

STAFF REPORT

DATE: February 16, 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 take the following actions to approve the Nishi Gateway project and place the Nishi General Plan Amendment on the ballot for voter consideration under Measure J/R of the Municipal Code:

- a. Resolution making CEQA findings (certification of the EIR, statement of overriding considerations, and rejection of alternatives);
- b. General Plan Amendment and Baseline Project Features (Nishi Property);
- c. Rezoning and Preliminary Planned Development (Nishi Property);
- d. Gateway/Olive Drive Specific Plan Amendment (West Olive Drive);
- e. Development Agreement (Nishi Property); and
- f. Resolution calling for Election on General Plan Amendment (Nishi Property).

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 at this meeting.

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

The Finance and Budget Commission considered the project proposal at a series of meetings, including the regularly scheduled meeting of February 8, 2016. To assist in the Commission's

review, the City contracted with Economic and Planning Systems and A. Plescia & Co. (with Goodwin Consulting as a subcontractor). The consultant team analyzed project impacts on the City general fund and the local economy, Nishi project economics and capacity for covering infrastructure costs, and mechanisms for meeting the City Council goal of fiscal and economic benefits to the City and the community.

The Finance and Budget Commission made the following recommendations to the City Council:

- That all ongoing operations and maintenance costs be privatized (recommendation January 11, 2016);
- That all infrastructure for Nishi Gateway be privately funded;
- That a minimum property tax rate of 1.55% of assessed value be used to provide incremental funding to the City; and
- **That the Nishi project is a net fiscal positive for the City of Davis.** The Commissioners did not agree on the amount of benefit the City would receive. The final motion to conclude \$1,400,000 of annual benefit passed on a 5-1-1 vote; dissenters agreed that the benefits would be positive, but suggested numbers in the \$500,000 range.

Staff is recommending the Baseline Project Features and the Development Agreement call for a land-secured financing district, such as a services Community Facilities District, to provide supplemental funding to the City of Davis. (See additional discussion, page 5).

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. Also on this agenda is a recommendation that the City Council adopt “Principles for Nishi Tax Share Agreement” to establish the City’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



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 and February 2 meetings. Attachment 1 includes the current draft Baseline Project Features document.

Staff comments on the Baseline Project Features and Development Agreement deal points address the following components:

1. Site Plan and Project Description (page 4)
2. Phasing (page 4)
3. Financial Commitments (page 5)
4. Sustainability Commitments (page 6)
5. Subsequent City Reviews and Approvals (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 Council and community have discussed the possibility of allowing additional housing or a hotel on the Nishi Property without the need for subsequent voter approval – this concept was removed at the City Council meeting of February 2, 2016. The Development Agreement outlines the anticipated mix of apartments and condominiums, by unit size, as a preliminary estimate.

The Baseline Project Features limit the project 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. The sustainability section of the Development Agreement also establishes requirements for paid vehicle parking for all apartments and a peak-hour exit fee for the apartment and condominium parking areas.

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. **The Baseline Project Features call for all backbone infrastructure, including 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. **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 addresses timing of Olive Drive improvements and on-site public amenities, such as phasing park development tied to residential development, to be established through the Tentative Subdivision Map(s) for the project.

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. 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, Services 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 Land-Secured Services Financing District for municipal services, to ensure positive fiscal and economic benefits for the City of Davis. This will provide a supplemental source of revenue to the City of Davis, in addition to projected sales and property taxes. The Development Agreement establishes a minimum of \$300,000 per year to be generated by the District. This amount is slightly greater than the equivalent of privatizing the costs of park, greenbelt, and roadway maintenance plus the projected cushion necessary to protect the City if 20 percent of the office/R&D properties become exempt from property taxes. Preliminary analysis prepared by Goodwin Consulting as a subcontractor to A. Plescia & Co. indicated that the necessary assessments that would generate this amount of revenue could be accommodated by the development without significantly adversely affecting market values. 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. Assessments to generate funds exceeding the \$300,000 level (with inflation adjustments) would need to be negotiated.

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 establish Developer commitments of \$1 million for the affordable Housing Trust Fund and an additional \$200,000 for the City Council to allocate amongst on-site civic arts, establishment of a local carbon offset program, and implementation of the Downtown Parking Management Plan, for a total of \$1.2 million.

The Development Agreement includes provisions for conduit to accommodate broadband communication, City right of first refusal for the office/R&D parcels, and agricultural mitigation. The Development Agreement also establishes implementing mechanisms for other financial components, including impact fees, fair-share contributions to the Richards/I80 interchange improvements, repayment of City pre-development contributions, and credits recognizing infrastructure costs for the project.

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 assurance. However, continued research into the requirements of LEED-ND show potential 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.

