

Prelude: As one of many long time Davis residents who shares a concern over the future of Davis I offer my comment to the proposed new development(s) that would require a favorable measure R vote. My comments are inspired and informed by my position as General Manager of Davis Roots, a partnership between the City of Davis and Davis Roots a privately held charitable organization that provides opportunities for startup companies to form and grow in Davis. My comments are also informed by the Economic & Planning Systems, Inc. (EPS) report “Davis Innovation Centers Fiscal and Economic Impact Assumptions” as well as conversations with fellow concerned citizens, local news and preceding civic reports. All comments were formed independently of any other institution or person and they do not reflect Davis Roots or any other institution point of view. This Commentary assumes the reader is familiar with the EPS report.

Conclusions:

- Development of the 5th Street corridor between Pole Line and L Street and 4-5 story re-development of the core downtown remain superior options to Nishi and Mace Ranch Innovation Center (MRIC).
- The City should move forward with asking voters to approve of Nishi Gateway (with the issue of access solved).
- MRIC would be the greater challenge for Davis to integrate and realize as an innovation center (as defined by the EPS report).
- The City, its citizens and the developers will need to hold tightly to the Developer Agreement - one that includes as many EPS recognized success factors as possible.
- The resulting built environment needs to be truly “innovative” or it will not compete with plentiful “same-as” space in the area or more interesting settings elsewhere.

Past Land Use Evaluations and the EPS Report Agree.

The 2012 City of Davis Innovation Center Study prepared by Studio 30 UC Davis Extension for the City of Davis and the EPS report (page 48) identified the 5th Street corridor between Pole Line and L Street as a superior potential alternative for placement of an innovation center. In addition, The EPS report also concludes that downtown Davis has the features of an innovation center built-in, there is just no capacity. City representatives should continue to advocate for innovation center development at these locations.

How innovative is Davis willing to be?

The EPS report goes a long way to substantiate sustainable building/development practices without equating innovation with sustainability. Time has proven, and the EPS report concurs, that what is good for knowledge workers and their companies, is good for business and better for the environment (though not perfect). The innovation center(s) offer Davis an opportunity to live up to its own image.

It is likely that the green community image visitors and outsiders have of Davis outstrips the reality. Our most significant and innovative built residential environment, Village Homes, broke ground 40 years ago. Village homes likely represents 1% of the City's 26,000 units of housing stock and yet much of Davis' reputation for being a green innovator has its origins in this development. This and bike paths, Cool Davis, Community Energy, co-housing, intentional living communities and a few commercial buildings that are exceptional in design and energy efficiency help define Davis as environmentally forward. And yet we have a good way to go before we reach the goal of maintaining earning power while freeing ourselves from the negative externalities of a consumer economy. The innovation centers, and development in Davis generally, could be directed by this goal.

In Davis, not everyone cares to consider our environmentally sustainable future as a relevant to his or her choice to vote for or against measure R, should it come to a vote. It just so happens that many of the EPS innovation center success factors are inherently green. This inevitability might irk pure industrialist, but let's agree that a more local and productive Davis workforce works for both points of view.

The point is that neither Davis nor the innovation centers should be idolized, but they should both make progress toward successful implementation of local sustainable livelihood -that would be innovative.

Why consider any development options at all?

There is no room for companies that want to be close to UCD, UCD alumni, and Davis' employees. Companies want to continue to enjoy all the benefits of a closer relationship with Davis, geographically, economically and culturally. The EPS report repeats a well-documented lack of space for companies to use in Davis (p 26-29).

Local startups in Davis, following incubation and proceeding into launch, will likely struggle to find a place to house 10-15 employees. We can start the next Airbnb and find a neighbor with space (Woodland, West Sacramento, Sacramento) and we can have our share of employees - but we can't place them here to work.

University momentum and proximity to the capital will not cease to put pressure on Davis borders. The buildout of an innovation center would ease this pressure and guide these energies more constructively.

Localization of sophisticated jobs is environmentally favorable and increases the chance of informal out-of-the-box meetings and thinking, arguably one of the most valuable derivatives of a vibrant localized economy. Right now a lot of Davis knowledge workers don't live in Davis and must commute to Davis and many in Davis are traveling away from Davis to the Bay Area for work. While there is no certainty that the innovation centers would create more localized opportunity, the current lack of potential employers within Davis city limits will certainly lead to more commuting and less community.

