

STAFF REPORT

DATE: February 2, 2016

TO: City Council

FROM: Mike Webb, Assistant City Manager / Director of Community Development & Sustainability
Katherine Hess, Community Development Administrator

SUBJECT: Nishi Gateway – Planning Application #14-57

Recommendation

Staff recommends the City Council continue its discussion on the project applications and environmental review, with

- a. Staff and City Council subcommittee update on Baseline Project Features and Development Agreement;
- b. Limited public testimony at the discretion of the Council; and
- c. Continue the item to the meeting of February 16, 2016 for Council consideration of documents to place the General Plan Amendment on the June 2016 ballot; including
 - i. Resolution making CEQA findings (certification of the EIR, statement of overriding considerations, and rejection of alternatives)
 - ii. General Plan Amendment and Baseline Project Features (Nishi Property)
 - iii. Rezoning and Preliminary Planned Development (Nishi Property)
 - iv. Gateway/Olive Drive Specific Plan Amendment (West Olive Drive)
 - v. Development Agreement, including Baseline Project Features (Nishi Property)
 - vi. Resolution calling for Election on General Plan Amendment

The item is a continuation of the Council workshop on the Nishi Gateway applications that was held on January 12, 2016 and public hearing that was held on January 19, 2016. Final Council action to place the General Plan Amendment on the June 2016 ballot would be required by February 16, 2016.

City Council Goals

This effort supports the following Goals/Objectives/Tasks:

- ◆ Drive Innovation and Economic Vitality / Facilitate business development through entrepreneur and startup support.
 - Task: Facilitate dispersed innovation center strategy by: Completion of EIRs and public hearings for innovation center applications; and Support the community decision-making process on Measure R regarding innovation centers and Nishi Gateway through education regarding challenges and opportunities.
- ◆ Build and Promote a Vibrant Downtown/Improve the downtown as a destination both for Davis residents and for visitors.
 - Task: Complete environmental review and application processing for Nishi Gateway.

Fiscal Impact

On January 19, the City Council called for the Chair and Vice-Chair of the Finance and Budget Commission to meet with fiscal and economic consultants to identify mechanisms for ensuring fiscal and economic benefits from the Nishi Gateway development. The FBC representatives met with Economic and Planning Systems, Andy Plescia, and Goodwin Consulting on Tuesday, January 26.

As directed by the Council, City Consultants are preparing additional sensitivity analysis of the project proposal and assumptions. This analysis will include topics identified at the Council meeting of January 19 hearing:

- ◆ Sales tax assumptions from the R&D uses
- ◆ Assessed values for purposes of property tax
- ◆ Extension of supplemental sales tax (all or portion)
- ◆ Opportunities for ongoing revenues after buildout, including potential “make-whole” provision for properties removed from tax rolls and private maintenance or funding for parks, greenbelts, and streets

The sensitivity analysis will be presented to the Finance and Budget Commission at its meeting of February 8 for recommendation to the City Council with the materials for the February 16 meeting.

The City Manager and Assistant City Managers have met with the County Administrator to begin discussions of concepts for the necessary tax-share agreement with Yolo County. Staff anticipates returning to City Council later in February with proposed “principles for tax-share agreements” for Council consideration, which would establish the City Council’s expectations for tax-share discussions moving forward.

Summary Project Description

The requested applications would grant land-use entitlements to allow the 47-acre unincorporated Nishi property to be annexed to the City of Davis and developed as a mixed-use innovation district. The project also includes rezoning of properties on West Olive Drive to accommodate redevelopment at greater density/intensity, should property owners desire to do so.

