

## STAFF REPORT

**DATE:** February 23, 2016

**TO:** City Council

**FROM:** Mike Webb, Assistant City Manager  
Heidi Tschudin, Contract MRIC Project Manager

**SUBJECT:** Mace Ranch Innovation Center (MRIC) Update and Direction to Staff (continued from December 15, 2016 meeting)

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### **Recommendation**

1. Receive an update on the Mace Ranch innovation Center (MRIC) project including background, public outreach, environmental review, Mixed Use alternative overview, next steps, analysis of request, and schedule; and
2. In response to the applicant's request, provide direction to staff regarding how to treat the Mixed Use alternative throughout the remainder of the development review process. Possible options for City Council consideration include:
  - a. Option One -- Direct staff to continue with preparation of a project action package for the project as proposed only; OR
  - b. Option Two -- Direct staff to proceed with preparation of dual project action packages, one for the project as proposed and one for the Mixed Use alternative; OR
  - c. Option 3 -- Direct staff to proceed with preparation of a project action package for the Mixed Use alternative only.

*These three options, and the implications of each, are described in more detail within this report. These options are being presented by staff in response to the letter submitted by the MRIC applicant on December 9, 2015 (see Attachment 1 within the December 15, 2015 Staff Report) and in response to the City Council direction on December 15<sup>th</sup> to check in with key commissions on the merits of Mixed Use and report back.*

*For the reasons highlighted within this report, combined with the initial feedback from key commissions summarized in this report and the feedback from SACOG (see attachment 2 within the December 15, 2015 Staff Report), staff believes that pursuing an option that facilitates housing to tie in with the employment created by the innovation center has merit. This housing could come in the form of on-site housing integrated with the proposal in the form of the Mixed-Use alternative.*

*At this point in time staff believes that it may be feasible to provide sufficient information, analysis, and detail to allow Council consideration for placement of option A or C on a November 2016 ballot. As Mixed Use is a more complex proposal there are elements that would require analysis that has not been initiated as of yet, such as appropriate number, mix, and size of units, approach to affordable housing, applicability of mitigation measures, more in-depth economic and fiscal analysis, parks and open space designs within the site, sustainability plans, and project design. Whether and how to associate occupancy of residential units on site to jobs on site would need to be explored by staff and the applicant. Therefore, while staff believes it may be feasible to bring a Mixed Use alternative forward for a November 2016 ballot measure, it is difficult to guarantee, and would be contingent upon taking a “tiered” approach to the entitlement package as described below.*

*Should the Council direct staff to focus on Mixed Use, the City Council would not be obligated to ultimately approve it. The Council would retain the ability to decline the Mixed Use project and direct staff and the applicant to return with the non-mixed-use option for action. The applicant acknowledges that such a course of action would necessitate pushing a ballot measure to 2017.*

*For reasons enumerated later in this report staff does not recommend pursuing option #2.*

#### **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.

#### **Fiscal Impact**

All time and consultant resources associated with processing the MRIC application are covered by fees from the applicant.

Economic and Planning Systems (EPS) conducted fiscal and economic analysis of the MRIC proposal as part of their review of the combined innovation center projects. These reports are available at the following web site: <http://cityofdavis.org/city-hall/community-development-and-sustainability/development-projects/mace-ranch-innovation-center/project-documents> under the header “Economic Reports/Presentations”.

The results of the EPS analysis were presented to the City Council in September and the results for the MRIC (project as proposed and Mixed Use alternative) are summarized in Attachment 2 (EPA Analysis Summary Sheet). The EPS analysis projected that the MRIC would result in economic and fiscal benefits to the City, Yolo County, and the region under a variety of

assumptions and scenarios. This included testing with and without a hotel, under various tax sharing/capture assumptions, and under various assumptions for funding infrastructure maintenance. The analysis suggests positive fiscal outcome at project build-out for both the Proposed project and Mixed Use alternative.

EPS is currently awaiting authorization from the City to undertake additional fiscal impact analysis requested by the Finance and Budget Committee (FBC) for the project as proposed. This work would be similar to what was recently completed for the Nishi project, including assessing fiscal impact outcomes based on adjustments to taxable sales assumptions, property values, supplemental sales tax revenues, and various service cost estimates. Due to the longer buildout of the MRIC as compared to the Nishi project this analysis may also include assessment of fiscal and economic impacts at one or more project build-out midpoints. The FBC has also requested the same level of fiscal and economic impact analysis and sensitivity testing assuming the Mixed Use alternative as the base case. Due to concerns about the time and expense of preparing this analysis for two full alternatives, the applicant has asked that this work not commence until after the February 23<sup>rd</sup> City Council meeting with the hope that direction from the Council could help to focus the efforts of the analysis on either the project proposal OR the Mixed Use alternative.

Staff has begun initial discussions with the applicant on possible components of the development agreement. Staff has also begun preliminary discussions with Yolo County staff on tax share agreements for both MRIC and Nishi. These efforts will continue, accompanied by updates to the City Council Innovation Center Subcommittee, as the project progresses.

### **Background**

The City Council originally heard this item on December 15, 2015. A letter from the Sacramento Area Council of Governments (SACOG) was received at that time (attached) confirming that the project as proposed would be “supportive of the [SACOG] Blueprint” and that the Mixed Use alternative “illustrates how the project could be even more supportive” of those regional growth principles. While no formal action was taken by the City Council beyond continuing the item, individual council members gave direction to keep working on the application and bring back more information, if possible, for council consideration including:

- Input on proposed sustainability features
- Input on fiscal and economic performance
- Release of the Final EIR
- Input from the NRC, FBC, and BTSSC regarding the Mixed Use alternative

### **Public Outreach**

Between the December 15, 2015 update to Council and the time of this writing (February 18, 2016) the tasks identified below have occurred. Additional commission meetings, including the Recreation and Park Commission (RPC) and subsequent meetings of the other commissions, are described later in this staff report under Schedule.

January 14	Release of the Final EIR
January 25	Natural Resources Commissions (NRC) meeting

February 1     Open Space and Habitat Commission (OSHC) meeting  
February 8     Finance and Budget Commission (FBC) meeting  
February 11    Bicycling, Transportation, and Street Safety Commission (BTSSC) meeting

Each commission was asked to provide input within their area of responsibility, on several questions, as follows:

QUESTION #1 -- Focusing on those that guiding principles that fall within the purview of the Commission, is the project generally consistent with the City Council's Guiding Principles for Innovation Centers? The Guiding Principles, in summary form, are as follows:

1. Density
2. Sustainability
  - a. Apply Low Impact Development Principles
  - b. Ensure minimal GHG impacts at the project level
  - c. Explore opportunities to bolster the goals of the CAAP
  - d. Agricultural Land Conservation/Open Space
3. Transportation
  - a. Bicycle/Pedestrian Connectivity
4. Work Environment
5. Uses
6. Timing and Project Phasing
7. Fiscal Consideration and Net Community Benefit
8. Facilitate Collaborative Partnerships and Provide Opportunities for Increased University and Research Engagement

QUESTION #2 -- From the perspective of the Commissions' area of responsibility, which project alternative does your Commission support and why. (At the December 15, 2015 meeting the City Council specifically asked the NRC, FBC, and BTSSC to address this topic.) The project alternatives examined in the EIR include the following:

0. Project as Proposed
1. No Project (No Build)
2. Reduced Site Size
3. Reduced Project
4. Off-Site (Davis Innovation Center site)
5. Off-Site (Covell Property site)
6. Infill
7. Mixed Use

QUESTION #3 -- From the perspective of the Commissions' area of responsibility, what comments or recommendations does the Commission have regarding project design and proposed features? Does this differ based on the recommended alternative?

A brief summary of the commission meetings held to date is provided below.

### **Natural Resources Commission (NRC)**

Based on their subject matter expertise, the NRC was given a fourth question to consider related to the adequacy of the applicant's sustainability commitments:

QUESTION #4 (NRC only) -- What recommendations do you have related to the proposed framework for sustainability and key commitments/aspects of sustainability relevant to this project?

