

STAFF REPORT

DATE: January 19, 2016

TO: City Council

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

SUBJECT: Nishi Gateway – Planning Application #14-57: General Plan Amendment #08-14, Rezoning/PPD #06-14, Annexation #2-14.

I. Recommendation

Staff recommends the City Council hold a **public hearing** on the project applications and environmental review, with

- a. Staff summary of applications and responses to Councilmember questions;
- b. Public testimony;
- c. Preliminary policy direction on the concepts for Baseline Project Features and Development Agreement provisions; and
- d. Continue the item to the meeting of February 2, 2016 for Council consideration of approval 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 as required by Chapter 41 of the Davis Municipal Code (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 City Council workshop on the Nishi Gateway applications that was held on Tuesday, January 12, 2016. Final Council action to place the General Plan Amendment on the June 2016 ballot would be required by February 16, 2016.

This report is organized into the following sections:

- I. Recommendation (page 1)
- II. City Council Goals (page 2)
- III. Fiscal Impact (page 2)
- IV. Summary Project Description (page 2)
- V. Baseline Project Features and Development Agreement Deal Point Concepts (page 3)
- VI. Responses to City Council Questions from January 12 (page 7)
- VII. Documents for Recommended Action on February 2 (page 10)

II. 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.

III. Fiscal Impact

The fiscal and economic analysis by Economic and Planning Systems (included in January 12 packet) concluded that the Nishi Gateway development is estimated to produce an annual net General Fund deficit of approximately \$78,000 at buildout, with \$1,273,000 in revenues and \$1,351,000 in service costs. The EPS analysis identifies “Managing for Fiscal Success” measures that could result in a fiscal surplus of up to \$465,000 per year (EPS Executive Summary provided with the January 12 packet). The Finance and Budget Commission has requested additional information on fiscal impacts, economic impacts, and infrastructure financing alternatives, which will be presented for their recommendation at future public meetings.

IV. 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 retail (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 is proposed as a conditionally-permitted use, subject to subsequent review and market analysis.



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.

V. 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). 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.

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. Attachment 1 includes the current draft Baseline Project Features outline.

Staff is requesting the City Council provide policy direction on the concepts for Baseline Project Features and Development Agreement provisions at this meeting, so that documents can be prepared for action on the meeting of February 2, 2016. This would allow the Council to determine to place the General Plan Amendment on the June 2016 ballot for voter consideration.

The Baseline Project Features would 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. Subsequent City Review and Approvals (page 7)

1. Site Plan and Project Description

Staff recommends the following site plan components be include as Baseline Project Features:

- Up to 650 residential units (apartments and condominiums).
- Up to 325,000 square feet of office/R&D
- Ancillary ground-floor retail, as established by Planned Development zoning
- Hotel or extended stay hotel may be added, as conditional use in residential or commercial zoning district, subject to discretionary review and environmental/market analysis
- Additional 20% residential units may be added, subject to discretionary review, environmental analysis, and no additional parking.
- Minimum of 14-16 acres open space, greenbelt, and parks (not including drainage)
- Maximum 1,732 surface and structured vehicle parking spaces, which reflects a 10% reduction from the 1,925 spaces on original plan)
- Circulation components including vehicle connections to Olive Drive and to Old Davis Road on the UC Davis campus, and separated bikeway connecting the Putah Creek Parkway to Old Davis Road.

These baseline features allow potential increase in residential units, or addition of a hotel, without a requirement for subsequent voter approval. Discretionary review, public hearing, and environmental analysis would be required for a proposal to be considered. Staff notes that the identified parkland acreage reflects a range, rather than the specific number shown on the current site plan. 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.

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. Design of 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 City Council workshop, the property owner suggested two project phases tied to completion of these projects. The northern phase could be occupied only after completion of the Richards interchange improvements, while the southern phase could be occupied only after completion of the connection to UC Davis. This option would require significant coordination with UC Davis if there is the possibility of campus-only access prior to complete buildout.