The Nishi project includes

- 650 residential units
 - ◆ 440 apartments
 - ◆ 210 condominiums
- 325,000 square feet of office/R&D uses
- 20,000 square feet of ancillary retails (coffee shop, café, etc.)
- 19 acres of open space, park, and greenbelt
 - ◆ 3.3 acres of the Putah Creek Parkway
 - ◆ Two parks totaling 11 acres
 - ◆ An additional 4 acres of stormwater detention adjacent to the southern park

A hotel or extended stay hotel could be considered in the future, subject to subsequent discretionary review, CEQA, and market analysis. The Baseline Project Features also include potential of an additional 130 units (for a total of 780 residential units on the property). As with the hotel, these would be subject to environmental review and public hearing, at the sole discretion of the City (see discussion, page 4).



Vehicular access is proposed from West Olive Drive and a new grade-separated crossing of the railroad tracks to Old Davis Road. Bicycle/pedestrian access would also be provided through the Putah Creek Parkway connections to South Davis and the UC Davis Arboretum.

The project requires a General Amendment and Prezoning/Rezoning. Because the Nishi property would be re-designated from Agriculture to urban uses, voter approval would be required under Measure J/R (Municipal Code Chapter 41). Changes to West Olive Drive would not require Measure J/R vote and would be entitled through an amendment to the Gateway / Olive Drive Specific Plan.

Baseline Project Features and Development Agreement Deal Point Concepts

Because development of the Nishi property requires a General Plan Amendment to re-designate the site from Agriculture to urban uses, voter approval would be required under Measure J/R (Municipal Code Chapter 41). A component of Measure R includes establishment of “Baseline Project Features” such as recreation facilities, public facilities, significant project design features, sequencing or phasing, or similar features and requirements. These features cannot be eliminated, reduced or significantly modified without subsequent voter approval. Baseline Project Features are a component of the General Plan Amendment and are also reflected, with additional details as necessary, within the Development Agreement.

Staff and the City Council subcommittee of Mayor pro Tem Davis and Councilmember Swanson have worked to refine the Baseline Project Features and Development Agreement provisions, reflecting the policy direction provided by the City Council at the January 19 meeting. Attachment 1 includes the current draft Baseline Project Features document.

Staff comments on the Baseline Project Features address the following components:

1. Site Plan and Project Description (page 4)
2. Phasing (page 4)
3. Financial Commitments (page 5)
4. Sustainability Commitments (6)
5. Implementation (page 7)

1. Site Plan and Project Description

The baseline features describe the project as analyzed in the Environmental Impact Report. This includes a maximum of 650 dwelling units (see following paragraphs for potential modification), 325,000 square feet of office/R&D, and 20,000 square feet of retail. The acreages for various land uses are shown as example ranges in the Baseline Project Features. The project has not been engineered, so precise calculations of land required for drainage, roadway grades, buffers, parking, and similar infrastructure requirements have not been established. This range will provide necessary flexibility, while ensuring compliance with the expectations of the Sustainability Implementation Plan and City standards.

The Baseline Project Features also allow potential increase in residential units, or addition of a hotel, as a potential subsequent action by the City, but without a requirement for subsequent voter approval. Discretionary review, public hearing, and environmental analysis would be required for a proposal to increase densities or add a hotel to be considered. The intent of the Measure J/R ordinance is to ensure citizen participation in land use decisions that convert properties from agricultural to urban use. Measure J/R cites city policies for compact urban form, agricultural land preservation, an adequate housing supply to meet internal city needs, affordable housing, open space, agricultural preservation and conservation as considerations for evaluating these changes.

If the General Plan Amendment and these Baseline Project Features are approved by the voters of Davis, the Nishi Property may be converted from agricultural uses to a University-Related Research Park, as outlined in the General Plan amendment. Other potential urban uses consistent

with the goals of the University-Related Research Park but differing from the uses enumerated in these Baseline Project Features may be proposed at a future date. As established by the Citizens' Right to Vote on Future Use of Open Space and Agricultural Lands Ordinance, these Baseline Project Features may not be changed without approval of the voters of the City. However, there may be future modifications of the project, consistent with the intent of the Measure J/R Ordinance and the University-Related Research Park General Plan Designation, that are relatively minor amendments that could be considered without the requirement for subsequent voter approval.