The NRC discussed the following: sustainability commitments by the applicant; resource optimization; whether more houses would result in greater overall project resource efficiency; concerns about whether and how to ensure MRIC workers occupy the housing; various ways to measure success in terms of sustainability performance; how to improve sustainability; and how to get to zero net energy and net zero water. The NRC weighed in on Question #2 generally in support of the Mixed Use alternative:

On a motion by Burford, Seconded by Millet, the Commission, based on the information and analysis to date, finds that including a mixed use component on the site appears to have the potential to minimize the environmental impacts, particularly greenhouse gas emissions and may offer innovative sustainability features. Passed unanimously (Brady, Burford, Holland, Johnston, Millet, Pryor, Westhoff)

The Commission will resume their discussion at their March 28<sup>th</sup> meeting.

### **Open Space and Habitat Commission (OSHC)**

The OSCH discussed the following: whether the project meets global citywide objectives related to open space; use of the City-owned 25-acres; City commitments to a community farm; design of the drainage canal and agricultural buffer; applicant's proposed habitat for western burrowing owl; project security features vs public access to open space; loss of viewsheds looking east (especially from Mace Boulevard); amount of proposed parking; desire for net ecological benefit; use of the Howat property for agricultural mitigation (as proposed verbally by the applicant at the meeting); and proposed private ownership and maintenance of all green space.

The Commission gave individual feedback on Question #2 as follows: three said they could "possibly support" the Mixed Use alternative (Huber, Aptekar, Bone); one was not ready to weigh in (House); and one favored "no build" (Millstein).

The Commission will resume their discussion at their March 7<sup>th</sup> meeting.

### **Finance and Budget Commission (FBC)**

The FBC discussed the following: what conclusions could they reach regarding Question #1 based on available information; whether they had enough information to provide a recommendation regarding Question #2; and whether Question #3 was within their purview.

The Commission did not provide feedback on the three questions and continued the item until more information could be provided. The Commission will resume their discussion at the March 14<sup>th</sup> or later depending on when supplemental analysis by EPS can be completed.

### **Bicycle Transportation and Street Safety Commission (BTSSC)**

The BTSSC discussed the following: proposed bicycle connections; type and density of housing; amount and design of parking; proposed roadway cross-sections; class 1 vs class 2 pathways; and occupancy of MRIC housing by employees.

The Commission gave feedback on all three questions as follows:

Question #1 – Two commissioners felt the project would be generally consistent with City Council Guiding Principle #3 (Skeen, Berg). One commissioner felt the project would not be consistent without changes (Watterson). Three commissioners indicated they were unsure (Renaud, Mitchell, Fuchs). Two commissioners did not weigh in on this question at this time (Bossard, Waterman).

Question #2 – Five commissioners expressed support for the Mixed Use alternative (Renaud, Mitchell, Watterson, Fuchs, Bossard). One Commissioner expressed opposition to the Mixed Use alternative because employee occupancy could not be guaranteed (Skeen). One Commissioner expressed opposition to the project (Waterman).

Question #3 – Commissioners provided the following feedback on design: avoid Class 2 lanes; use Class 1 pathways; use cycle tracks; concern regarding design for Mace Boulevard; support for “no free right lanes” mitigation option; support for bringing buses into the transit center; support for use of desire lines for bicycle and pedestrian routes rather than street grid; too much parking; design too car-centric; grade separated crossing at Mace should be constructed up front; CR 32A design needs work; non-car modes are not fully developed; design of parking; separate pedestrian facilities; design of transit center; employee bus system; and intersection design.

Staff will be following up with the applicant to pursue responses to the questions, suggestions, and topics raised above.

### **Environmental Review**

The Final EIR was released January 14, 2016. Responses to 47 comments letters/minutes are provided including eight “master comments” that address comments raised by multiple commenters regarding the same or similar issue. The Master Responses address the following:

- 1) Union Pacific Railroad and CR 32A Closure
- 2) Bicycle Connection along CR 32A
- 3) Mixed-Use Alternative
- 4) Guarantees of Developer Performance
- 5) Project Phasing
- 6) Project Ownership
- 7) Western Burrowing Owl
- 8) Swainson’s Hawk

The Final EIR also includes errata and clarifications for the Draft EIR, plus a revised impact and mitigation summary table.

### **Mixed Use Alternative Overview**

Table 2-2 in the EIR contained a comparison of the Mixed Use alternative to the project as proposed in those areas where the Mixed Use alternative showed environmental impact advantages. As corrected since the release of Final EIR<sup>1</sup>, an excerpt of that table is provided below:

Item	Project as Proposed	Mixed Use Alternative	Notes
AM Peak Hour Trips	2,240	1,360	MU Alt reduces AM peak hour trips by ±39%
PM Peak Hour Trips	2,060	1,410	MU Alt reduces PM peak hour trips by ±32%
Total Trip Generation	14,750	12,800	MU Alt reduces total trip generation by ±13%
VMT (Daily)	186,000	139,000	MU Alt reduces daily VMT by ±25%
Annual GHG Emissions (mitigated)	19,199 MTCO2e/yr	16,273 MTCO2e/yr	MU Alt reduces annual GHG emissions by ±15%
Notes: All values include both the MRIC and the Mace Triangle. Where relevant all values assume the Modified Cumulative scenario.			

The results shown above assume that all 850 dwelling units included as a part of the Mixed Use alternative are occupied by at least one MRIC employee. To provide an understanding of how these results would change if fewer units were occupied by employees, additional sensitivity testing was undertaken for trip generation, VMT (Vehicle Miles Traveled), and GHG (Greenhouse Gas) emissions. The sensitivity analysis examined the results if the number of units occupied by an MRIC employee was reduced to 75 percent, 50 percent, 25 percent, and 0 percent (no units occupied by an MRIC employee).

The results of the trip generation assessment were provided in the Final EIR as a part of Master Response #3, Mixed Use Alternative. The results of the VMT and GHG emissions assessments are attached (Attachment C, Vehicle Miles Traveled and Greenhouse Gas Sensitivity Analysis for the Mace Ranch Innovation Center Mixed-Use Alternative). For each of the three variables the “tipping points” were as follows:

- The Mixed Use alternative would generate fewer daily trips than the project as proposed so long as at least 60 percent of the units are occupied by at least one MRIC employee.
- The Mixed Use alternative would generate less VMT than the project as proposed so long as at least 35 percent of the units are occupied by at least one MRIC employee.

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<sup>1</sup> Corrected Table 2-2 in the FEIR inadvertently used CEQA Cumulative scenario results for some of the values, and Modified Cumulative scenario results for others. In addition changes to the GHG analysis for the FEIR changed the GHG results. The numbers provided in the table above have been corrected to reflect updated Modified Cumulative scenario results for all values.

- The Mixed Use alternative would generate less GHG emissions than the project as proposed so long as at least 53 percent of the units are occupied by at least one MRIC employee.

In addition to the reduced environmental impacts, and those discussed in the SACOG letter, integration of housing within the project can also introduce the following potential benefits as enumerated in the excerpts below from the September, 2015 EPS economic analysis:

- Housing, in addition to opening up multiple market segments, functions as an amenity in itself, augmenting a project's sense of place by creating the kind of mixed-use character that knowledge workers and others appreciate, potentially resulting in increased lease rates and land value. The improved economics would likely allow the project to realize increased returns and/or finance needed infrastructure in MRIC.
- The addition of housing within MRIC has the potential to allow the demand for housing generated by employees within the center to be met within the center itself, rather than in the surrounding region. The type of housing described in the MRIC DEIR appears to be consistent with high quality, higher-density housing that is succeeding in attracting professionals across multiple age cohorts throughout the region. Examples of similar housing can be found in the West Sacramento Bridge District and emerging mixed use corridors in Sacramento such as R Street and Broadway. While there is a notable amount of housing in the proximate Mace Ranch area, it would not lend the intended mixed-use character to the MRIC site.
- The Housing could be an effective mechanism for improving returns, as well as creating a basis for funding infrastructure. Housing is increasingly viewed as a necessary amenity for Innovation Centers, reflected in recent plans for centers across the country, such as the 2012 Master Plan for Research Triangle Park, that include housing in order to create the kind of mixed-use environments that are attractive to younger knowledge workers.
- Employees of the new Innovations Centers will need access to appropriate housing options, both locally and regionally. Analysis provided by BAE indicates that about 4,800 units can be expected to be demanded in Davis as a direct outcome of the proposed projects. Nishi's owner-occupied housing will be able to attract employees of the project, even if the renter-occupied housing is expected to be student-oriented. All of the housing under consideration for the MRIC Mixed Use alternative is designed in line with the needs of Innovation Center employees.
- As a general rule, where feasible, the inclusion of both housing and hotel uses is an important component of the Innovation Center concept in terms of providing a more economically diverse project as well as (in the case of housing) improved ability to fund infrastructure capital. Just as important, mixed-use components such as these closely align with the identified success factors in terms of activating and adding vitality to these commercial districts. Specifically, hotel/conference uses provide important meeting places available for industry events. The addition of housing helps amenitize the projects and address housing needs of the new jobs created in the community.