About the increase in local dollars

According to the EPS report, the Yolo County economy, after Nishi and MRIC buildout, expands by approximately 13,000 jobs, \$3.1 billion of output, and \$766 million of labor income- most realized 21 years from ground breaking (P 11). For the combined projects, the revenues for the City of Davis are potentially substantial, but the EPS report shows a net gain after the cost of City services to be worth just a small fraction of the total City annual budget.

Further excessive attention to financial estimates of City gains or losses might be best avoided. There is likely to be some credence to the base EPS financial analysis that the city will end up close to breakeven. For this reason, the innovation centers should not be presented as big money makers for the City, but necessary for other reasons such as providing opportunity for developing Davis’ local sustainable economy.

When compared with MRIC, Nishi Gateway is more likely to be a successful realization of an authentic innovation center.

By virtue of proximity to the campus and downtown Davis, Nishi is more likely to succeed in realizing it’s billing as an innovation center. From City service cost estimates used in the EPS report it appears that Nishi, while much smaller, is being assessed a much higher cost per acre for police and fire. Perhaps this is due in part to the residential units proposed for Nishi. If that’s the case MRIC should also be evaluated with residential units in mind. And, as mentioned in the EPS report, MRIC and the rest of Davis would be best served by inclusion of MRIC residential units. In addition 20% of all Nishi sq/ft buildout is designated to non-profit tenants. MRIC does not have such a designation and the City should consider this in its analysis. Finally MRIC internalizes Parks Management and this cost would likely passed on to tenants, increasing costs and lowering absorption rates. Has the potential for lower MRIC absorption rates been recognized by the estimates of occupancy and revenue generated?

City Services Too High for Nishi?

Status at Buildout	MIRC	Nishi	Nishi to MIRC Ratio
Total Residential Units	0	650	
Acres	229	47	21% Page 1
General Fund and Other Non-General Fund Revenues	\$3,786,000	\$1,273,000	34% Exhibit 2 Tab
Estimated Annual Expenditure - Fire	\$376,000	\$312,000	83% Exhibit 2 Tab
Estimated Annual Expenditure - Police	\$639,000	\$530,000	83% Exhibit 2 Tab
Estimated Annual Expenditure - Public Works	\$174,000	\$54,000	31% Exhibit 2 Tab
Estimated Annual Expenditure - Parks Management	\$0	\$127,000	NA Exhibit 2 Tab
General Fund Total (not all included above)	\$2,201,000	-\$78,000	-4% Table on pag

The table in blue was created from figures generated in the EPS report.

Innovative buildout and the risk of being less than innovative.

The EPS report worries that to include all innovative success factors in the buildout of the innovation centers (see list below) will mean that developers have to charge

too much for rent/leases in a region where there is considerable supply. At the same time the EPS report repeatedly sights evidence of the necessity of inclusion of success factors in order to provide a competitive attractive environment. "The classic Innovation Center, typically defined as a dense urban project or a university-related project, is different from the projects being proposed in Davis" (P 18). The report is saying that even as "innovative" as Nishi and MRIC are, they are a compromise. That would imply that any further shedding of innovation success factors would make it less likely that Davis would succeed in attracting and retaining the very talent/investment that justifies consideration of the innovation centers in the first place.

Innovation centers are composed of a diverse economic community of businesses and people - some treading water and others well healed. Innovation centers are attractive, nurturing, gritty and productive. Downtown Davis is many of these things, but generally safer and more academic than urban Sacramento and Bay Area locations. When asking Davis Roots current startup founders "Where do you want to be?" the answer is "near downtown Davis." EPS sites similar findings "Not only are these tenants seeking proximity to centers of higher education and environments that support knowledge exchange among firms, but they are also compelled by the inclusion of retail amenities, services, and other amenities that establish more of a *bona fide* community environment." P 17

The MRIC will take more effort to realize the features of a successful innovation center. MRIC would require a larger investment and is far enough away from central Davis that its location adds additional risk that it will remain isolated. To reduce this risk and increase the personality of the MRIC, the University should clarify that it intends to participate in the design and implementation of the Mace Ranch Innovation Center. Nishi has a more direct path to becoming an innovation center, as mentioned previously.

If the innovation centers are not compelling, knowledge worker/startup founders are going to stick to nomading, the home office or migrate to the high-rent Bay Area to be in spaces that feel alive and relevant. The report outlines 7 success factors (p9) which combined with the rest of the EPS report, describe an innovation center as a culturally self-sufficient village. This is a sensible admission.

