035 MTP/SCS is based on a growth forecast that projects a need to build approximately 300,000 new housing units in the six-county region by 2035. This forecast is lower than the one underpinning the current MTP by 145,000 housing units. This means that SACOG must find that many units to *subtract from* the projected growth pattern in the currently adopted MTP. This is a unique situation in this particular plan cycle, and it creates a very high bar for new projects to be added in this update that are not in the current MTP. The approximately 300,000 new housing units preliminarily identified to be included in the updated plan are located within developing communities, established communities, and centers and corridors. These communities have a planned capacity for approximately 500,000 units, which is nearly 70% of capacity beyond the projected 300,000 units of construction by 2035.

We consider a wide range of variables in trying to answer, to the best of our ability, the straightforward question: At this time, does it appear that Cordova Hills is more likely to be constructed during the 2035 planning horizon than the 300,000 plus units of housing projected to be built in our current draft—but also should it be preferred over the more than 150,000 housing units of additional capacity in other greenfield projects in various stages of planning around the region that also are not included in our draft plan documents? Many of these 150,000 other housing units not presently in the draft plan are in developments that have been included in locally adopted plans for some time, and some have either no, or relatively minor, outstanding federal permit issues.

Beyond the regional market demand and supply issue, the key questions and concerns specific to Cordova Hills that we have raised many times with you are briefly repeated below.

- **Federal Permits.** Both the U.S. Army Corps of Engineers and U.S. Fish and Wildlife Service have jurisdiction on these lands through the Clean Water Act and Endangered Species Act. When asked to characterize the likelihood of securing the necessary federal permits under these two laws, Cordova Hills responded "it's going to be a war." While

that was obviously not to be taken literally, it unfortunately accurately foreshadowed the level of concern those two agencies have about this project. It also partially explains why, when the Blueprint map was adopted by the SACOG Board in December 2004, Sacramento County requested that a significant portion of the Cordova Hills site remaining as open or natural space. Moreover, while the County is working hard on the South Sacramento Habitat Conservation Plan (SSHCP), that document is not completed. One of the primary remaining outstanding issues relates to whether, and how, its resource conservation needs can be met for the Cordova Hills property given the current development plan. SACOG is a strong supporter of the SSHCP and we very much hope that it reaches a successful conclusion soon. However, recent conversations with the federal agencies confirm that there are substantial unresolved issues on the Cordova Hills site, especially that portion showing a planned 900,000 square foot commercial center fronting Grant Line Road and located in the heart of what the federal agencies consider to be a valuable vernal pool complex. The timing of the construction of Cordova Hills will remain in considerable doubt until these federal issues are resolved.

- **Commercial Center and Economic Viability.** While many aspects of the current land use plan have evolved and are now focused on building a self-contained and self-sustaining community (i.e., on-site housing substantially targeted at university students, staff, and faculty, and a series of paths to promote walking, biking, and the use of neighborhood electric vehicles for travel within the site), the large commercial center stands out as the exception. Project representatives repeatedly have said that it is sized and located not only to serve the needs of on-site residents, but a larger regional market, and have acknowledged that this will create longer distance car trips to the site. We have repeatedly raised questions about the market feasibility of a 900,000 square foot regional shopping center at that location, citing our studies showing that the region has an over 70-year supply of retail zoning now, including many other projects in the same general area that are also planning large quantities of retail. Cordova Hills consistently has told us that Cordova Hills is not economically viable without a large, regional shopping center. It has further indicated that because a large, regional shopping center on that site must have direct access to Grant Line Road it cannot be relocated to eliminate or reduce the impacts on the natural resources that the federal agencies are concerned about. Consequently, the retail center design and location creates a kind of double-bind for the project's feasibility. Our data lead us to be skeptical that the needed market demand to serve it will materialize. And it seems far from certain at this time that the project will be able to secure the needed federal permits soon, as long as the location and scale of the shopping center remain unchanged. We have suggested that a shopping center downsized to focus just on the needs of the project's residents would have both a smaller footprint and would not need to be located on Grant Line Road, in the middle of the natural resources. Cordova Hills has consistently maintained that those changes would render the project economically unviable. At the moment, it is not clear how the hard trade-offs related to the retail center are going to be successfully resolved to the mutual satisfaction of all the relevant parties.