It should be noted that, while the EIR Mixed Use Alternative evaluated the inclusion of up to 850 residential units, there has been no policy discussion of whether this is necessarily the desired number of residential units, should a mixed-use option be pursued. Should there be a desire to focus efforts on a Mixed Use project there are a number of policy considerations that must be



weighed, such as: appropriate number of units (850 or more or less), mix of units types, sizes of units, approach to affordable housing, applicability of mitigation measures, design of parks and opens spaces within the project, more in-depth economic and fiscal analysis, sustainability plans, and project design. Whether and how to associate occupancy of residential units on site to jobs on site would need to be explored by staff and the applicant.

### **Next Steps**

As the project proceeds throughout the remainder of the development review process, staff will be developing a package of materials for consideration and action by the Planning Commission and City Council. This “project action package” need be only as detailed as necessary to meet regulatory requirements and allow for informed decision-making (by both the City and community) regarding the project. Given the magnitude of the project, staff envisions a package that allows for Council action on the basic components of the project, with direction to return with additional pertinent details prior to the November vote. This will avoid unnecessary expenditures on details until the Council’s position on the project and key features is known. Staff envisions bringing forward information about the project “tiered” over time as follows:

**TIER ONE DECISIONS** -- Items to be considered by the Planning Commission in April and City Council in May/June. These items would be those essential to consideration of project approval and to the goal of setting baseline project features for the Measure R vote. Examples include:

- Simplified site plan
- Basic land uses (general plan designations)
- Maximum project square footage
- Basic project design features
- Density/intensity
- Project phasing
- Major infrastructure components
- Major sustainability framework and commitments
- Preliminary Design Guidelines
- Basic structure and tenets for Master Owner Association (MOA)
- Fundamental development agreement items (beyond nexus-based conditions and mitigations)
- Framework for use of City 25 acre property
- Basic features of the Mace Triangle component

**TIER TWO DECISIONS** -- Items to be considered between May and November (post-approval, pre-vote). These items provide additional detail important for consideration prior to the November vote, but not necessary for the Tier One decisions. It is also more cost-effective to wait until after the Tier One decisions to prepare these items as they involve considerable expense for the applicant, and would be guided and informed by the Tier One decisions. Examples include:

- Final Project Design Guidelines
- Final Project Sustainability Implementation Plan
- Framework for tax sharing agreement

- Mitigation land location (for loss of habitat and of agriculture)
- Choice of traffic mitigation option
- Development agreement

TIER THREE DECISIONS -- Items to be considered after November (post-vote). These include items that are not necessary prior to the vote. Examples include:

- Final tax sharing agreement
- Tentative map
- Final Planned Development

#### **Analysis of Applicants' Request to Focus on the Mixed Use Alternative**

On December 9<sup>th</sup> the applicant submitted a letter to the City requesting that consideration be given to focusing staff and consultant time and effort on the Mixed Use alternative rather than on the project as proposed. The Mixed Use alternative was evaluated in the Draft EIR at the suggestion of staff and direction of Council to ensure a robust and defensible EIR by evaluating a full range of alternatives. As the applicant notes in their letter, they have since had the opportunity to more fully explore the concept of Mixed Use and are interested in the possibility of pursuing this concept as the primary project. The letter from the applicant suggests that Council give consideration to requesting that staff effectively “cease” reviewing the project as proposed and instead focus solely on the Mixed Use alternative.

Absent direction to the contrary, staff would continue to prepare a project action package (described above) for the Planning Commission and City Council hearings for the project as proposed only, and not for any of the CEQA alternatives such as the Mixed Use alternative. Were the City Council to ultimately decide to reject the proposed project in favor of the Mixed Use alternative, the Council would direct staff at that time to return with a modified project action package.

As an option, however, the Council could direct staff to prepare two project action packages for consideration: one for the project as proposed and one for the Mixed Use alternative (which was analyzed at an equal level of detail in the project EIR). There is also a third option available to Council which is to direct staff to prepare a project action package for the Mixed Use alternative only, rather than for the project as proposed.

With any of these options the Council would be under no obligation to take any particular action on the project or any alternative until the hearings in May/June 2016. Key considerations for each option are described below. Notwithstanding any option favored by Council at this time, staff assumes, unless directed otherwise, that Council remains open to an independent project recommendation from staff as a part of the future project action package.

**OPTION A:** Direct staff to proceed with development of a project action package for the project as proposed. If the Council denies the project there would be no significant additional work to do. If the Council approves the project as proposed, staff will work with the applicant to finalize the approval package. If, instead, during the p[ublic hearing process for project decisions the Council decides it would like to approve the Mixed Use or

another alternative, staff would work with the applicant to develop and finalize a new approval package as directed (because only the project action package for the project proposal would have been prepared at that point). The schedule currently provides approximately six weeks between a project action by Council in May (assuming May 24<sup>th</sup>) and the July 5, 2016 final date for Council to take any final remaining actions on the project, define the project baseline features for the ballot, and request the County set a November Measure R vote. Staff does not believe that this will provide sufficient time to analyze and bring forward a revised project action package by the July 5<sup>th</sup> deadline for a November 2016 election. This caution is based on observation of the level of detail the Council and community have found necessary and appropriate for the Nishi project, as compared to the level of detail provided to date for the MRIC project and CEQA alternatives. This also recognizes that the Mixed Use alternative in particular brings to the table aspects of analysis and decision-making that will not yet have been explored such as number of units, residential unit occupancy mechanisms (if any), affordable housing, mitigation measures, site planning, and sustainability.

**OPTION B:** Direct staff to proceed with the development of dual project action packages (one for the project as proposed and one for the Mixed Use alternative). This would allow for dual consideration of the project and the Mixed Use alternative throughout the remainder of the process. This option would be very difficult and likely impossible to achieve a November 2016 ballot measure, would add cost and effort associated with bringing two alternative projects through the hearing process, and would add significantly to already stretched staff bandwidth. The applicant has expressed significant reservations, if not opposition, to undertaking such an approach out of concerns for their own expense and bandwidth. Staff also notes that this option presents challenges in our discussions with the community and with commissions as it creates confusion around which proposal is “the project” and makes focusing input more difficult. Should the Council wish to pursue this “dual track” direction, discussion with the applicant would need to take place to ascertain their willingness to proceed.

**OPTION C:** Direct staff to proceed with development of a project action package for the Mixed Use alternative only. The applicant has expressed an interest in pursuing the Mixed Use alternative based on the conclusions in the EIR regarding the environmental benefits of this alternative and based on other factors outlined in their letter dated December 9, 2015. With the assistance of the applicant team, we believe it is possible to be ready for hearings to afford Council the opportunity to place the project on the November 2016 ballot; however, it will be tight and highly dependent on the responsiveness of the consultant and applicant teams.

After an action and direction by the Council in May/June, the staff will finalize any necessary action documentation. If the Council denies the application there would be no significant additional work to do. If the Council approves the Mixed Use alternative, staff will work with the applicant to finalize the approval package.

If, instead, the Council decides to approve another alternative (such as the non-mixed-use project), staff would work with the applicant to develop and finalize an approval package as

directed (because only the project action package for the Mixed Use alternative would have been prepared at that point). The schedule currently provides approximately six weeks between a project action by Council in late May (possibly May 24<sup>th</sup>) and the July 5, 2016 final date for Council to take any final remaining actions on the project, define the project baseline features for the ballot, and request the County set a November Measure R vote. Staff cannot say with certainty at this time whether this will provide sufficient time to analyze and bring forward a revised project action package by the July 5<sup>th</sup> drop dead date for a November election.

