

CHAPTER 1

PROJECT OVERVIEW

INTRODUCTION

What is Davis' economic future? Addressing this important question represents the overarching objective of the Business Park Land Strategy (BPLS): to better understand Davis' long-term economic future and provide guidance for future decisions regarding community economic development goals for the 2010-2035 timeframe.

Policy documents ranging from the 2000 General Plan to the 2006 – 2010 Economic Development Strategic Goals, to the 2009 – 2010 City Council Goals identify Davis economic development priorities. These emphasize growth in biotechnology, “green” technology, and other knowledge-based activities to facilitate expansion of this burgeoning sector and capitalize on proximity to UC Davis research strengths. As a result, Davis' economic future will continue to be influenced by its economic development policy framework, a business climate conducive to business growth, the demand for local growth in knowledge-based business and across the economy, and the available land supply. How Davis ensures opportunity for future business growth and positions itself for growth in key industry sectors are important components in achieving a desired economic future. The BPLS provides background analysis for community consideration when addressing these issues. More specifically, this report:

- Summarizes current economic development policy
- Quantifies the value of knowledge-based business growth in Davis
- Analyzes the Davis economy as well as UC Davis activities contributing to business growth and entrepreneurialism
- Draws conclusions regarding the Davis business climate based on interviews across a broad spectrum of “key informants” in the Davis business community
- Provides 25-year business growth projections
- Quantifies the economic impact of two future business growth projection scenarios as well as a hypothetical “business park”
- Analyzes the Davis vacant commercial land inventory and its ability to accommodate future business growth in the 25-year timeframe
- Provides a path for near and longer term land decisions to facilitate future business growth.

The BPLS draws several primary conclusions resulting from the above analysis:

- The study confirms Davis' economic development policy framework focusing on technology, life science, and knowledge-based business growth is appropriate and complements Davis economic and workforce strengths.

- Economic analysis of research and development and manufacturing activities by local technology companies confirms substantial local economic benefit.
- Based on historical business growth, 39 interviews with “key informants”, and business growth projections, Davis is poised for substantial growth in knowledge-based industries.
- Davis’ land supply represents immediate as well as future challenges to facilitating future business growth, particularly if the vacant 100 acre industrially zoned property at 1111 E. Covell Blvd (Con Agra property) is developed for other uses.
- The study confirms that while Davis has historically played a passive role in facilitating business growth, a more proactive role needs to be played in the future. This is needed particularly in knowledge-based industries to ensure Davis capitalizes on its competitive advantages and desired business growth opportunities are not lost to neighboring or regional communities.

BACKGROUND

The need for the BPLS was originally identified by the Davis City Council in December 2008, shortly after Lewis Planned Communities development application submittal for the Con Agra property – the last remaining large industrial zoned parcel in Davis. Lewis Planned Communities’ “Cannery Park” project application was primarily a residential development with a portion of land dedicated for business park uses (approximately 20 acres)¹. The City Council requested a better understanding of long-term business growth implications and land use tradeoffs should the property be rezoned for primarily residential uses. That is, the extent to which the Cannery Park would affect Davis’ commercial land supply and long term ability to accommodate future business growth.²

Prior to accepting the Cannery Park development application, in February 2008 the City Council requested Lewis Planned Communities fund a city-initiated study assessing the site’s economic feasibility as a business park³. The study was conducted by Economic Strategies Group (ESG) and completed in August 2008. It concluded *the site is viable as a business park* provided a broad range of uses is allowed. If restricted to a narrow range of uses (e.g. research and technology uses only), it was projected to require an excessive, non-viable buildout time (39 years). The ESG Study also conducted an extensive analysis on Davis’ economy and provided contextual background of the greater Bay Area-Sacramento regional economy from which the BPLS builds.

¹ See Chapter 6: Existing Vacant Land Inventory & Land Adequacy, for uses consistent with the “Business Park” land use designation.

² “Long term” defined as the 2010- 2035 timeframe.

