Davis Innovation Centers: Fiscal and Economic Impact Assumptions Report and Analysis Overview

Presentation to:
City of Davis Finance and Budget Commission
July 13, 2015
Presentation Overview

- Economic and Fiscal Impact Assumptions Phase 1 Report
  - Key Findings

- Economic and Fiscal Impact Analyses
  - Overview
  - Base Development Program
  - Base Assumption Scenario and Sensitivity Testing
1. The Proposed Innovation Centers have the potential to generate benefits to the City of Davis, Yolo County, and the region.

2. The intersection of UC Davis research strengths and the regional innovation economy point to clusters and related types of industries and companies that are potential candidates for space in the proposed Innovation Centers.

3. The inventory of office, flex, and industrial space in Davis accounts for less than 1% of space in the entire region and the proposed Innovation Centers have the potential to add more than twice the amount of existing space while fostering a stronger and more competitive innovation ecosystem.
4. There are 4 primary development prototypes that support the types of targeted clusters and companies for the Innovation Centers and are present in the 2nd Street Corridor and Interland University Research Park areas.

5. It is possible that the Innovation Centers could develop either faster or slower than the initial analysis suggests.

6. Numerous factors may affect the industry specializations and resulting mix of development in the Innovation Centers.

7. Key variables for the specific mix of development in each center will affect overall economic and fiscal impacts to the City and regional economy.

8. There are several university-related, regional economy, and project implementation factors that could impact how successful the Innovation Centers will ultimately be in developing and generating fiscal and economic impacts.
Economic and Fiscal Impact Analyses: Overview and Status

Community Economic Impact Analysis

• Characterize the types of economic activities that could be housed in Innovation Centers.
• Describe the benefits of these activities.
• Estimate the associated city and countywide economic impacts.

Fiscal Impact Analysis

• Evaluate how the project can generate a sustainable revenue flow to the City.
• Identify existing and potential new sources of revenue that may be necessary to mitigate service cost impacts generated.

Supporting Analysis

• High-level evaluation of potential mitigations related to land economics/cost burden analysis
### Economic & Fiscal Impact Analyses: Base Development Program

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Land Uses</th>
<th>Base Development Program: 2nd Street/Interland URP Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential (Units)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[High-Density Residential]</td>
<td>0</td>
<td>650</td>
</tr>
<tr>
<td><strong>Commercial (Sq. Ft.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research; Office; R&amp;D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Flex: R&amp;D/Office</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Research; Office; R&amp;D</td>
<td>1,555,901</td>
<td>352,950</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>884,000</td>
<td>0</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Commercial</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ancillary Retail</td>
<td>125,155</td>
<td>47,950</td>
</tr>
<tr>
<td>Total Retail</td>
<td>125,155</td>
<td>47,950</td>
</tr>
<tr>
<td>Hotel/Conference</td>
<td>160,000</td>
<td>0</td>
</tr>
<tr>
<td>Public/Non-Profit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Commercial Sq. Ft.</td>
<td>2,725,056</td>
<td>400,900</td>
</tr>
</tbody>
</table>

Source: BAE; EPS.

[1] Includes Mace Triangle.
[2] Includes redevelopment opportunities on West Olive Drive.
## Economic & Fiscal Impact Analyses: Base Assumption Scenario

<table>
<thead>
<tr>
<th>Item</th>
<th>Base Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Development Programs</strong></td>
<td>Proposed (EPS edits)</td>
</tr>
<tr>
<td>Base Development Scenario: 2nd Street/Interland URP Mix</td>
<td>Proposed</td>
</tr>
<tr>
<td>Hotel Development (MRIC)</td>
<td>Proposed</td>
</tr>
<tr>
<td>Hotel Development (Nishi)</td>
<td>None</td>
</tr>
<tr>
<td>Multifamily Housing (MRIC)</td>
<td>None</td>
</tr>
</tbody>
</table>

### Key Variables

**Economic Impact Analysis**
- Square Feet per Employee: Midpoint
- Building Construction Cost per Square Foot: Midpoint
- Infrastructure Development Cost per Acre: Midpoint

**Fiscal Impact Analysis**
- Assessed Value per Square Foot: Midpoint
- Taxable Sales per Square Foot: Midpoint
- Square Feet per Employee: Midpoint

### Supporting Variables

**Economic Impact Analysis**
- Industry Mix: Fixed by Land Use
- Household Income: Based on midpoint AV

**Fiscal Impact Analysis**
- Offsetting Revenues: Per FY 15-16 Budget
- Property Tax Sharing Assumption (City): TBD
- Sales Tax Capture Rate: TBD
- City Tax Revenues: Per FY 15-16 Budget
- Expenditure Adjustment Factors: TBD
- Police: Case Study
- Fire: Case Study
- Remaining Maintenance Obligations: City Preference

Source: EPS.
Economic & Fiscal Impact Analyses: Sensitivity Scenarios

Economic and Fiscal Impact Analyses

- No Hotel in the MRIC Project (Incl. Replacement with Other Land Uses)
- Hotel in Nishi Project (Incl. Reduction of Other Land Uses)
- 850 Multifamily Housing Units in the MRIC Project

Fiscal Impact Analysis Only

- Property Tax Sharing Assumption Alternative(s)
- Sales Tax Capture Rate Alternative(s)
- Maintenance Obligation Alternative(s)
Discussion