At the December 15, 2016 discussion of this item, staff expressed concern that a decision to move forward at this time with the Mixed Use alternative alone could adversely affect the City's ability to substantiate findings of fact in support of rejecting the Mixed Use alternative should that ultimately be the desired direction of the Council. The City must be cautious to retain the full range of potential actions moving forward. Therefore at this time staff seeks Council direction, not to take definitive action on any given option, but to provide staff and the applicant with clear direction on which option to focus our energies on moving forward. Whatever direction is given the City Council would retain full authority to take action, up or down. If a project that moves forward to the Council is ultimately denied, the Council would have the option of requesting that a different project alternative be brought forward instead.

### **Schedule**

Key upcoming dates are as follows:

2/18	Recreation and Park Commission
2/23	City Council considers applicant request regarding Mixed Use alternative
3/7	Open Space and Habitat Commission (continued)
3/9	Planning Commission (design workshop)
3/10	Bicycling, Transportation, and Street Safety Commission
3/14	Finance and Budget Commission (continued) <i>tentative</i>
3/17	Recreation and Park Commission (if necessary)
3/28	Natural Resources Commission (continued)
April	Planning Commission Hearing #1(proposal overview)
April	Planning Commission Hearing #2 (public hearing)
May	City Council Hearing #1 (proposal overview)
May	City Council Hearing #2 (public hearing)
June	City Council Additional Hearings (as needed)
6/7	<i>June election; Measure R vote on Nishi</i>
7/5	Last day for Council to request November Measure R vote for MRIC
7/26	Last day for County to set November election for MRIC
11/8	November election; Measure R vote

### **Attachments**

- A) December 15 City Council staff report with attachments
- B) EPS Analysis Summary Sheet
- C) Vehicle Miles Traveled and Greenhouse Gas Sensitivity Analysis for the Mace Ranch Innovation Center Mixed-Use Alternative

## STAFF REPORT

**DATE:** December 15, 2015

**TO:** City Council

**FROM:** Mike Webb, Assistant City Manager  
Heidi Tschudin, Contract MRIC Project Manager

**SUBJECT:** Mace Ranch Innovation Center (MRIC) Update

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### **Recommendation**

1. Receive an update on the MRIC project including environmental review, public outreach, schedule, and next steps; and
2. Provide direction to staff regarding the next steps and how to treat the Mixed Use Alternative throughout the remainder of the development review process. Possible options for City Council consideration include:
  - a. Direct staff to proceed with development of a project action package for the project as proposed; OR
  - b. Direct staff to proceed with the development of dual project action packages (one for the project as proposed and one for the mixed use alternative); OR
  - c. Direct staff to return to Council in early January for a more focused discussion of how to proceed regarding the Mixed Use Alternative.

*These three options, and the implications of each, are described in more detail within this report. These options are being presented by staff in response to the letter submitted by the MRIC applicant on December 9, 2015 (attachment 1).*

### **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.

### **Fiscal Impact**

All application processing time and consultant resources are covered via fees from the applicant. Economic & Planning Systems (EPS) conducted an extensive fiscal and economic analysis of the MRIC 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. 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 Finance and Budget Commission is actively engaged in ongoing review of the EPS analysis and staff and EPS will be returning to the FBC to address follow-up questions on the analysis at their December 14<sup>th</sup> meeting.

Staff has begun preliminary discussions with Yolo County staff on tax share agreements for both MRIC and Nishi. We anticipate more concerted discussions with Yolo County, along with the City Council Innovation Center Subcommittee in the months of January and February.

### **Public Outreach**

During the DEIR comment period, discussions of the DEIR have occurred multiple times before the Planning Commission and the following subject-specific advisory commissions:

- Bicycle, Transportation, Street Safety Commission
- Finance and Budget Commission
- Natural Resources Commission
- Open Space and Habitat Commission
- Recreation and Park Commission

A “virtual” community workshop was launched October 29, 2015 and was active through November 15, 2015. During that time the workshop website was visited approximately 500 times and the City received 20 comments on the project.

An additional “wave” of outreach is planned in January and early February when the various commissions listed above will be asked to give specific recommendations, within their area of responsibility, on aspects of the project that should be changed, added, or removed, should the City Council move forward with the project. This will include a discussion of design and possible conditions for approval. This information will be summarized for the Planning Commission’s consideration and brought forward to the Council.

### **Environmental Review**

The MRIC environmental impact report was released August 13, 2015 for a 47-day comment period extending through September 28, 2015. On September 1, 2015 the City Council extended the community comment period an additional 45 days to November 12, 2015. The comment period for state and federal agencies (August 13, 2015 to September 28, 2015) was not changed.

Both comment periods have now closed. Comments were received from 46 entities. Staff and the consulting team have begun the process of preparing responses to the comments. The Final

EIR, which will include responses to all timely comments, is targeted for release in mid-January 2016.

### **Schedule**

As requested by Council, period updates on the project schedule have been provided by staff and most recently a “we are here” style poster board of the schedule has been posted at Council meetings. Key upcoming dates (including key Nishi dates) are as follows:

12/16	Planning Commission Hearing #1 (proposal overview) Nishi
12/16	Release of Nishi FEIR
1/6/16	Planning Commission Hearing #2 (public hearing) Nishi
1/13	Release MRIC FEIR
1/12	City Council Hearing #1 (proposal overview) Nishi
1/14	Bicycle, Transportation, Street Safety Commission (on possibly a special meeting)
1/19	City Council Hearing #2 (public hearing) Nishi
1/21	Recreation and Park Commission
1/25	Natural Resources Commission
1/27	Planning Commission (design workshop)
2/8	Open Space and Habitat Commission
	Finance and Budget Commission
2/10	Planning Commission Hearing #1(proposal overview)
3/9	Planning Commission Hearing #2 (public hearing)
4/5	City Council Hearing #1 (proposal overview)
4/26	City Council Hearing #2 (public hearing)
6/7	County election; Measure R vote on Nishi
7/5	Last day for Council to request November Measure R vote
7/26	Estimated last day for County to set November election
11/8	County election; Measure R vote

### **Next Steps and the Mixed Use Alternative**

On December 9<sup>th</sup> the applicant submitted a letter to the City requesting that consideration be given to focusing staff time and energies on the Mixed Use alternative that was analyzed in the Draft EIR, rather than on the project proposal. The Mixed Use alternative was evaluated in the Draft EIR at the suggestion of staff and direction of Council to ensure a robust and defensible EIR by evaluating a full range of alternatives. As the applicant notes in their letter, they have since had the opportunity to more fully explore the concept of Mixed Use and are interested in the possibility of pursuing this concept further. In fact, the letter from the applicant suggests that Council give consideration to requesting that staff effectively “cease” reviewing the application at hand to focus solely on a Mixed Use concept. Furthermore, a letter from SACOG has been submitted to the City and concludes:

“Overall the proposed plan meets the spirit of the Blueprint growth principles. However, the Mixed Use Alternative illustrates that the city could further maximize the Blueprint benefits of this unique project by planning for additional housing

capacity within the city to accommodate the increased housing demand that will accompany the economic activity generated by the project.”

Notwithstanding the request by the applicant noted above, as the project proceeds throughout the remainder of the development review process, staff would be developing a package of materials for consideration and action by the Planning Commission and City Council. This “project action package” need be only as detailed as is necessary to meet regulatory requirements and allow for informed decision-making (by both the City and community) regarding the project. Given the magnitude of the project, staff envisions a package that allows for Council action on the basic components of the project, with direction to return with additional pertinent details prior to the November vote. This will avoid unnecessary expenditures on details until the Council’s position on the project and key features is known. Staff envisions bringing forward the following basic information as part of the project action package:

- Staff report and staff recommendation regarding the project and the EIR
- Proposed conditions of approval
- Recommendations regarding proposed site plan, design guidelines, and sustainability plan
- Recommendations regarding key development agreement commitments
- Direction to prepare necessary resolutions and ordinances
- Direction to prepare the development agreement
- Direction to prepare CEQA findings of fact
- Direction to prepare findings of fact for final action on the project
- Directions to negotiate a draft tax sharing agreement
- Direction to identify baseline project features for ballot

Absent direction otherwise, staffs intent has been to prepare this package only for the project as proposed, and not, for example, for any of the CEQA alternatives such as the Mixed Use Alternative. There are several reasons for this:

- 1) There is no application before the City for any project except the MRIC as proposed.
- 2) The City’s Request for Expressions of Interest (RFEI) expressly discouraged residential uses.

