



July 14, 2011

Yolo County Grand Jury
PO Box 2142
Woodland, CA 95776

Dear Members of the Yolo County Grand Jury:

This letter is written on behalf of the City Council of the City of Davis and the Redevelopment Agency Board of the City of Davis (the "City"), and the Davis City Attorney ("City Attorney"), pursuant to Penal Code Section 933.05 and responds to the Grand Jury Report filed May 19, 2011 (the "Grand Jury Report").

I. Findings.

The Grand Jury requested City response to Findings F4 through F18 presented in the Grand Jury Report and Attorney response to Finding F6 presented in the Grand Jury Report. The City has reviewed all of the findings and appreciates the time that the Grand Jury took in gathering and examining the information. The City and the City Attorney will consider these findings going forward, and in some cases, like with Finding 6, the City and its Agency have already adopted a more regular habit of accessing additional expertise through third party consultants in the review and oversight of projects.

While the findings seem reasonable, and the City/Agency concur with the majority, the City and Agency do have a concern with Finding 7. The City and the Agency believe that DACHA was an independent entity and that neither the City nor the Agency had any authority to require DACHA to take any particular action. Both the City and the Agency provided information and assistance to DACHA; however, neither the City nor the Agency was responsible for the decisions of DACHA. Neither the City nor the Agency had any formal regulatory oversight over DACHA. The only legal remedies that the City and the Agency had were remedies if DACHA defaulted on its Agency loan or if DACHA violated the affordability restrictions on the housing units. The City maintains that it could not force an organization to accept units it did not wish to receive/purchase from a project developer. The Davis Area Cooperative Housing Association (DACHA) Board provided a letter to the City in June 2006 requesting that new units not be provided to DACHA, as new units were seen by the DACHA Board to "represent a financial risk to the organization." Requiring an unwilling third party organization to accept units goes beyond what the City can or should control. The City also received correspondence from the project developer in which it noted that it understood the City was under no legal obligation to provide affordable units to DACHA.

2. Recommendations. The Grand Jury requested City response on the four recommendations in the report and City Attorney response on the fourth recommendation:

R1-R3 The City appreciates the recommendations and will incorporate them into future decisions about affordable housing programs and projects.

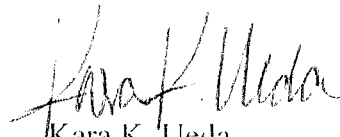
R4 The City and its City Attorney agree that sale of the former DACHA affordable housing units at any price, affordable or market rate, would require deposit of those proceeds into the City's affordable housing program fund. Further, the City Attorney has also determined that sale of those units at a market rate would require their future replacement within the affordable housing program through units at an equal or greater amount of affordability.

On behalf of the City of Davis and the Davis Redevelopment Agency, we thank you for your thorough analysis of the city's affordable housing program, with emphasis on the DACHA project, and the resulting recommendations and findings included in the Grand Jury report. The City of Davis, the Davis Redevelopment Agency, and the City/Agency Attorney respectfully submit this response to the Yolo County Grand Jury.

Sincerely,



Joseph Krovoza
City of Davis Mayor & Redevelopment Agency Chair



Kara K. Ueda
Assistant City/Agency Attorney