

Meeting Date: September 22, 2008

Item Number: _____

Staff Report

September 17, 2008

TO: City Council and Business & Economic Development Commission

FROM: Katherine Hess, Community Development Director
Michael Webb, Principal Planner
Sarah Worley, Economic Development Coordinator
Xzandrea Fowler, Planner

SUBJECT: Business Park Viability Study: Cannery Park Site

Recommendation

1. Review the Business Park Viability Study, that was prepared for the Cannery Park site project;
2. Receive a presentation by the City consultant, Economic Strategies Group (ESG), outlining the findings of the study, and engage in a question and answer session; and
3. Review and comment on the scope of the key policy questions that staff has identified for future analysis and consideration.

***Note:** Staff recognizes that the Business Park Viability Study is lengthy and contains a great deal of information. Due to the limited review opportunity prior to the meeting date, the Executive Summary broadly covers the analysis and the conclusions contained in the study. The consultant will give a presentation on the study at the beginning of the meeting, and will be available to answer any questions.*

Background

On October 28, 2003, the City Council passed a motion to require a non-residential feasibility analysis, prepared at the applicant's expense and hired by the City, when an applicant requests conversion of land from non-residential to residential land use.

The City Council's action was largely in response to several property owners throughout the city who have been interested in land use changes from non-residential to residential. This interest stems from a high demand for housing and a short supply of residential zoned vacant land in the city. Davis also has a limited inventory of non-residential land. This dynamic creates tensions in land use policy that are the fundamental basis for this study. The City's Business and Economic Development Commission (BEDC) had reviewed this policy and recommended that the Council:

- Discourage the conversion of non-residential land uses to residential as a general principle, while acknowledging that some sites may not be feasible or desirable for non-residential development.
- Obtain additional information on the feasibility of non-residential uses for consideration in the review of proposed land use changes.

The City Council accepted the BEDC's recommendations for basic components of the non-residential feasibility analyses which included the following:

- Utility/usefulness of the property for non-residential uses.
- Availability of similarly zoned property.
- Current and/or future market support for existing zoning and land use.
- Use of neighboring properties.
- Current and past uses of the property.
- Other potential uses of the property.

The Council also asked that an independent third party, chosen by the City, perform the feasibility analysis.

The requirement for a feasibility analysis directly applies to the Lewis Operating Corporation's proposed mix of land use changes that includes a residential element for the Cannery Park site. In February of 2008 the City Council authorized a contract to perform a feasibility analysis for the Cannery Park site.

Key Reasons to Perform the Study

It was not expected that this study would provide a definitive answer as to how the land use program for the Cannery Park site ought to be configured. Rather, the study is intended to assist city decision-makers in evaluating land use options for the Cannery Park site. Some of the key factors feeding into why this study was prepared include:

1. The current City and County General Plan land use designations and/or zoning designation of the site is Planned Development – Industrial (for high technology industrial uses). The Cannery Park site development proposal includes 610 residential units and 20 net acres of commercial uses, which represents a shift from the zoning.
2. The 2003 City Council policy requires assessment of the non-residential feasibility of the Lewis site in light of the recent application for a mix of uses including residential development. Review of the Lewis proposal will be better informed with this analysis.
3. In addition to providing housing opportunities in the City to meet local needs, the City Council has a key economic development goal to “Develop a business attraction program to attract higher paid employment opportunities (such as high tech/biotech) that will provide economic growth for the community”. There is a limited supply of vacant land

within the city with which to accommodate non-residential development, and this site represents the only large undeveloped parcel in the city.

4. The analysis will help inform the City on the various attributes that might make this site or other sites more or less viable for non-residential land uses and give the City insights into current and future non-residential development trends and land needs.