Were the City Council to ultimately decide to reject the proposed project in favor of the Mixed Use Alternative, the Council would direct staff at that time to return with a modified project action package. As an option, however, the Council could also direct staff to prepare two project action packages for consideration: one for the project as proposed and one for the Mixed Use Alternative (which was analyzed at an equal level of detail in the project EIR). With either direction the Council would be under no obligation to take any particular action on the project or any alterative until the hearings in April 2016. There is also a third option available to Council which is to direct staff to bring the item back in January for a more focused discussion of how best to proceed regarding the Mixed Use Alternative. Based on the description of the project action package provided above, key considerations for each option are as follows:

**OPTION A:** Direct staff to proceed with development of a project action package for the project as proposed. This allows the project to proceed without delay. After an action and



direction by the Council in April, the staff will finalize any necessary action documentation. It does not affect the schedule or budget prior to the hearings but could add some additional cost post-hearing (to finalize various documents as described above). If the Council denies the project there would be no significant additional work to do. If the Council approves the proposed project, staff will work with the applicant to finalize the approval package for the project. If, instead, the Council decides to approve the Mixed Use Alternative (supporting the MU alternative and not the project proposal in certifying the EIR), staff would work with the applicant to develop and finalize an approval package for the Mixed Use Alternative (as only the entitlement package for the project proposal would otherwise have been prepared). The schedule currently provides approximately two months between the scheduled April 26, 2016 decision point and the July 5, 2016 final date for Council to take any final remaining actions on the project, define the project baseline features for the ballot, and request the County set a November Measure R vote. This should be sufficient time to respond to the direction of the Council.

**OPTION B:** Direct staff to proceed with the development of dual project action packages (one for the project as proposed and one for the mixed use alternative). This allows the project to proceed without delay. It would allow for dual consideration of the project and the Mixed Use Alternative throughout the remainder of the process, including upcoming commission workshops in January and February, and during project hearings. It is not expected to significantly affect the schedule prior to hearings but would add cost associated with bringing two alternative projects through the hearing process. This likely will present a significant concern to the applicant, particularly if staff were to proceed with a relatively high level of detail in the entitlement package, as is currently the direction. However, if the level of detail needed for action by the Council is more conceptual (as described above) this cost should be reasonable. After action and direction by the Council in April, staff will finalize any necessary project documentation based on the Council direction. If the Council denies the project (and Mixed Use Alternative) there would be no significant additional work to do. If the Council approves the proposed project or the Mixed Use Alternative, staff will work with the applicant to finalize the appropriate approval package. As noted above the schedule currently allows approximately two months for this to occur which should be sufficient time.

**OPTION C:** Direct staff to return to Council in early January for a more focused discussion of how to proceed regarding the Mixed Use Alternative. This option would allow more time for Council to consider the issue. It would affect the schedule but would not likely affect the budget prior to the hearings. By creating uncertainty for staff regarding how to proceed through the holidays, this option would have the effect of pushing the Planning Commission and City Council hearings out by three to four weeks depending on the precise date in January the item was heard. This would have the effect of eliminating three to four weeks of “float” in the schedule post-approval which would then narrow the window of time available post-approval to finalize the action package to approximately one month. This is not expected to leave enough time to accomplish necessary steps, which could adversely affect the ability to make a November ballot.

The applicant has expressed an interest in pursuing the Mixed Use Alternative based on the conclusions in the EIR regarding environmental superiority of this alternative and based on other

factors outlined in their letter dated December 9, 2015. However, because a choice between the project and any of the alternatives is not properly before the Council until after completion of the environmental review process, analysis of the merits of the project by staff, and consideration and recommendation by the Planning Commission, we do not recommend the Council express a preference for any alternative over the project at this time or direct staff to focus on processing the Mixed Use Alternative rather than the proposed project as suggested by the applicant.

Staff is concerned that any such action could adversely affect the City's ability to substantiate findings of fact in support of rejecting the Mixed Use Alternative were that ultimately to be the desired direction of the Council. We also seek to preserve the Council's ability to make any appropriate decision regarding the project and alternatives, including consideration of the provision of workforce housing off-site rather than onsite which could attain the same or similar benefits as the Mixed Use Alternative without the inclusion of housing within the innovation center. Therefore, staff advises that any direction the Council might chose to provide on this item should be limited to the options described above.

**Attachments**

- 1) December 8, 2015 Letter from Applicant
- 2) November 17, 2015 Letter from SACOG



December 9, 2015

City Council  
City of Davis  
23 Russell Boulevard  
Davis, California 95616

Re: Mace Ranch Innovation Center: Direction on the Mixed Use Alternative

Dear Mayor Wolk and Members of the Council:

Since the release of the Draft EIR for the Mace Ranch Innovation Center, there has been a substantial amount of discussion regarding the Mixed-Use Alternative identified in the document. That alternative, which was developed by the preparers of the EIR, was intended, as we understand it, to identify an alternative project which would be less environmentally impacting, specifically with respect to traffic, air quality, VMT and greenhouse gas impacts. Yet that identified alternative, which was deemed the environmentally superior alternative, is inconsistent with the initial notion expressed by the Council that any innovation project contain no housing, a concept which was reaffirmed on December 16, 2014 when you adopted the Guiding Principles for the proposed innovation parks. These Guiding Principles do not include housing as a potential use in an innovation center, but they do encourage the concept of “work, live, play.” All of this has resulted in a somewhat confusing situation.

The Mace Ranch Innovation Center applicants would accordingly like to request that the Council provide feedback to the staff and the applicants concerning how to proceed with the identified mixed use alternative. In particular, we are interested in having the Council direct the staff to employ its primary resources to the preparation of an entitlement package and development agreement which relies upon the mixed use alternative as opposed to the submitted project. This request, if granted, would involve the deployment of staff resources only. It would not constitute a project approval nor would it preclude the Council from eventually approving the project as submitted or approving no project at all after environmental review and public hearings are completed. Put simply, it would constitute only initial direction to staff regarding what the Council would like to have more thoroughly prepared and presented to it when it actually considers whether or not to approve a proposal.

Furthermore, we recognize that the Council could elect, at the public hearing on our proposal, to proceed with the originally submitted project instead of the mixed use alternative. If this occurs, there could be a processing delay while a complete entitlement package and development agreement for the original proposal are being prepared. It is understood that any such delay could, and likely would, impact our ability to be placed on the November, 2016 ballot.

Interestingly enough, as we have proceeded over the last several months, our team has become convinced that a viable innovation center should contain a housing component such as the one reflected in the mixed use alternative. This is interesting because we initially were highly opposed to the inclusion of a housing component in our project. Over time, however, our view has changed. Why? First, because we have learned that cutting edge innovation centers now almost always contain a housing component, the primary purpose of which is to provide housing for those who work at the innovation center. This proximate housing is endemic of the unique live/work relationship prevalent in the tech industry and is essential to the effective marketing of innovation centers. Second, through both the Draft EIR and our own efforts at developing a first-rate sustainability plan, we have learned that a housing component contributes the reduction of VMT and has a corresponding reduction of air quality and greenhouse gas emissions. These highly desirable environmental results are important and it is difficult, if not impossible, to achieve a high degree of sustainability without them. Altogether it is these factors which have been so convincing to us and we hope will be to the Council as well.

We look forward to appearing before you, along with others from the community, on December 15 and would appreciate receiving your feedback to our request at that time.

