

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

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

The Economics of Land Use



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

Phase 1 Report Key Findings

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.

Phase 1 Report Key Findings (continued)

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

Item	Proposed Land Uses			Base Development Program: 2nd Street/Interland URP Mix		
	MRIC [1]	Nishi [2]	Total	MRIC [1]	Nishi [2]	Total
Residential (Units)						
[High-Density Residential]	0	650	650	0	650	650
Commercial (Sq. Ft.)						
Research; Office; R&D						
Office	-	-	-	846,468	172,387	1,018,855
Flex: R&D/Office	-	-	-	513,011	72,162	585,173
Total Research; Office; R&D	1,555,901	352,950	1,908,851	1,359,480	244,549	1,604,029
Manufacturing	884,000	0	884,000	982,169	28,221	980,390
Retail						
Industrial Commercial	-	-	-	62,578	23,975	86,553
Ancillary Retail	125,155	47,950	173,105	62,578	23,975	86,553
Total Retail	125,155	47,950	173,105	125,155	47,950	173,105
Hotel/Conference	160,000	0	160,000	160,000	0	160,000
Public/Non-Profit	-	-	-	128,253	80,180	208,433
Total Commercial Sq. Ft.	2,725,056	400,900	3,125,956	2,725,056	400,900	3,125,956

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Source: BAE; EPS.

[1] Includes Mace Triangle.

[2] Includes redevelopment opportunities on West Olive Drive.

Economic & Fiscal Impact Analyses: Base Assumption Scenario

Item	Base Scenario
Development Programs	
Base Development Scenario: 2nd Street/Interland URP Mix	Proposed (EPS edits)
Hotel Development (MRIC)	Proposed
Hotel Development (Nishi)	None
Multifamily Housing (MRIC)	None
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

The Economics of Land Use