Innovation Success Factors (amended) include:

Diversity of tenants

Neighborhood amenities - a variety of retail

Connectivity

- a. Vehicular connections
- b. Bike/pedestrian
- c. Broadband/data and other utilities
- d. Labor force housing
- e. Collaborative space
- f. Programing innovations - regular activity

- Open space - and invitations to use the space for sport and recreation
- Art and performance
- Recreation and ad vocational enhancement opportunities/programs

On-site startup support

Project development opportunities

The 20-30 year innovation center buildout timeframe and Davis

The City should not have to promise complete buildout of the measure R properties knowing that the status of the 5th Street corridor and downtown redevelopment should be considered inevitable long-term solutions that could eclipse these less centric options in the 20-30 year time frame discussed.

The innovation center(s) is not an immediate fix for Davis, Davis Roots or other startup/entrepreneurship engines in and around Davis. As mentioned before, startups following incubation and proceeding into launch have very few options in Davis. At its most rapid pace, deployment of MRIC and Nishi would not be complete for 3-4 years and startups would likely not be the first tenants. There is some hope that the Panattoni building might be available sooner adding ±150,000 - ±225,000 square feet of Class A office, lab and technology space.

Commercial agriculture and innovation in Davis

The move of Bayer CropSciences to a 160,000 sq/ft facility in West Sacramento was a demonstration of the need for more commercial space in Davis. Bayer CropSciences also produces neonicotinoid pesticides that are under investigation for contributing to the drop in honeybee populations. Monsanto, in Davis, was regularly the site of protests.

The EPS report shows agricultural companies (mostly seed companies) are likely to be among the larger innovation center tenants. There are several points of contention within Davis, UC Davis and globally about the risks that agricultural technology presents, on the one hand, and the otherwise insecure food systems that it promises to shore up, on the other.

There is no food future that is entirely free from technology. Perhaps the best we can do is house this large responsibility here and attempt to live up to our claim, that we care so very much about, and have so much more to learn from, the inherent value of untainted nature.

Other observations about the EPS report analysis Nishi and MRIC buildout.

- At buildout - EPS expects a demand for 1.5 million more sq/ft of ancillary business building in Davis - in addition to Nishi and MRIC - to house direct and indirect services for innovation center tenants.
- The 10 different DEIR sensitivity analyses, performed by EPS, are a distraction from the basic question to build or not to build authentic fully realized innovation centers. EPS reports that the only positive financial variations under consideration place more housing at MIRC and less at Nishi.

- The EPS report points to changes in tax collection policy that, while favorable, seem unlikely to occur. Why would the county allow Davis a larger share of property tax revenue and why would the University start paying property taxes? EPS assumptions about innovation centers financial viability do not depend on these changes in policy. They are presented to show how to improve the financial outcome of the innovation center projects.
- The EPS report emphasizes the University’s potential to contribute to industrial expertise and world-class research, but concedes that there is no public commitment, beyond publicity, by the University to become involved in the innovation centers.
- The EPS report states that there is an annual “miss” of landing clients of about 100,000-150,000 sq/ft of commercial space.
- The report uses measures common to commercial property regional status reports - with utility projections around jobs and the multiplier effect of those jobs on the local economy. It may be that measures that tell us something about the average Davis citizen before and after the complete buildout of the innovation centers are not possible, but it would have been meaningful to see the following before and after estimates:
 - i. average length of commute,
 - ii. average income,
 - iii. percent residents working within city limits,
 - iv. corporate commitments to City infrastructure (beyond taxes).

Conclusions recaped: Regardless of what comes of the consideration to buildout or not to buildout Innovation Center(s), the City should continue to pursue urban development of the 5th Street corridor between Pole Line and L Street and 4-5 story buildout of the core downtown area. While there are contemporary barriers to these options, they are better options -according to the EPS report- than either Nishi or MRIC properties. In the absence of a 5th Street and/or downtown accepted redevelopment plan, the City should consider moving forward by asking voters to approve of Nishi Gateway (with the issue of access solved). MRIC needs something other than the promise of Davis and Developer best intentions, such as a UCD commitment to create a research park/innovation center at the property. MRIC, while shown to be more financially viable, would be the greater challenge for Davis to integrate and realize as an innovation center (as defined by the EPS report). Finally if either of these developments are to be realized as authentic innovation centers the City, its citizens and the developers will need to hold tightly to the Developer Agreement -one that includes as many success factors as possible. Less than this, the resulting built environment will not support innovation and will not successfully compete with plentiful cheaper “same-as” available space in the area.