Two such amendments are identified in the Baseline Project Features. Each, if proposed, would be subject to full environmental review as required under CEQA and City Council consideration of the necessary General Plan and planned development amendment. These are

- Potential construction of up to 130 additional units of similar design and similar or higher density to the permitted 650 residential units, for a total of 780 residential units.
- Potential construction of a hotel or extended-stay hotel not to exceed 125 rooms.

The City Council would have the ability to City Council may approve, modify and approve, or deny, any submitted application, but subsequent voter approval would not be required.

The project is limited to a maximum of 1,732 off-street parking spaces. The City and the Developer are committed to exploring options to reduce the parking further, through the Transportation Demand Management Program, with a target maximum of 1,550 parking spaces. The Environmental Impact Report assumed 1,925 off-street parking spaces for the Nishi property. A reduction in parking spaces is one of the tools for achieving the desired reduction in Vehicles Miles Travelled and vehicle trips required by Mitigation Measure 4.14-5 and the Sustainability Implementation Plan. Staff has concluded that the proposed reduction in parking spaces anticipated by this Baseline Project Feature is consistent with the analysis and objectives of the Environmental Impact Report, and no further analysis is required.

2. Phasing

The Council and the community have expressed a desire for mechanisms to ensure that public facilities, particularly the improvements to the Richards interchange and the connection to UC Davis, are completed as envisioned. The Project Study Report for the interchange improvements is underway and the City is currently pursuing construction completion in 2020. The connection to the UC Davis campus requires completion of the Long Range Development Plan and environmental review, and approval of the Regents.

At the January 19 meeting, the City Council discussed whether there is a mechanism that would allow phased development of the site, so that a portion of the construction could occur prior to completion of all infrastructure. **We are now recommending that all backbone infrastructure, the grade-separated crossing to UC Davis, and the improvements to the Richards Boulevard interchange, be completed prior to any occupancy on the Nishi site.** Construction on the Nishi site could begin only after construction has begun on the interchange and the grade-separated crossing. This phasing approach has several advantages:

- It provides a clear commitment to the community that any project on the Nishi site will have the desired two connections.

- It reduces the variables the campus must analyze as it evaluates options for the Long Range Development Plan.
- It provides better opportunities for city and campus coordination within the Richards / 1st Street / Old Davis Road circulation system.
- It is more consistent with the assumptions in the EIR and public conversations.

The Baseline Project Features also include commitments for backbone infrastructure to the R&D properties with the first phase of development, to ensure “permit-ready” sites when prospective purchasers or buildings are identified.

The Development Agreement could also address timing of Olive Drive improvements and on-site public amenities, such as phasing park development tied to residential development.

3. Financial Commitments

The community, the Finance and Budget Commission, and the City Council have all been exploring the question of how this development can be managed to ensure fiscal benefits to the City. The property owner has committed to a Baseline Project Feature for a projected net fiscal positive with or without a hotel. One specific component of discussion has been a “make-whole” provision should property be purchased or leased by an entity exempt from property taxes. Other components could include a Landscaping and Lighting Assessment District, Community Facilities District, positive negotiations with Yolo County, or other mechanism as established in the Development Agreement.

The Baseline Project Features include establishment of a Services Community Facilities District for municipal services, to ensure positive fiscal and economic benefits for the City of Davis. Parameters for the Services CFD process will be established in the Development Agreement. Exact revenues and methodologies will be established by the City Council upon formation of the District in the future, with input from fiscal consultants and the Finance and Budget Commission.

A Services CFD is different from an infrastructure CFD, which has the purpose of financing bond debt to provide capital funds for construction of physical improvements related to a development project. A Services CFD provides an ongoing revenue stream from payments that are made by property owners within the district and collected with the annual property tax bill. This provides a permanent source of funding for City operations to serve the project, in addition to property and sales taxes that would continue to be collected per statute.

The Baseline Project Features also establish a Development Commitment of \$1 million for the City Council to allocate amongst contributions to the Affordable Housing Trust Fund, on-site civic arts, establishment of a local carbon offset program, and implementation of the Downtown Parking Management Plan.