As an alternative, the City Council may wish to consider a phasing requirement that does not allow any construction on the property until completion of both improvements. This would likely defer all construction until after 2020 – if not later. Advantages to this approach include clearer “messaging” to the community, and a strong commitment from the property owner and the City Council that the mixed-use innovation district principles of connectivity and campus partnership are paramount. This alternative also removes the requirement that the City Council override the impacts regarding emergency vehicle access and evacuation, because two accesses would be provided prior to any occupancy. A disadvantage to this phasing requirement is deferral of any opportunities for desired residential or business development to an uncertain time. This would also extend the overall time of construction activity in the area, because efforts would be sequential rather than simultaneous. Whether the requirement is tied to occupancy or construction of buildings will need to be explored. Staff notes that much of the backbone infrastructure, including the spine road, would likely be constructed concurrently with construction of the connection to UC Davis.

The Development Agreement or Baseline Project Features 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.

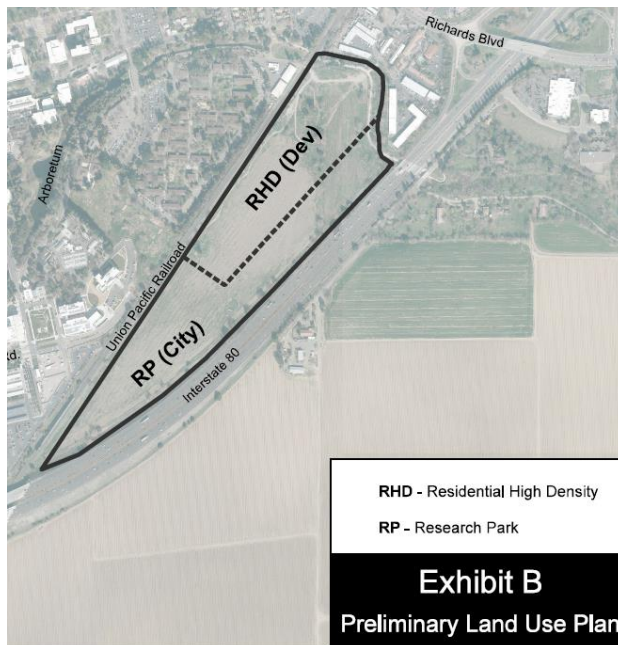
The Development Agreement is also assumed to establish implementing mechanisms for other financial components, including:

- Determining fair-share contributions to Olive/Richards intersection and Richards corridor/interchange improvements.
- Impact fees, fair-share contributions, and credits recognizing infrastructure costs, smaller unit sizes, and sustainability commitments. Developer pays for Olive Drive-Putah Creek connection, undercrossing to UCD, & mitigation per EIR.

- City will work with developer and campus on grant opportunities for major infrastructure
- Repayment of City predevelopment costs

The property owner has stated that a Community Facilities District is not required for infrastructure financing, but may be proposed as a source of ongoing revenue to the City of Davis, if that is the appropriate mechanism.

The predevelopment agreement with the property owner created a cost-sharing structure for the planning, sustainability, environmental, and public reviews of the project proposal. The predevelopment agreement provided for the property owner to repay of City costs upon passage of a Measure R vote. City and property owner contributions were subsequently supplemented by the Strategic Growth Council grant and a contribution from UC Davis to the initial site planning effort.



The preliminary land plan (pictured) identified 22 gross acres for Research Park uses. This has been refined through the public and technical review process, to approximately five net acres plus a portion of the surface parking land. The 2012 staff report noted a possible Development Agreement deal point of the City assuming ownership of the business park component of the property. This concept was included in the recitals to the predevelopment agreement. Per the predevelopment agreement, the City would also assume the obligation for half the costs of the infrastructure and the agricultural mitigation. Council will need to determine whether this concept should be pursued, given current project description (additional park acreage, parking structure serving residential

and R&D uses, increased infrastructure obligations), economic analysis, and City priorities. Staff recommends that there be a placeholder in the Development Agreement that would allow further City evaluation of this concept, including seeking input from the Finance and Budget Commission.

