FBC Comments on Nishi Fiscal Estimate
January 8, 2017

The Finance and Budget Commission finds the following:

1. At the time of this analysis, the commission did not have available to it a complete and detailed description of the project, a supplemental environmental analysis, or a development agreement with the city. Therefore, any conclusions we have reached should be considered preliminary and subject to change and our commission will continue to review these numbers.

2. The initial estimate developed by staff of one-time fiscal benefits from the project of $13 million in construction tax revenues and development impact fees is generally reasonable given the data currently available. These resources are to be used to offset unspecified future costs of the city’s growth. However, we note that the city has significant flexibility under city ordinances to use these resources to address infrastructure needs, like improving roads and parks.

3. We also generally concur with the estimate that annual ongoing revenues and costs for the city from the project would be modestly net positive over time.

We note, however, that the estimate does not reflect additional revenues that could result if Davis voters approve an increase in parcel taxes. Also, the estimate does not include revenues from Proposition C cannabis taxes or possible community enhancement funds that could result from the negotiation of a development agreement. Also, the EIR adopted for the original, larger, version of the Nishi project suggests that police and fire costs for serving the new residents could be nominal. (A new environmental review is now being conducted for the revised project.) Thus, in some respects, the net fiscal benefit of the project could be greater than estimated.

On the other hand, revenues generated from the project could be less than estimated if Davis voters reject renewal of the parcel tax. Moreover, the estimate assumes voter renewal in 2020 of the full rate currently imposed in Measure O sales taxes. Council or voter actions to reject or reduce Measure O revenues would also reduce the revenues generated by this project and its net fiscal impact.

4. A development agreement for the project could include important fiscal provisions, such as a Community Services District assessment, community enhancement funds, and the potential refund of the city’s pre-development costs should the new project be approved by voters. We recommend that these negotiations be informed by an updated residual land value analysis of the revised project.

5. We recommend that the commission, or if necessary an FBC subcommittee, be provided a timely opportunity to review and comment on the fiscal provisions of the proposed
development agreement before its presentation to City Council for approval. *We will also continue to review the fiscal model.*

6. We recommend the inclusion in any development agreement of language to deter master leasing of Nishi apartments by the campus because of the potential negative impact on city property tax revenues. A similar provision was included for the Sterling apartment project.