³ Economic Strategies Group. Business Park Viability Study: Cannery Park. August 15, 2008. Hereafter referred to as “ESG Study”

BPLS STUDY PURPOSE

In January 2009 a processing timeline for the Cannery Park development application as well as process framework for the BPLS project was presented to Council. The BPLS objective focused on eight key questions:

1. What are the City's long term needs for business park-type land?
2. What methodology and/or factors should be used to determine projected need?
3. How is the market for business park land shifting? How is the modern "business park" changing? Are traditional business park land development patterns still appropriate or are they evolving into new land use patterns?
4. Is the City's current land inventory sufficient to meet its long term needs for business park-type uses? If so, is this still true if the Cannery Park site is approved for other uses?
5. Is a dedicated "business park" needed?
6. What sites in addition to the existing land inventory should be considered for business park type uses; and/or a dedicated business park? How does this change if the Cannery Park site is rezoned? Do we need to consider additional business park sites if the Cannery Park site is not rezoned?
7. What criteria should be used to rank the relative merits of the possible sites?
8. What strategies should be developed or actions should be taken to assure that the City has an adequate supply of business park-type land available to support future development?

Originally, this study intended to rely upon ESG Study land absorption-based assumptions to determine the existing land supply's adequacy in accommodating future business growth. As the project evolved, feedback received through business community interviews and the Business and Economic Development Commission (BEDC), made clear a need to also analyze projected demand for and economic benefit of business growth. The City contracted with the Center for Strategic Economic Research (CSER) to conduct supplemental economic analysis in response to the following three key questions:

1. What are the benefits of knowledge-based businesses in Davis?
2. How much knowledge-based business growth is projected for Davis?
3. What is the economic benefit/revenue potential of additional business growth?

Davis economic development policies and strategies emphasize knowledge-based business growth⁴. As a result, this report emphasizes such business growth and conditions necessary to facilitate further development within these industries. However, as the ESG Study concluded, the Davis economy is dynamic and comprised of a wide range of businesses contributing to a high quality of life⁵. Thus, employment projections were generated for all industry sectors as reference points for future Davis business growth in its entirety and accompanying land needs. These employment growth projections are converted to the following major use/building type categories to assess land needs: office, industrial, retail, and public. Two major uses/building types most typically associated with business park-type development – office and industrial - are emphasized in this study⁶.

TIMING: Why Now?

Though the original impetus for the BPLS was the Cannery Park application, the study addresses important issues relating to Davis' economic future. The BPLS continued as a priority despite withdrawal of the Cannery Park application due to its importance for understanding the city's long-term economic health and extent to which Davis' existing land supply can accommodate economic growth.

The timing of the study is appropriate to assess Davis' economic future. It is important for Davis to plan and competitively position itself for desired business growth post-economic recession. The BPLS will function as a technical background report for a future update of the General Plan's Economic Development element and/or future land use decisions affecting business growth.

The City is nearing completion of the 2013 General Plan Housing Element. While housing needs remain an important community issue, Davis' economic future is equally important, particularly in current economic recession and local budget contexts. The Housing Element update focuses on housing needs and potential land supply. Several sites deemed appropriate for residential uses in the Housing Element update are either already commercially zoned or are sites that may be appropriate for business park-type development as well. The BPLS serves as a resource to assess costs and benefits of alternate commercial or residential land use decisions allowing the necessary contextual balance for fully informed land use decisions affecting the community.

⁴ "Knowledge-Based Business" is occasionally used interchangeably with "High Intellectual Capital" firms, a term used in the ESG study and defined as "firms that use leading edge tech applications as a key element of their business" (Pg 36). Under this definition, knowledge-based business and high intellectual capital activities span all employment sectors. However, this study formally defines for Davis "Knowledge-Based" employment as a combination of North American Industry Classification System (NAICS) activities comprised primarily of "Professional, Scientific, and Technical Services" and a subset of high value activities in the "Manufacturing" employment sectors. The term, "Innovation Companies" used occasionally in the study reflects a subset of "knowledge-based" companies and typically represent technology firms focused on commercializing applied scientific research.