4. Sustainability Commitments

The Sustainability Implementation Plan provides guidance in development and operation of the Nishi property, as defined as achieving long-term positive and balanced outcomes for people, the environment, and the economy. Appendix F of the Sustainability Implementation Plan lists the recommended actions, assigns responsible parties (City, Developer, Building Owners, and others), and identifies the implementing mechanism. Staff anticipates that key components of the Sustainability Implementation Plan will be included as Baseline Project Features, including

- 10 percent reduction in parking off of current plan (192 fewer spaces);
- peak hour trip cap per the SIP

- 4.9 MW photovoltaic (or equivalent, per Development Agreement)
- Buildings exceeding 2013 CalGreen standards by 30 percent

Other components, including processes for evaluating performance and monitoring, will be addressed in the Development Agreement. This will allow the City to adjust actions and methodologies with changes to regulations, technology, and societal behaviors.

The City Council has heard public testimony requesting independent third-party verification, such as LEED ND (Neighborhood Development) as a means of confirming compliance with sustainability principles. Overall obligations could be established as part of the Baseline Features, with details to be confirmed through the Development Agreement.

Staff notes that LEED does not have provisions for ongoing monitoring of project performance. The City's consultant, Ascent Environmental, is preparing an evaluation tool to be used through buildout and operation to confirm compliance with the Sustainability Implementation Plan. This is anticipated to be presented to the Planning Commission for review and action with Final Planned Development and Subdivision Maps, as part of project implementation.

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)
- Implementation of Sustainability Plan other than explicit commitments noted above (Planning Commission, per Appendix F)
- Establishment of a Community Facilities District, if proposed (City Council)
- Agricultural land mitigation (City Council)

VI. Responses to City Council Questions

City Councilmembers asked a series of questions at the January 12 workshop. To the extent possible, staff has included responses to those questions as part of this report. Questions that require additional research, or effort from consultants and subconsultants, will be addressed in the packet for the February 2 meeting.

Fiscal / Economic

- Ownership of R&D lands (recommendation and/or placeholder) (BL)
- How to structure "make-whole" mechanism? Duration? (LF and RS)
- Affordable housing – need to continue pursuit – possible fee adjustments (LF)
- DJUSD impacts (RD)

The R&D lands and the "make-whole" provision are discussed in the Development Agreement and Baseline Project Features section above. Fee adjustments reflecting infrastructure costs, smaller unit sizes, and reduced transportation/water/wastewater impacts would also be addressed in the Development Agreement.

The analysis of infrastructure financing options presented to the Finance and Budget Commission earlier this month reflected two options for addressing school impacts: Annexation into Community Facilities District #2, or payment of impact fees as established by State law. Annexation to CFD #2 is voluntary on the part of a property owner for undeveloped property. In addition to either impact fees or CFD #2, the project would be subject to ongoing obligations for CFD #1 (\$207.72/unit/year), DJUSD 2012 Measure C (\$327/unit/year), and DJUSD 2013 Measure E (\$204/unit/year). The CFD#1 rate increases annually and all properties are subject to future DJUSD parcel taxes which could increase or decrease in the future based upon new parcel tax measures.

Phasing

- What if we can't improve Richards? Would we get buildings we can't occupy? (BL)
- Need assurance that R&D will be built (RD)
- What if campus makes conditional commitment? (RD)
- Timeline and costs for undercrossing, including UPRR review (RS)

Phasing provisions are discussed in the Development Agreement and Baseline Project Features section above. Staff notes that the infrastructure obligations (such as the spine street and utility services) ensure that the R&D lands will be developable parcels with the first phase of construction. Developers will have incentive to sell these parcels for cash flow purposes. Because of unique aspects of the Nishi site – unequaled access to UC Davis, freeway visibility, and high development costs – staff anticipates the properties to be attractive to companies seeking high-profile custom buildings. This may mean a longer buildout than (for example) speculative office or R&D developments would anticipate. The EPS analysis notes that Nishi will be an early bellwether for interest among industries seeking expanded access and affiliation with UC Davis researchers.

The property owner reports that engineering and approval for the UC Davis connection would require 12-18 months. Construction would require an additional 12-18 months, based on prior discussions with the engineers and UPRR. The next step is preparation of 30% engineered drawings for UPRR review, which requires a \$25,000 deposit to cover railroad costs.

