

STAFF REPORT

DATE: November 17, 2015

TO: City Council

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

SUBJECT: City-University Mixed-Use Innovation District – Nishi Gateway Effort

Recommendation

1. Receive an update on the Nishi Gateway proposal status, public outreach, environmental review, and schedule; and
2. Provide any desired direction to staff regarding the continuing development review process.

Council Goals (2014-16)

This effort supports the following Goals/Objectives/Tasks:

- ◆ Facilitate business development through entrepreneur and startup support.
 - Task: Facilitate dispersed innovation strategy by:
 - Completion of EIRs and public hearings for innovation center applications.
 - Support the community decision-making process on Measure R regarding innovation centers and Nishi Gateway through education regarding challenges and opportunities.
- ◆ Engage in location and regional leadership.
 - Task: Work proactively with Yolo County and LAFCO on development of tax sharing agreements and review of Innovation Center proposals and Nishi.
- ◆ Improve downtown as a destination, both for Davis residents and for visitors.
 - Task: Complete environmental review and application processing for Nishi Gateway.

The Council has also approved City-specific goals for the Downtown-University Mixed-use Innovation District:

1. Jobs for Davis residents, space for Davis businesses, and furtherance of city-wide efforts to position Davis as an innovation hub;
2. High-density urban residential development near downtown and employment centers;
3. Improved appearance and function of the “front door” to Davis;
4. Support for downtown Davis by providing customers for businesses, hotels, arts, and entertainment; and
5. Revenue generation to support city services throughout the community.

Fiscal Impact

Economic & Planning Systems (EPS) conducted an extensive fiscal and economic analysis of the Nishi Gateway proposal as part of its review of the combined innovation center projects. The results of the EPS analysis were presented to the City Council in September. The EPS analysis concluded that the proposed Innovation Centers have the potential to generate benefits to the City, Yolo County, and the region. Although the Nishi project is estimated to result in an annual net fiscal deficit at buildout, the project is envisioned to contain land uses that contribute to a successful innovation ecosystem. In addition, the annual net fiscal deficit of the Nishi project may be mitigated by actual conditions that are more favorable than those modeled in the analysis. The EPS report also included a sensitivity analysis with alternate provisions for parks and greenbelt maintenance, and assessment of the alternatives included in the Draft EIR (DEIR). The analysis concluded that all Nishi DEIR project alternatives are estimated to have a positive effect relative to the impacts of the Base Development Program, especially the inclusion of a hotel as part of the mixed-use development.

Background

In November 2012, the City Council approved a Pre-Development Cost Funding and Negotiation Agreement for the Nishi Property, with the goal of planning the site as a mix of university-related research park development complemented by high density urban housing. This followed the Council's action on the Business Plan land strategy to pursue (re)development of Downtown and Nishi/Gateway as a dynamic mixed-use innovation district and to initiate planning of the Nishi property as a mix of university-related research park development complemented by high density urban housing.

The pre-development concept was for the City to share predevelopment costs with the property owner. Upon completion of the environmental review and successful Measure J/R approval, the City's contribution would be reimbursed by the Developer. Final structure of the real estate deal would be established through a Development Agreement. In 2014, the City (with Yolo County as co-applicant) was awarded nearly \$600,000 from the State of California Strategic Growth Council for sustainability and environmental reviews of the proposal.

The project anticipates development of a mixed-use innovation district on the Nishi property, complemented by potential redevelopment of properties on West Olive Drive and adjacent UC Davis lands. Components of the Nishi proposal include:

- ◆ 650 high-density apartment and condominium units (440 rental and 210 ownership units)
- ◆ 325,000 square feet of office and research & development uses
- ◆ Ancillary retail to serve residents and employees and to complement Downtown Davis
- ◆ Parks, greenbelts, and stormwater detention areas
- ◆ Enhancements to the Putah Creek Parkway
- ◆ Vehicular access to West Olive Drive and Old Davis Road via an anticipated undercrossing to the UC Davis campus

Public Outreach

At the direction of the City Council, the Department of Community Development and Sustainability engaged in an extensive public outreach effort during summer and fall 2014, including an online virtual workshop with commenting tool. A well-attended pop-up workshop was held on the Nishi site in June 2015, in conjunction with a similar workshop on the Mace Ranch Innovation Center site.

Public outreach this fall has been on two parallel tracks:

- ◆ Formal outreach required by the environmental review process; and
- ◆ Public and commission comments on the merits of the project applications.

The Draft Environmental Impact Report (DEIR) was made available for public comment from September 10, 2015 through October 26, 2015. The DEIR was posted online at the City's website located at www.cityofdavis.org and through www.NishiGateway.org, and available for review at the Department of Community Development and Sustainability, and at the Davis Branch Library. Paper loan copies and thumb drives were also available at the Department of Community Development and Sustainability.

During the DEIR comment period, the Planning Commission held a public meeting to take oral comments on the document. The Open Space and Habitat Commission; Natural Resources Commission; and Bicycling Transportation, and Street Safety Commission submitted comments on the DEIR, as did three public agencies and eleven individuals. All comments on the Draft EIR will be addressed in the Final EIR, which is anticipated for release next month.