The Development Agreement will establish implementing mechanisms for other financial components, including impact fees, fair-share contributions, and credits recognizing infrastructure costs, smaller unit sizes, and sustainability commitments.

4. Sustainability Commitments

The City Council and the community have discussed the value of a third-party verification process for sustainability commitments. This would provide a structure for accountability to look at implementation of the Nishi project as a whole, rather than staff review of individual buildings and public improvements at the time of permit issuance. Leadership in Energy & Environmental Design Neighborhood Development (LEED-ND) offered by the U. S. Green Building Council has been cited as a rigorous program with the potential to provide that community assurance. However, continued research into the requirements of LEED-ND show inherent difficulties posed by the nature of the site and the development in meeting the prerequisites for certification, or garnering the necessary points for a given level of certification. Property Owner Tim Ruff has provided an analysis by Lynn Simon of Thornton Tomasetti, a well-known LEED expert, on the feasibility of meeting LEED prerequisite requirements (Attachment 2). This analysis concludes pursuing LEED for Neighborhood Development certification for the project is not feasible at this time.

Staff believes that continued conversations with the US Green Building Council could result in resolution of some of the issues identified in the Thornton Tomasetti analysis. However, certification would be difficult or impossible to achieve, and staff questions the benefit of continuing to pursue certification using standards designed to apply nationally, rather than evaluating sustainability reflecting local standards, priorities, and expectations.

The Baseline Project Features commit the developer/ project to pursue a City-defined - certification equivalent to Leadership in Energy & Environmental Design Neighborhood Development (LEED-ND) offered by the U. S. Green Building Council, as defined in the Development Agreement. This system will use local expertise to evaluate parameters established through the LEED-ND checklist, reflecting site constraints and also reflecting other sustainability commitments from the Baseline Project Features and Sustainability Implementation Plan that may not generate LEED-ND points (such as the 4.9MW PV and the contribution to the local carbon offset program). Requirements may be revisited over time, which will allow the City to adjust actions and methodologies with changes to regulations, technology, and societal behaviors.

Key components of the Sustainability Implementation Plan will be also included as Baseline Project Features, including

- Maximum of 1,732 off-street vehicle parking spaces, which is a 10 percent reduction from the current plan (see Site Plan and Project Description, above);
- Peak hour trip cap per the Sustainability Implementation Plan
- 4.9 MW photovoltaic (or equivalent, per Development Agreement)
- Buildings exceeding 2013 CalGreen standards by 30 percent.

Other components of the Sustainability Implementation Plan will be identified through the LEED-ND or equivalent process, as identified in the Development Agreement.

5. Subsequent City Reviews and Approvals

Staff anticipates that the Development Agreement would establish schedules and factors for consideration of review of additional implementing actions, including:

- Tax-sharing Agreement with Yolo County (City Council)
- Final Planned Development, Tentative Map, and Design Guidelines (Planning Commission)
- Parameters and process for City-designed certification equivalent to LEED-ND (Planning Commission, per Appendix F of Sustainability Implementation Plan, or City Council)
- Establishment of a Services Community Facilities District (City Council)
- Agricultural land mitigation (City Council)

Conclusion

Staff requests the City Council verify the Baseline Project Features and direct staff to return on February 16, 2016, with the Development Agreement, recommendations of the Finance and Budget Commission, and other actions.

Attachments

1. Draft Baseline Project Features
2. LEED-ND Opportunities Analysis prepared by Lynn Simon of Thornton Tomasetti

Note: General Plan Amendment, Preliminary Planned Development, and Development Agreement documents will be updated to reflect DA Commitments and Baseline Project Features. Updated versions will be included in the packet for the February 16 City Council meeting.

Staff report and attachments will be posted on the City's website at
<http://cityofdavis.org/city-hall/community-development-and-sustainability/development-projects/nishi-and-downtown-university-gateway-district>