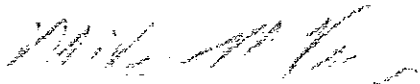
- **University.** The planned university is a key component of this project, of course. It would be a wonderful asset to the County and region were it to be built. It is one of the few large-scale, new employers that can realistically create a relatively self-contained community, if planned and designed well. Our concerns about the university have nothing to do with its benefits, but rather, again, the current prospects for its construction given the growth forecast during the planning horizon. Finding, financing, and constructing a private 6,000 student institution of higher learning rates very high on the degree of difficulty scale, especially in this economic environment. It has never been done in this region. Unfortunately, the planned institution, the University of Sacramento, recently withdrew their involvement in the project. We are aware that you are actively soliciting a replacement institution, but that you have not been able to secure a new commitment yet. Many of the short and multi-modal trips from the project will turn into longer distance car trips if the university is not constructed early in the project, or at all. Cordova Hills indicated in a recent discussion that if Sacramento County approves an entitlement for the project it very likely will attach a condition requiring the construction of the university before other substantial construction can occur. However, the uncertainty over whether a commitment from a 6,000 student, private university will be secured any time soon is another reason for us to conclude that, for this MTP/SCS update cycle, Cordova Hills does not meet the requirements we must follow to project a land use pattern that represents the most likely to be constructed for the region.

Given all of the above, SACOG staff has concluded, and continues to believe, that adding Cordova Hills to the MTP/SCS at this time is not justified, and that it would create risks for the timely adoption of the MTP/SCS and certification of the related EIR. I know you also understand that, since Cordova Hills was not included in the alternatives analysis, adding the project now would add several months, at a minimum, to our adoption process, with new public input, technical analysis, etc. required. It is important to emphasize, however, that most of the considerations listed here relate to practical obstacles that affect the suitability of including Cordova Hills in this plan update cycle. We certainly wish Cordova Hills the best in its worthy endeavor to secure a private university, and that it will be able to resolve the financial, transportation, and natural resources issues associated with the shopping center element of the land plan. Sacramento County appears headed towards adopting a new Growth Management Element to their General Plan, which will provide tighter linkage between projects approved according to their smart growth criteria and future MTPs/SCSs. As you know, we have supported the approach the Board of Supervisors tentatively approved last month—in particular, the important variables related to passenger vehicle greenhouse gas emissions and vehicle miles traveled that are so innovatively and effectively addressed through the smart growth criteria in the County draft plan. However, notwithstanding that support, federal and state law requires that the MTP/SCS be consistent with SACOG's regional forecast and its most reasonable estimate of what is likely to be built. We look forward to continuing our constructive discussions and reconsidering this proposal as it evolves and as our future plan updates include capacity for more years of growth, and presumably higher estimates for needed housing capacity in the region.

With regard to that final point, I want to reemphasize with you a portion of our discussion from last week. First, while I think we understand the general nature your concerns about including Cordova Hills in the MTP/SCS, you know that we do not agree with your conclusions about the

consequences of that determination. SB 375 was intended to create CEQA incentives for projects consistent with the MTP/SCS. We understand that Cordova Hills does not intend to avail itself of those benefits. Under those circumstances, SB 375 expressly states that the SCS does not regulate the use of land, does not supersede the exercise of local land use authority, and does not require a local government's land use policies and regulations, including its general plan, to be consistent with the MTP/SCS. Second, and perhaps most importantly, notwithstanding our strong commitment to facts and science, SACOG recognizes the limitations on our forecasting and modeling—we cannot predict market and regulatory forces with absolute certainty over a 20-year plus period. For this reason, the regular four-year updates of the plan are important. For the same reason, we understand that consistency with the MTP/SCS is not the only question regarding any project. Over the last decade, the region has embraced a Blueprint for growth in the region to 2050. We recognize that there are many projects consistent with that vision that, for a multitude and variety of reasons, will not be included in this MTP/SCS. Again, thank you for your time and we look forward to assisting you in the future.

Sincerely,



Mike McKeever
Chief Executive Officer

cc: Greg Thatch