The merits of the project applications have been reviewed by the following commissions:

- ◆ Finance and Budget Commission review of fiscal and economic analysis, September 14, 2015
- ◆ Natural Resources Commission review of draft Sustainability Implementation Plan, September 28, 2015
- ◆ Recreation and Park Commission review of the merits of the proposal, October 15, 2015
- ◆ Open Space and Habitat Commission review of the merits of the proposal, November 2, 2015
- ◆ Bicycle, Transportation, and Street Safety Commission review of the merits of the proposal, November 12, 2015

Additional Commission meetings are scheduled for the upcoming months:

- ◆ Social Services Commission review of the merits of the proposal, November 16, 2015
- ◆ Tree Commission review of the merits of the proposal, December 17, 2015
- ◆ Planning Commission formal public hearing and recommendation on the project applications beginning December 16, 2015 and continuing into January 2016.

All meetings and agendas have been posted on the City's website. Staff is also working to provide additional public information through virtual workshops covering such issues as site design, sustainability, and transportation. These virtual workshops are anticipated to be posted mid-December and will help to inform the Planning Commission deliberations after the first of the year.

Environmental Review and Transportation Impacts

The Nishi Gateway proposal requires review under the California Environmental Quality Act before the Planning Commission and City Council can take action on the land-use entitlements. The Final EIR is anticipated for release next month.

The DEIR included two equal-weight alternatives for access to the Nishi property: the preferred project alternative with full pedestrian/bicycle/vehicle access from both West Olive Drive and the UC Davis campus; and an alternative with access from West Olive Drive only. This is because any commitment to a UC Davis connection would require approval of the UC Regents. While UC Davis staff have been supportive of analyzing this concept, a formal commitment to such access would not be anticipated until after UCD’s Long Range Development Plan update and completion of the campus environmental review.

Many of the comments on the DEIR focused on traffic and circulation, particularly the impacts on the Richards Boulevard corridor. As the CEQA and Traffic consultants prepare responses to comments to be incorporated into the FEIR, staff is also working to generate additional on-line information addressing traffic questions and the context of the Nishi property.

The environmental reviews for Nishi Gateway and the recently-approved hotel conference center require mitigation measures to improve operations on the Richards Boulevard corridor, including a median to prohibit left turns across Richards Boulevard between Olive Drive and the I-80 on/off ramps. Nishi is also required to make improvements to the Olive Drive/Richards Boulevard intersection, and fair-share contributions toward improvements to the interchange. City Council is scheduled to discuss potential short-term corridor improvements at this meeting, and has provided direction to staff to begin the process of creating a comprehensive Richards Boulevard corridor plan.

Schedule

The City has been proceeding with Nishi Gateway application processing and environmental review with the goal of providing the City Council the ability to place the project on the June 2016 ballot for a Measure J/R citizen vote. The latest date for Council action would be February 16, 2016.

Measure R requires completion of environmental review and approval of the General Plan Amendment by the City Council, subject to voter ratification. Measure R also requires determination of “baseline project features,” which cannot be significantly modified without subsequent voter approval. Baseline project features include components such as recreation facilities, public facilities, significant project design features, sequencing or phasing.

The current schedule includes the following public meetings and hearings:

December 16, 2015	Planning Commission introduction to the project applications
January 6, 2016	Planning Commission public hearing and recommendation to City Council

January 12, 2016	City Council introduction to the project applications
January 19, 2016	City Council public hearing and action
February 16, 2016	Last date for the City Council to take action to place the General Plan Amendment on the June 2016 ballot for a Measure R vote

Certain components relating to the project will not be resolved in the two months between this meeting and the final City Council determination. Access to Old Davis Road, for example, could not be guaranteed before UC Regent’s determination on the Long Range Development Plan for the campus. The Mitigation Measures required by the EIR will be known, as will the uses and conditions of the General Plan designation and Planned Development zoning. Other aspects, such as agricultural mitigation and possibly access improvements, could be included as components of the baseline project features. Additional components, such as possibly the tax-share agreement with Yolo County, could follow the Measure R vote. Attachment 1 shows a possible breakdown of how significant policy issues could be addressed to provide the Council and voters with as much certainty as possible about project commitments.

A summary of what could be placed on a June ballot as baseline project features is below:

General Plan Amendment and Planned Development Zoning: This would include overall development uses and intensity as well as locations of streets, greenbelts, and parks. A hotel has been proposed as a possible project alternative; staff anticipates that this would be a conditionally-permitted use subject to subsequent market analysis and Planning Commission review. Development standards such as setbacks would be established through the Final Planned Development, which would likely go to Planning Commission with the tentative subdivision map application. Provisions for adoption and amendment of the Sustainability Implementation Plan and Design Guidelines could be included in the either Development Agreement or the Planned Development Zoning.

Development Agreement: The Development Agreement would ratify and require compliance with the baseline project features. The Development Agreement could also address the anticipated Community Facilities District for infrastructure improvements; requirements for agricultural mitigation; impact fee structure; and other contributions.