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. At the same time, staff is concerned that a national rating system could foster a “hunt for points” with negligible true sustainability benefits (such as adding intersections with minimal connectivity benefit) or discount other sustainability contributions from the project (such as commitments to photovoltaics or contribution to the City’s local carbon offset program).

The Baseline Project Features commit the City and Developer to pursue certification through Leadership in Energy & Environmental Design Neighborhood Development (LEED-ND) offered by the U. S. Green Building Council. Should that not be achievable, the project will be rated using the LEED-ND point system through a City-defined process, with a local citizens panel, 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 noted above). Requirements may be revisited over time, which will allow the City to adjust actions and methodologies with changes to regulations, technology, and societal behaviors.

Staff anticipates that this Environmental Certification Panel envisioned for review of the Nishi sustainability effort would be needed to advise the City Council on the formation of a local GHG offset program, regardless of the Nishi proposal. As the Panel is created, it can serve to review the sustainability efforts for Nishi and – potentially – other programs for the City of Davis. Community enhancement funds provided by the Nishi project could serve as seed money for these efforts.

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 Title 24 Energy Efficiency 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. The Development Agreement also establishes requirements for paid vehicle parking for all apartments and a peak-hour exit fee for the apartment and condominium parking areas. The Development Agreement also includes a requirement for submetering of individual apartments.

5. Subsequent City Reviews and Approvals

The Development Agreement identifies need for City review and approval of additional implementing actions, including:

- Tax-sharing Agreement with Yolo County (City Council)
- Final Planned Development, Tentative Map, and Design Guidelines (Planning Commission)
- LEED-ND application and, if necessary, equivalency review (City)
- Establishment of a Services Community Facilities District (City Council)
- Agricultural land mitigation (City Council)

Environmental Review

The City has received multiple correspondences from Mike Harrington questioning the traffic analysis in the Nishi Gateway EIR. Attachment 8 contains responses to questions received on February 2, along with response to comments emailed from Dr. Cahill regarding air quality. Responses to the comments made by Mr. Harrington on February 10 will be provided at the meeting.

Conclusion

In summary, staff recommends approval of the applications. Staff believes that the project appropriately integrates the City goals for economic development, housing, environmental sustainability, community character, and fiscal responsibility. Specific reasons for staff's recommendations include:

- This site is identified as a priority development area in SACOG's Sustainable Communities Strategy. SACOG has concluded that the project is supportive of all of the Blueprint principles. Adding housing to meet the needs of community employees will help meet regional goals for VMT and GHG reduction.
- The project has sustainability components stronger than any development in Davis. The Studio 30 report concluded the Nishi property has a walkable and bike-friendly location that lends itself to a dense, mixed-use development. Staff is comfortable that this proposal, particularly when balanced with a multitude of other policy objectives, appropriately contributes to city sustainability goals and takes the city in the right direction for new development projects.
- Housing and businesses on the Nishi property will provide customers for local businesses, particularly downtown merchants.
- Internal open space and bicycle/pedestrian connectivity forms the backbone of the subdivision layout. The project includes a grade-separated connection to the Old Davis road on the UC Davis campus.
- Development Impact Fees from project can assist in contributions to improving operations of the Richards Boulevard corridor, and the project will not go forward until Interchange improvements and the connection to the UC Davis campus are completed.
- The project demonstrates unprecedented collaboration with UC Davis and Yolo County. The financial contribution from the State of California Strategic Growth Council to the sustainability and environmental reviews demonstrates the importance of this development to regional efforts in GHG reduction.
- EPS found that the total one-time impact of construction of the Nishi project is estimated at 1,000 jobs, \$186 million of output, and \$75 million of labor income in the Davis economy, while estimates for the Yolo County economy show 1,800 jobs, \$329 million of output, and \$130 million of labor income. The Nishi project is estimated to produce an ongoing economic impact in the Davis economy that totals between 1,500 and 1,800 jobs, \$315 million and \$385 million of output, and \$89 million and \$107 million of labor income.
- The provisions of the Development Agreement address fiscal impact on the General Fund, and the Finance and Budget Commission concluded that the project would have net fiscal positive benefits to the City of Davis..

Nishi Gateway represents a culmination of concerted community engagement, incorporation of community input, and ground-up integration of sound land use, urban design, and sustainability principles. The proposal successfully achieves a very difficult balance of multiple and diverse policy objectives. While it can be easy to get caught up in pursuit of perfection on any given issue, staff believes that the proposal appropriately integrates city goals for housing, economic development, sustainability, and community character.

Attachments

1. Baseline Project Features
2. CEQA Resolution
3. General Plan Amendment Resolution (Nishi)
4. Development Agreement Ordinance and Development Agreement (Nishi)
5. Preliminary Planned Development (Nishi)
6. Gateway / Olive Drive Specific Plan Amendment Ordinance (West Olive Drive)
7. Resolution Calling for Election
8. Response to CEQA comments from Harrington and Cahill (to come)

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>