Traffic / Transportation

- How do we isolate impacts from this project? Can we calculate LOS with 10% parking reduction and trip cap? (BL)
- Parking charges or congestion pricing – tolls on Olive? (LF)
- ITS and autonomous cars (LF)

The EIR assessed potential traffic impacts under existing plus project conditions, as well as under a cumulative impact scenario including General Plan Buildout, MRIC, Davis Innovation Center, and the hotel conference facility. The EIR also identified mitigation measures, such as the pending interchange improvements, that would restore Levels of Service to acceptable levels. These mitigation measures cannot be guaranteed at this time because they require approvals from other agencies, so impacts remain significant and unavoidable.

Table 4.14-11 Existing Plus Project Access Scenario 1 - Peak Hour Intersection Operations Richards Boulevard/I-80 Interchange Area

No.	Intersection	Control	Jurisdiction	Existing				Existing Plus Project Access Scenario 1			
				a.m. Peak		p.m. Peak		a.m. Peak		p.m. Peak	
				Delay ¹	LOS	Delay ¹	LOS	Delay ¹	LOS	Delay ¹	LOS
20	First Street/D Street	Signal	City of Davis	6.0	A	21.1	C	6.0	A	17.8	B
21	First Street/E Street	Signal	City of Davis	16.6	B	23.0	C	26.6	C	23.5	C
22	First Street/F Street	3-Way Stop	City of Davis	8.2	A	10.4	B	39.9	E	10.1	B
25	Richards Boulevard/Olive Drive	Signal	City of Davis	15.4	B	20.7	C	85	F	59.8	E
26	Richards Boulevard/Private Driveway	SSSC	City of Davis	15.5	C	36.8	E	156	F	82	F
27	Richards Boulevard/WB I-80 Ramps	Uncontrolled	City of Davis	3.6	A	6.9	A	363	F	20.4	C
28	Richards Boulevard/EB I-80 Ramps	Signal	City of Davis	29.3	C	29.1	C	125	F	28.7	C
29	Richards Boulevard/Research Park Drive	Signal	City of Davis	22.3	C	27.1	C	17.8	B	26.2	C

Notes:

1. Delay is reported in seconds per vehicle for the overall intersection for signalized intersections. Delay is reported in seconds per vehicle for the worst movement for unsignalized/uncontrolled intersections.

2. Bold - LOS below standard. Shading indicates significant impact.

Table 4.14-12 Existing Plus Project Access Scenario 2 - Peak Hour Intersection Operations Richards Boulevard/I-80 Interchange Area

No.	Intersection	Control	Jurisdiction	Existing				Existing Plus Project Access Scenario 2			
				a.m. Peak		p.m. Peak		a.m. Peak		p.m. Peak	
				Delay ¹	LOS	Delay ¹	LOS	Delay ¹	LOS	Delay ¹	LOS
20	First Street/D Street	Signal	City of Davis	6.0	A	21.1	C	6.4	A	108	F
21	First Street/E Street	Signal	City of Davis	16.6	B	23.0	C	15.2	B	54.2	D
22	First Street/F Street	3-way Stop	City of Davis	8.2	A	10.4	B	8.7	A	14.5	B
25	Richards Boulevard/Olive Drive	Signal	City of Davis	15.4	B	20.7	C	84.6	F	58.9	E
26	Richards Boulevard/Private Driveway	SSSC	City of Davis	15.5	C	36.8	E	60.9	F	52.4	F
27	Richards Boulevard/WB I-80 Ramps	Uncontrolled	City of Davis	3.6	A	6.9	A	363	F	11.2	B
28	Richards Boulevard/EB I-80 Ramps	Signal	City of Davis	29.3	C	29.1	C	145	F	27.9	C
29	Richards Boulevard/Research Park Drive	Signal	City of Davis	22.3	C	27.1	C	31.7	C	28.2	C

Notes:

1. Delay is reported in seconds per vehicle for the overall intersection for signalized intersections. Delay is reported in seconds per vehicle for the worst movement for unsignalized/uncontrolled intersections.