Key Conclusions from the Study

The study addresses three over-arching concepts:

1. **Development in Davis and at the subject property occurs in a regional context.** The study broadly evaluates regional conditions, subsequently identifying a competitive submarket that the subject property competes based on the consultant's assessment of market conditions and industry preferences. The market for non-residential development in Davis, however, is distinct from the remainder of the region and stems from internally-generated needs, including support to the UC Davis and business owners seeking the high quality of life in Davis.
2. **Evaluation of the site development potential, by comparing estimated demand for land to an identified land supply and allocating development to the subject property based on its competitive position within the marketplace.** The study provides for this comparison to occur at the submarket level. The study concludes that development of a business park on the Cannery Park site would be viable, with a projected 14-17 year buildout. The timeframe for buildout will vary depending on the range of non-residential uses that are permitted, rather than on the proportion of residential uses that are allowed. However, including a residential component could allow restrictions on the type of non-residential uses that would be permitted (such as a prohibition on medical office).
3. **City regulations and process are critical for the viability of any business park development on the site.** The existing Planned Development zoning on the property is confusing and acts as a barrier to potential developers. Successful business park development requires clarity for use and development standards, and limited discretionary review of individual buildings or businesses.

This study does not provide decision makers with recommendations for actions and /or policy decisions related to the project proposal. The purpose of this study is to inform decision makers, by providing the following tools:

- i. Analysis of the market conditions and trends
- ii. Market assessment and analysis of the competitive position of nonresidential available vacant land in Davis
- iii. Non-residential land use mix recommendations

For additional information on the key conclusions of the study please refer to the following sections:

1. Executive Summary (pages i-vii)
2. Submarket Definition (page 31)
3. Submarket Economic Trends (pages 32-46)
4. Submarket Land Supply (pages 60-61)
5. Comparison of Submarket Supply, Demand, and Capture (page 61)
6. Cannery park Absorption Analysis (pages 64-65)
7. Conceptual Development Scenarios (pages 68-71)
8. Evaluation of Economic and Fiscal Benefits (pages 71-72)

Key Policy Questions

Staff has identified several key policy questions that should be evaluated as the project evaluation proceeds. The focus of this meeting is to present the basic findings of the study and to determine whether or not the policy questions below are appropriate and/or if there are other questions that should be considered. The questions can be divided into two categories. The first category is questions that are derived from the results of the ESG study and are more directly related to land availability and land use programs for the site. The second category is for questions pertaining specifically to the Cannery Park proposal.

Policy Questions Derived from the ESG Study:

- What is the appropriate land use mix for the project site? Do the findings support retaining the current zoning for the entire site? Do the findings support the land use mix contained in the latest Lewis proposal or is there another land use mix that would better address overall city needs?
- The ESG study estimates that the non-residential land supply within the city will be exhausted within the next 15 years based on the 10-year historic and current land absorption rates (build out rates) and the current supply of vacant non-residential parcels available for development. The Cannery Park site represents roughly half of the current supply of non-residential parcels. Is 15 years of land supply sufficient?
- How should we define our needs for employment? How could we encourage growth of non-residential development to meet our needs for employment and revenue generating uses?
- Can we afford to allow the Cannery Park site to be converted given our diminishing land supply without a plan for increasing the supply elsewhere?

Policy Questions Pertaining to the Cannery Park Proposal:

- The Cannery Park site represents the largest vacant developable parcel within the City limits. The city has a limited supply of land that could be developed for either residential/work force housing or for non-residential development. How should our

limited supply of developable land be allocated to best meet the community needs? Will development of the Cannery Park site for either residential or nonresidential uses result in greater pressure to look for development opportunities outside the current city limits?

- What, if any, agricultural buffer should be required along the north and east property lines of the project site?
- How will access to the site be accommodated and is it adequate? Access via J Street only? Access via J Street and an F Street connection? Access via J Street and a connection to Pole Line Road (across the adjacent agricultural site)? All of the above?
- What public services and infrastructure will be needed to support the proposed development?

Next Steps in the Cannery Park Application Review Process

Staff intends to embark on the following next steps in the review of the Cannery Park application:

- City led community outreach (with a focus on land use, site layout, and circulation).
- EIR preparation (RFP, define project, define project alternatives, begin EIR preparation).
- Public hearings at various city commissions for review and action prior to City Council consideration of the project.

Enclosure

1. Business Park Viability Study: Cannery Park, Prepared by ESG on September 4, 2008, (Available online at: <http://www.cityofdavis.org>)