Very truly yours,



Daniel F Ramos  
Project Manager  
Mace Ranch Innovation Center



November 17, 2015

Dirk Brazil  
City of Davis  
City Manager's Office  
23 Russell Boulevard, Suite 2  
Davis, CA 95616

Re: Proposed Plan for the Mace Ranch Innovation Center

Dear Mr. Brazil,

On behalf of the Sacramento Area Council of Governments (SACOG), I am submitting to you our comments on the proposed Mace Ranch Innovation Center (MRIC), which includes the 212-acre development site and the 17-acre Mace Triangle site in unincorporated Yolo County. Thank you for the opportunity to comment on this project as it relates to the Blueprint Preferred Scenario and growth principles. The Preferred Blueprint Scenario is a conceptual map based on the principles of smart growth. This Preferred Scenario is not intended to direct how a specific parcel should or should not be developed in a particular manner, but rather give some direction on how the region needs to develop generally to reap the benefits of the Blueprint.

SACOG staff evaluated the proposed plan and the Mixed-Use Alternative as identified in the Draft EIR for consistency with the Blueprint Preferred Scenario and growth principles. Our general reaction is that the proposed plan is supportive of the Blueprint, but the Mixed-Use Alternative illustrates how the project could be even more supportive of the Blueprint growth principles. The proposed plan and Mixed-Use Alternative are discussed below.

### **Proposed Plan**

The MRIC, as defined in the Draft Environmental Impact Report, includes 2,654,000 square feet of retail, office, and industrial uses, as well as 75.8 acres of open space and 13.2 acres of transit plaza and parking (see Table 1 below). In addition to the transit hub, which will include car-share and vanpool parking, the proposed plan includes new roads, walkways, and bicycle paths connecting to the existing transportation and trail network.

The MRIC Draft Environmental Impact Report also includes analysis of a Mixed-Use Alternative, which includes the same employment uses as the proposed plan, but with the addition of 750 to 850 multifamily live-work units. This residential development is planned at an average density of 30 dwelling units per acre. Through underground private garages and vertical mixed use development, the Mixed-Use Alternative includes 11.2 additional acres of open space as compared to the proposed plan. Multimodal transportation features will generally be the same for the Mixed-Use Alternative as the proposed plan.

Auburn  
Citrus Heights  
Colfax  
Davis  
El Dorado County  
Elk Grove  
Folsom  
Galt  
Isleton  
Lincoln  
Live Oak  
Loomis  
Marysville  
Placer County  
Placerville  
Rancho Cordova  
Rocklin  
Roseville  
Sacramento  
Sacramento County  
Sutter County  
West Sacramento  
Wheatland  
Winters  
Woodland  
Yolo County  
Yuba City  
Yuba County

**Table 1**  
**Land Uses in the Proposed Plan and Mixed-Use Alternative**

<b>Land Use</b>	<b>Proposed Plan</b>	<b>Mixed-Use Alternative</b>
<i>Mace Ranch Innovation Center</i>		
Multifamily Residential	--	750-850 units
Office/Industrial	2,394,000 sf	2,394,000 sf
Retail	100,000 sf	100,000 sf
Hotel	160,000 sf	160,000 sf
Open Space	64.6 ac	75.8 ac
Landscaped Parking/Plaza	13.2 ac	0.6 ac
<b>Total</b>	<b>2,654,000 sf/212 ac</b>	<b>2,654,000 sf/212 ac</b>
<i>Mace Triangle</i>		
Office/Industrial	45,901 sf	45,901 sf
Retail	25,155 sf	25,155 sf
<b>Total</b>	<b>71,056 sf/17 ac</b>	<b>71,056 sf/17 ac</b>

### **Findings and Evaluation**

The proposed plan combines research into the long-term implications of business growth with an innovative approach to plan development. The project would attract an important employment sector to the city and would have great economic benefit for Davis and the region. The proposed plan also includes flexible business space to position the city for capturing a greater share of local and regional business growth in the employment center. The project also includes the following Blueprint-supportive elements:

- The proposed plan offers non-motorized transportation opportunities, which are consistent with the Blueprint transportation choice principle. The proposed transit plaza will provide Unitrans bus stops, as well as local shuttle and vanpool stops and parking for car-share. Walkways are included throughout the project. The proposal also includes a pedestrian/bicycle corridor within the agricultural buffer, which provides connections to the existing pedestrian trails system and regional bike trail, as well as to bike lanes on existing roads adjacent to the site. The plan also incorporates bicycle amenities, including bicycle parking and a bike storage and repair area at the Transit Plaza. We note, however, that the project includes traditional parking ratios that may be higher than necessary after accounting for the type of innovation businesses targeted for the project and the trip reduction benefits of the project's transportation demand management strategies. We encourage the city to consider lowering the parking requirement and allow flexibility for the innovation center to increase employment densities over time in response to market conditions. Excess parking land in the interim could be used for additional agricultural and/or open space.
- The proposed plan also includes parks, open space, and agricultural buffers consistent with the Blueprint natural resource conservation principle, including greenways, commons, courtyards, orchards, and plazas. The agricultural buffer will also provide opportunities for community gardens, organic agriculture, trails, shade trees, and native plant habitat. While the project will convert agricultural land to urban uses, the site is already bordered on two sides by urban development and permanent agriculture easements on its other sides, and the Blueprint envisioned the need for some small, targeted expansion of the city limits in order to accommodate some of its future growth.

The ultimate purpose of the Blueprint is to demonstrate development patterns that improve quality of life for both workers and residents. Building homes, shops, offices, entertainment, schools, and other uses within walking distance helps create active, vital neighborhoods. A community designed with a good, or balanced, mix of uses helps to encourage walking, biking, shorter driving trips, and transit use. It is important to have a balance of jobs and households so that jobs or housing do not have to be imported or exported beyond the normal out- and in-commuting that happens in a mobile society. All else being equal, areas with high or low jobs-housing balance are likely to generate longer commutes for workers. This is especially pertinent for employment centers.

Since the proposed plan does not incorporate housing, many workers will need to commute out of their area of residence in order to reach their job. These trips will result in high VMT, peak hour vehicle trips, and GHG emissions for the project, as demonstrated in the transportation and greenhouse gas impacts identified in chapters 4.7 and 4.14 of the DEIR. Lack of a balanced mix of uses will place a burden on the transportation system, reduce opportunities for transportation choice, and adversely impact air quality and quality of life for workers and residents. We encourage the City to identify additional housing capacity within Davis to accommodate the increased housing demand that will accompany the proposed project.

The Mixed-Use Alternative demonstrates how such integrated planning mitigates the impacts related to jobs/housing ratio included in the proposed plan. Providing on-site housing for the workforce results in the opportunity for short work trips. Through compact and mixed use development, the Mixed-Use Alternative includes a reduction in VMT, total and peak hour vehicle trips, and GHG emissions, with the added benefits of maximizing natural resources and increasing housing choice, transportation choice, and quality of life. The Mixed-Use Alternative includes the features of an active, vital neighborhood that will include quality of life for residents and workers, implementing the spirit of the Blueprint as described above. The elements of the Mixed-Use Alternative that support the growth principles of the Blueprint include:

- The Mixed-Use Alternative offers the same non-motorized transportation opportunities as the proposed plan, which are consistent with the Blueprint transportation choice principle. In addition, the Mixed-Use Alternative would extend the existing bike lane on County Road 32A around the Mace Curve, completing the connection. However, we note that similar to the proposed project, the Mixed-Use Alternative does include traditional parking ratios that may be higher than necessary after accounting for the trip reduction benefits of the on-site residential and commercial and transportation demand management strategies.
- The Mixed-Use Alternative also includes parks, open space, and agricultural buffers consistent with the Blueprint natural resource conservation principle. By including vertical mixed use development and moving parking underground, the Mixed-Use Alternative includes an additional 11.2 acres of open space as compared to the proposed plan.
- The Mixed Use Alternative also illustrates the benefits of the Blueprint principles of mixed and compact development. Districts that are both compact and mixed in uses are efficient in their use of land and resources, but also function as local activity centers, where people tend to walk or bike to destinations, use transit more frequently, and take shorter auto trips. The Mixed-Use alternative includes 750 to 850 live-work housing units and commercial to support the employment uses of the project. By adding medium and high density residential and including horizontal and vertical mixed use elements, the Mixed-Use Alternative also has lower annual GHG emissions than the proposed project.