2. Bold - LOS below standard. Shading indicates significant impact.

The EIR traffic analysis reflected the locational and use components of the project that would minimize trips and traffic impacts, such as expectation of bicycle ridership for a Davis project, and the proposed mix of residential and non-residential uses. The EIR did not assume the reductions in parking and trips required by the Transportation Demand Management Program. These would have the effect of further reducing congestion in addition to reducing Vehicle Miles Traveled.

Parking charges and congestion pricing are components of the Transportation Demand Management Program required by the EIR and the Sustainability Implementation Plan. The property owner has identified revenues from parking charges as a possible source of funds for other components of the Transportation Demand Management Program. Staff is comfortable that the amount of parking charge will be consistent with the Davis market, as there is no incentive for an internal subsidy. Staff notes that congestion pricing would likely be established at the entrances to the parking structure and parking lots on the Nishi property, rather than on Olive

Drive. Allowing through traffic to penetrate the site can provide the benefit of providing an alternative to the Richards undercrossing and downtown streets, which might be reduced if tolls were assessed.

Staff is working to schedule a meeting with the Nishi property owner and the UCD Institute for Transportation Studies to explore emerging technology around autonomous vehicles, and whether the Nishi proposals may present an opportunity in design and testing for these types of vehicles as a component of a community mobility system.

Sustainability

- Community Choice Energy vis-à-vis Zero Net Energy; how would emissions change? (RD)
- Third-party monitoring such as LEED (LF)

Third-party monitoring is discussed in the Development Agreement and Baseline Project Features section above. Staff is requesting Ascent Environmental provide example greenhouse gas calculations assuming varying levels of renewable energy that could be provided through a Community Choice Energy program. This will be provided to the Council as soon as it is available. Staff notes that 85 percent of the (unmitigated) emissions from operation of the Nishi Gateway project are anticipated to come from mobile sources, which would not be adjusted through this calculation.

Air Quality

- Can we quantify benefits of tree barrier? (BL)
- Need perspective on acceptable risk (RD)

As noted in the Final EIR, according to the academic literature reviewed in the Draft EIR, concentrations of UFP would be reduced because of the implementation of a vegetative barrier along I-80 and inclusion of a tree canopy throughout the project site, as required by Mitigation Measure 4.3-5b. However, these benefits cannot be quantified. Moreover, there is no established “safe” levels of UFP exposure to which resultant mitigated concentration could be compared. Thus, without an established standard or threshold for UFP exposure it’s difficult to determine whether this mitigation would reduce UFP exposure to an acceptable level.

Although prepared for a different purpose, and addressing odds of mortality rather than odds of contracting cancer, staff located information prepared by the National Safety Council at <http://www.nsc.org/learn/safety-knowledge/Pages/injury-facts-chart.aspx>. The NSC has also noted that Americans often worry about the wrong things.

VII. Documents for Recommended Action on February 2

The majority of the draft documents necessary for City Council approval of the applications were included in the packet for the January 12 City Council workshop. Two additional resolutions are included in this packet, for deliberation and action on February 2.

The CEQA Resolution (Attachment 2) establishes the findings for the City Council’s action. This includes findings for rejection of alternatives (including the Access Scenario 2, which did not

have the connection to the UC Davis campus), and findings to “override” the significant and unavoidable impacts of the project. The findings for override cite project benefits including meeting projected housing demands, research and development needs, access improvements, and support for sustainable development. The Resolution also adopts the Mitigation Monitoring Plan as envisioned by the Final EIR. Staff notes that the CEQA Resolution determines that certain mitigation measures regarding greenhouse gases, transportation demand management, and reporting are infeasible for West Olive Drive properties due to uncertainty related to future development and the small-scale nature of the properties.

The Resolution Calling for election (Attachment 3) includes the ballot wording and establishes deadlines for certain activities relating to the election.

The packet for the February 2 Council meeting will include final copies of the entitlement documents presented in the January 12 workshop packet, reflecting determinations made by the City Council at this hearing.

Attachments

1. Draft Baseline Project Features
2. CEQA Resolution
3. Resolution Calling for Election

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 2 public hearing.

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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>