⁵ ESG Study, Pg 32.

⁶ The draft BPLS Technical Report provides a greater level of detail.

STUDY PROCESS

The BPLS consisted of an 18 month process comprising the following five phases:

1. *Existing Inventory (January 2009 – November 2009)*

An updated inventory of parcels appropriate for business park-type development was conducted for this study. Inventory metrics included total acreage, employment capacity, and building square footage.

2. *Business Community Outreach (May 2009 – October 2009)*

39 semi-structured interviews with Davis business community members, 7 teleconferences/surveys of UC Davis spinoffs not located in Davis, regular BEDC meeting updates⁷.

3. *Draft Study (September 2009 – March 2010)*

4. *Public Review of Study (March 2010 – Summer 2010)*

STUDY ORGANIZATION

The BPLS Technical Report is organized around seven primary chapters, three addendum chapters, and an appendix. Main chapters are sequenced from presenting a basic overview of Davis' economic development policies, through a framework for land availability decision making. A brief overview of each chapter follows:

Chapter 1: Project Overview

Chapter 2: Economic Development Policies & Strategies and the Value of Knowledge-Based Business Growth. This chapter provides an overview of local economic development policy. This policy foundation is supported by economic analysis demonstrating the value of knowledge-based business growth in Davis.

Chapter 3: Davis Economy. Davis' employment and workforce profiles; the role UC Davis plays in the local economy, particularly in knowledge-based industries, are analyzed. Additionally, the extent to which countywide and regional economic development partnerships can facilitate knowledge-based business growth are noted.

Chapter 4: Davis Business Climate. Results of in-depth outreach conducted to the Davis business community revealing their thoughts on prospects for knowledge-based business growth, local economic development, and land use policy are summarized.

Chapter 5: Business Growth Projections and Economic Impact Analysis. This chapter tests qualitative feedback from the Davis business community with econometric employment change modeling resulting in 25-year employment across all sectors. Specific emphasis is placed on knowledge-based industry. Econometric modeling is supplemented with alternative employment projections. Economic impact analyses for two employment growth scenarios as well as a hypothetical 100-acre (66 net acres) business park are provided.

⁷ See Chapter 4 for additional outreach process details.

Chapter 6: Existing Vacant Land Inventory and Land Adequacy. Existing vacant land appropriate for business growth purposes within the existing city boundary, the extent of business growth absorption capability, and land adequacy for future business growth are analyzed.

Chapter 7: Conclusions and Next Steps. This chapter provides a path for near and longer term land decisions to facilitate future business growth.

Addenda & Appendix

The report concludes with three addendum chapters providing a brief overview of issues relevant to the study.

Addendum 1: Infrastructure Capacity and Generalized Impact Analysis. Long-range planning activities, particularly those with land use implications, are likely to result in concerns regarding localized impacts. The study proposes no land use changes. However, as future business growth may place demands on local infrastructure, this topic is explored at a generalized level

Addendum 2: Role of Downtown. Many Davis land use and economic development policies prioritize downtown as the commercial and cultural heart of the community. Peripheral office development may adversely affect the downtown office market, as well as the market for private redevelopment opportunities with office use components. This subject is explored in this chapter.

Addendum 3: Role of Agricultural Economy. Davis exists within an agricultural setting and is surrounded by agricultural uses. The role of Davis in the local agricultural economy is briefly explored.

The Appendix provides additional data tables, explanation of analysis assumptions, as well as the CSER economic analysis report. The Appendix is organized by chapter.

Conclusions

The BPLS project has evolved over time from an historical land absorption analysis to a more thorough analysis of the economic value of, conditions necessary to facilitate, and land adequacy for future business growth. Thus, this study emphasizes Davis' economic future as much as it does land use and supply. With the BPLS set in this context, readers and decision makers will find this document a resourceful planning tool to guide future economic development initiatives and land use decisions.