- Housing choice and diversity is an important Blueprint principle so that multiple segments of the housing market can be met. The range of multifamily units proposed in the Mixed-Use Alternative offers housing types that are different from the single-family products in the neighboring Mace Ranch, Cottages North, and El Macero Estates subdivisions. This mix of housing types, densities, and sizes would also correlate to a range in prices and rents that is expected to be more affordable than the average home in the area.

Overall, the proposed plan meets the spirit of the Blueprint growth principles. However, the Mixed-Use Alternative illustrates that the city could further maximize the Blueprint benefits of this unique project by planning for additional housing capacity within the city to accommodate the increased housing demand that will accompany the economic activity generated by the project. If you have any questions, please feel free to contact me. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike McKeever".

Mike McKeever  
Executive Director

MM:AH:pm

cc: Don Saylor, SACOG Board Chair  
Lucas Frerichs, Councilmember  
Mike Webb, Assistant City Manager/Director of Community Development & Sustainability  
Katherine Hess, Community Development Administrator



# EPS ANALYSIS -- SUMMARY SHEET

## MRIC PROJECT SUMMARY

- 229 acre site
- 2,725,056 square feet
- 850 dwelling units (Mixed Use Alternative only)
- 20 year buildout assumed to occur by 2035 (7 to 25 years estimated buildout)
- 5,472 estimated employees

## MRIC ECONOMIC AND FISCAL BENEFITS SUMMARY

- Construction Jobs
- Project jobs
- Additional added citywide and countywide jobs
- Construction economic benefits
- Citywide economic multiplier
- Countywide economic multiplier
- City General Fund

## MRIC JOB GENERATION

TYPE OF EMPLOYMENT	PROJECT	MIXED USE ALTERNATIVE
Construction -- City	2,362	3,166
Construction – Other County	1,712	2,378
<b>TOTAL CONSTRUCTION JOBS</b>	<b>4,074</b>	<b>5,544</b>
Ongoing – City	9,644	9,644
Ongoing – Other County	1,018	1,018
<b>TOTAL ONGOING JOBS</b>	<b>10,662</b>	<b>10,662</b>

Source: MRIC Economic and Fiscal Impact Analysis, Executive Summary, EPS, October 2015, pages 6, 10, 11.

## MRIC ECONOMIC IMPACT

ECONOMIC MEASURE	PROJECT (\$)	MIXED USE ALTERNATIVE (\$)
Construction – City (Output + Labor Income)	\$0.616 billion	\$0.815 billion
Construction – Other County (Output + Labor Income)	\$0.442 billion	0.603 billion
Ongoing – City (Output + Labor Income)	\$3.077 billion	\$3.077 billion
Ongoing – Other County (Output + Labor Income)	\$0.224 billion	\$0.224 billion
<b>TOTAL REVENUE</b>	<b>\$1.058 billion thru buildout \$3.301 billion/yr post buildout</b>	<b>\$1.417 billion thru buildout \$3.301 billion/yr post buildout</b>

Source: MRIC Economic and Fiscal Impact Analysis, Executive Summary, EPS, October 2015, pages 6, 10, 11.

## MRIC FISCAL IMPACT

ANNUAL FISCAL IMPACT	PROJECT (\$)	MIXED USE ALTERNATIVE (\$)
City General Fund <sup>1</sup>	\$2.2 million	\$2.0 million
TOTAL REVENUE	\$2.2 million general fund net fiscal surplus post buildout	\$2.0 million general fund net fiscal surplus post buildout

Source: MRIC Economic and Fiscal Impact Analysis, Executive Summary, EPS, October 2015, pages 6, 10, 11.

1/ Assumes 50/50 property tax split with County

## MRIC – OTHER ECONOMIC AND FISCAL CONSIDERATIONS

- Leverages competitive advantages of City including local economic vitality, technically skilled labor force, proximity to major research university, and high quality of life
- Contributes to innovation ecosystem in Davis
- Retains office R&D companies
- Funds specialized infrastructure
- Creates synergy among uses
- Strengthens academic/industry ties
- Helps address City fiscal deficit
- Mixed Use Alternative supports structured parking which allows for land efficiency
- Results in additional regional economic gains beyond those analyzed in the report (construction and ongoing impacts outside of Yolo County).
- Creates demand for another 1.2 million square feet of commercial space in the local economy related to the additional 4,000 jobs

## TERMS:

Construction = Activity associated with construction of backbone infrastructure, office R&D, and residential development, including indirect economic response from suppliers of goods and services. One-time economic stimulus that ends with buildout.

Ongoing = Multiplier or ripple effect to suppliers of goods and services from economic activity and employee spending.

Output = Total market value of goods and services generated.

Labor Income = Total compensation (earnings and benefits) associated with employment.

February 17, 2016

To: Heidi Tschudin  
Tschudin Consulting Group  
710 21st Street  
Sacramento, CA 95811

From: Nick Pappani  
Vice President  
Raney Planning & Management, Inc.

**Subject: Vehicle Miles Traveled and Greenhouse Gas Sensitivity Analysis for the Mace Ranch Innovation Center Mixed-Use Alternative**

This technical memorandum presents the results of sensitivity testing for five levels of employee unit occupancy (0, 25, 50, 75, and 100 percent) for three metrics (trip generation, VMT, and GHG) for the Mixed-Use Alternative under the Modified Cumulative Scenario.

## **Background**

The MRIC Project Draft EIR includes an equal weight analysis of a Mixed-Use Alternative to the proposed project. The technical analysis of the Mixed-Use Alternative is included in Chapter 8 of the Draft EIR. As a general summary, the Mixed-Use Alternative includes the same non-residential square footage and land uses as the proposed project, but also includes up to 850 residential units, intended to support the innovation center's employee-generated demand for housing.

The number of units assumed in the Mixed-Use Alternative was determined from information provided in the BAE Report entitled *Economic Evaluation of Innovation Park Proposals* (July 9, 2015). Pursuant to Table 9 of the BAE Report, the MRIC Project would need to provide 3,763 dwelling units on-site to meet 100 percent of the estimated project housing demand (BAE Report, Table 9, page 32). As noted in Table 8 of that same report, the proportion of MRIC employees, who are expected to choose to live inside Davis, is estimated at 55 percent, leaving an estimated 45 percent of the MRIC employees, who are anticipated to choose to live outside of the City. For MRIC, 55 percent of the total housing demand equates to 2,053 units (Table 8 of BAE Report). Therefore, 2,053 units were assumed to be necessary within Davis in order to house all of the demand associated with the project. After accounting for the 1,238 units assumed to be available within the City, based on assumptions documented in the BAE Report, the MRIC project would need to provide a minimum of 815 units on-site in order to fulfill demand (Table 8, bottom row, of BAE Report).

Based on the aforementioned information, and in order to fully analyze the Mixed-Use Alternative, the applicant was asked to provide an alternative site plan that integrated a minimum of 815 dwelling units on-site, assuming high-density (30 dwelling units per acre [du/ac] minimum), attached, multi-story live/work units designed specifically to house and support workers within the MRIC. The resulting conceptual site plan (Draft EIR, Figure 8-1, page 8-3) reflects 850 units on approximately 34 acres; this includes the setbacks, courtyards, parking areas etc.

For the purposes of the Mixed-Use Alternative analysis in the Draft EIR, each of the 850 units was assumed to be occupied by at least one employee of the MRIC. The assumption of 100 percent occupancy by at least one MRIC employee was valid for the purpose of the CEQA alternative, which was to test whether and to what magnitude occupancy would minimize adverse environmental impacts.

As a result of public comments received on the Draft EIR, the City directed Fehr & Peers, Inc. and Raney Planning & Management, Inc. (Raney) to provide VMT and GHG data for the Mixed-Use Alternative assuming employee occupancy levels of on-site housing at the following percentages: 0, 25, 50, and 75. This data, then, is to be compared to the VMT and GHG data presented in the Draft EIR for the Mixed-Use Alternative, which, as discussed above, assumed an employee occupancy level of on-site housing at 100 percent.

## **Analysis Methodology**

A brief description of the methodology used for the trip generation, VMT, and GHG sensitivity analysis is presented below.