Access and Circulation: The baseline features would reflect significant EIR mitigation measures, including fair-share contributions to Richards corridor improvements. Staff anticipates limitations on development phasing until access to Old Davis Road is approved by the UC Davis campus. The baseline features could also establish conditions relating to improvements to the Richards Boulevard corridor to be implemented prior to development phases.

A elements that would need to be deferred to after a June 2016 ballot measure include:

Tax-Share Agreement with Yolo County, required prior to annexation. Without a completed tax-share agreement in place, the final fiscal impacts of the proposal are unknown.

Commitment to UC Davis Access. Campus staff have anticipated that the connection to the Nishi site will be analyzed as an alternative in the EIR effort, beginning in spring 2016. The collaborative planning efforts for Nishi Gateway and adjacent UC Davis lands have anticipated the possibility that land-use planning and environmental review for City and campus efforts might occur on different schedules. City and campus planners have incorporated mechanisms for separate analysis to allow either option to proceed independently, such as the equal-weight EIR analysis of the Nishi Gateway proposal, with and without access to campus.

Affordable Housing Contribution. The current affordable housing ordinance exempts vertical-mixed use rental housing and stacked-flat condominiums from inclusionary requirements. This was reflected in preliminary draft deal points presented with the predevelopment agreement in 2012. More recently, staff and UC Davis representatives have had preliminary conversations on possible partnership opportunities for creating affordable student housing in conjunction with the Nishi development, whether on that site or elsewhere. Conversations have been positive, but it will be difficult to reach a resolution outside of the comprehensive LRDP effort.

Richards Boulevard Corridor Plan and Interchange Improvements. The engineering work for interchange improvements is now underway. Staff anticipates including a Corridor Plan for Richards Boulevard as a requested Capital Improvement Project in the City's 2016-17 budget.

While these efforts could continue forward in parallel with the current schedule, they will not be resolved by February 2016. The City Council could elect to make project development contingent on the outcome of these efforts. From a technical perspective, this is permissible. It may, however, raise questions on political/voter acceptance.

To bring greater levels of certainty and conclusion to these issues would effectively require either

(a) conditioning the development on "successful outcomes" with little or no development allowed to proceed until issues are resolved; or

(b) re-calibrating the review schedule to allow the outcomes of these efforts to be integrated with the entitlement / Measure R package. This would likely result in a Measure R timeline of March-June or November 2017. A November 2016 ballot measure would not result in greater certainty for the LRDP / UC Davis access or Richards corridor plan efforts. One difficulty with this approach is that, while Nishi might be informed by the conclusion of these other efforts, the efforts would not have the advantage of knowing the outcome of the Nishi applications. The Richards Boulevard corridor plan, for example, would not be informed by knowledge of whether the trips and improvements proposed by Nishi Gateway should be incorporated. Similarly, the UC Davis LRDP effort could possibly incorporate development of the Nishi property and the grade-separated crossing, without assurance of voter approval or development timing. The applicant has expressed support for moving forward on the current schedule. Absent direction to the contrary, staff will continue on the current schedule to bring the proposal forward for City Council consideration in January and February.

Attachments

1. Draft Schedule for Resolution of Issues

Nishi Gateway Issue / Resolution Schedule – DRAFT 11/5/15

CEQA	General Plan Amendment and Baseline Project Features	Zoning and Design Guidelines	Development Agreement	Fiscal Analysis and Tax Share Agreement	Agricultural Mitigation	Transportation Improvements (vehicle and bike/ped)	Affordable Housing Contribution (if anticipated). AHO exempts stacked-flat condominiums and vertical mixed-use buildings.	Sustainability
<p>Required per Measure R, including Mitigation Monitoring Plan. Current plan is to release FEIR at 1st PC meeting on December 16, 2015</p>	<p>Required per Measure R Baseline features to include project description, conditions on development (access, phasing, contribution to improvements)</p>	<p>Planned Zoning under way, Design Guidelines released as public review draft</p>	<p>Development Agreement ratifying obligations under Baseline Project Features</p>	<p>Could be requirement of Baseline Features and DA</p>	<p>Baseline and DA require mitigation consistent with Municipal Code</p>	<p>EIR mitigation measures, including fair-share contributions to Richards corridor improvements; Requirements for specific improvements before some/all phases as part of Baseline Features; Funding and construction schedule for short-term corridor improvements.</p>	<p>Resolution approving Sustainability Plan and directing implementation per Exhibit F</p>	
<p>By January/February 2016 (Council decision for June 2016 ballot)</p>								
<p>By June 7, 2016 (Note – absentee ballots mailed between April 28 and May 17)</p>						<p>Project Study Report for Interchange Improvements</p>		
<p>Post June 2016</p>	<p>Final Planned Development and adoption of Design Guidelines (Planning Commission review)</p>	<p>Final action by the City Council and Board of Supervisors</p>	<p>Identification and acquisition/security for mitigation site</p>	<p>UC Davis connection included in LRDP EIR; Regents determination on whether to approve</p>	<p>Approval of Design Guidelines, Final Planned Development and Tentative Map reflecting requirements of SIP.</p>			