### **Trip Generation**

Vehicle trip generation was estimated based on the methodology described on pages 4.14-20 through 4.14-23 of the Draft EIR. The vehicle trip generation was developed using a three-step process. Step 1 involved estimating the gross trip generation of the proposed project and Mixed-Use Alternative land uses using trip rates from *Trip Generation* (Institute of Transportation Engineers, 2008), as well as the City of Davis Traffic Model (source: City of Davis Travel Demand Model Development Report, Fehr & Peers, Inc., 2003). Step 2 involved estimating the expected internalization of trips between complementary land uses (i.e., office and retail) based on the Mixed-Use (MXD) Trip Generation Model, which was developed by Fehr & Peers, Inc. and several academic researchers.<sup>1</sup> Although an internal trip calculation methodology is contained in *Trip Generation Handbook* (ITE, 2004), it was not used in this instance because the MXD model is based on more extensive data. Step 3 involved calculating the number of external project trips made by walking, bicycling, or transit, with the remainder being external vehicle trips. The external mode share by bike, walk, and transit was based on census data for the City of Davis. The data shows that approximately 25 percent of employees who also live in Davis either bike, walk, or take transit to work. Approximately 90 percent of those trips occur by bike.

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<sup>1</sup> “Ewing, Reid, Michael Greenwald, Ming Zhang, Jerry Walters, Robert Cervero, Lawrence Frank, and John Thomas. 2011. “Traffic Generated by Mixed-Use Developments — Six-Region Study Using Consistent Built Environmental Measures.” *ASCE Journal of Urban Planning and Development* 137(3): 248–61.

Employees who work in Davis, but live in communities outside Davis, travel to work almost exclusively by car. The above methodology yielded the total number of external vehicle trips that is used in the VMT calculation as described in further detail below.

For the trip generation sensitivity testing, Fehr & Peers, Inc. evaluated the number of net vehicle trips accessing the MRIC project site under a range of different assumptions for the percentage of on-site homes that are occupied by one or more MRIC employees. The Mixed-Use Alternative that is evaluated in the Draft EIR is based on occupancy of 100 percent of the on-site housing by at least one MRIC employee. As a result, the Mixed-Use Alternative has a substantially higher internalization of trips, between the housing and employment uses, than the MRIC project without on-site housing. Moreover, the Mixed-Use Alternative generates fewer external vehicle trips, particularly during the AM and PM peak commute hours, than the MRIC project without housing.

### VMT

Forecasts of the proposed project and Mixed-Use Alternative VMT was estimated by utilizing a combination of vehicle trip generation estimates as well as trip length data based on household locations in the *Economic Evaluation of Innovation Park Proposals* (BAE, March 2015), California Household Travel Survey (CHTS) data, and census data. This provides a full accounting of VMT generated by the project. The methodology described above for the external vehicle trips is used in the VMT calculation.

The MXD trip generation models provide an estimate of three outcomes: choice of internal destination, choice of walking on external trips, and choice of transit on external trips. Models are estimated separately by trip purpose: home-based-work, home-based-other, and non-home-based. This allows the MXD model to isolate how different factors influence different trip purposes and gives the ability to distinguish peak hour travel (disproportionately home-based-work) from off-peak travel (disproportionately home-based-other and non-home-based).

The model starts with ITE trip generation as a baseline. ITE trip generation does not distinguish trip generation by trip purposes. The model uses national data from NCHRP Report 716, *Travel Demand Forecasting: Parameters and Techniques* (2012) to distribute total trips (as estimated by ITE) into the three trip purposes described above. These trip purpose distributions vary by land use type (e.g. retail land uses have a higher percentage of home-based-other trips than industrial land uses). As NCHRP Report 716 is based on national data, the user may insert more accurate local data where appropriate. For this project, trip purpose distribution values from the City of Davis citywide travel model<sup>2</sup> were used for all land uses.

The model calculates reductions to the ITE trip generation once the trips are distributed to the various trip purposes. These net trips (by purpose) are then used for estimation of VMT. The Draft EIR identified adjustments for on-site internalization, walk, bike, and transit mode shares for home-based work, home-based other, and not home-based trips, and resulting vehicle trips were multiplied by average trip lengths to calculate VMT. Mode shares and average trip lengths were generally derived from the 2012 California Household Travel Survey (CHTS). Additional

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<sup>2</sup> City of Davis Travel Demand Model Development Report, Fehr & Peers, Inc., March 2003.

data adjustments were applied to account for the unique characteristics of the proposed project and Mixed-Use Alternative relative to existing Davis developments based on expected home locations of employees (BAE, 2014) and work locations of residents. For employees who do not live in Davis and residents who do not work in Davis, home-based work mode shares were assumed to reflect SACOG 2013 model averages. Average trip lengths were similarly derived from BAE (2014) for employees who do not live in Davis and from SACOG 2013 model averages for residents who do not work in Davis.

For this analysis, the total VMT was evaluated for all vehicle trips accessing the MRIC project site under a range of different assumptions for the percentage of on-site homes that are occupied by MRIC employees under the Mixed-Use Alternative. It is important to note that the VMT estimates used in the Draft EIR were calculated within the context of the cumulative scenario. In other words, for both the proposed project evaluation and the Mixed-Use Alternative evaluation, Fehr & Peers, Inc. calculated the total daily VMT for full project buildout in 2035. As such, these 2035 VMT calculations took into consideration cumulative projects and their associated trips on the network.

As noted in Response to Comment 41-3 of the Final EIR, the Davis Innovation Center Project application has been deemed withdrawn. As a result, Fehr & Peers, Inc. and Raney have focused the analysis performed for this technical memorandum on the Modified Cumulative Scenario, which, as discussed in the Draft EIR, excludes the Davis Innovation Center Project (see Draft EIR, Table 5-6, p. 5-9).

The VMT associated with the Modified Cumulative Scenario would be less than that associated with the CEQA Cumulative Scenario, for the following reasons. Under the Modified Cumulative Scenario, the Davis Innovation Center Project is not included, thus more housing opportunities throughout the City would be available to the MRIC employees, as the MRIC employees would no longer be competing with Davis Innovation Center employees for housing. The result of more MRIC employees being able to live in closer proximity to the project site is that a higher number of MRIC employees would be expected to drive lesser distances to and from home, thus proportionally reducing VMT. To demonstrate, the CEQA Cumulative Scenario daily VMT for the proposed project is 196,000, while the Modified Cumulative Scenario daily VMT for the proposed project is 186,000. The CEQA Cumulative Scenario daily VMT for the Mixed-Use Alternative is 146,000, while the Modified Cumulative Scenario daily VMT for the Mixed-Use Alternative is 139,000.

#### GHG Emissions

The unmitigated operational GHG emissions presented in this analysis were estimated based on the methodology described on pages 4.7-22 through 4.7-24 of the Draft EIR. The emissions were estimated using the California Emissions Estimator Model (CalEEMod) version 2013.2.2 software.

For operational GHG emissions, the proposed project or Mixed-Use Alternative was assumed to be fully operational by 2035. The modeling included compliance with YSAQMD rules and regulations (i.e., low volatile organic compound [VOC] paints and low-VOC cleaning supplies),

as well as with the California Building Energy Efficiency Standards Code and Tier 1 of the CALGreen Code per City standards to the extent feasible at this time. The inclusion of on-site renewable energy sufficient to supply a minimum of 50 percent of the energy requirements of the project has been applied to CalEEMod as an inherent project feature. The CO<sub>2</sub> intensity factors within CalEEMod were adjusted in order to reflect PG&E's progress towards the State Renewable Portfolio Standard goal by 2035.

The daily trip and VMT estimates for the proposed project and the Mixed-Use Alternative, under the Modified Cumulative Scenario, were applied to CalEEMod for the five different employee occupancy levels, in order to calculate the resultant GHG emissions. In order to apply the daily trip generation for each scenario, the trip rates per land use within CalEEMod were adjusted such that the total daily weekday trips in the model would equate to the project-specific average daily trips (or as close to the project-specific average daily trips as possible using CalEEMod). Similarly for VMT, the trip lengths within CalEEMod were adjusted such that the total annual VMT in the model would equate to the project-specific annual VMT (or as close to the project-specific annual VMT as possible using CalEEMod). This is accomplished by adjusting the trip lengths within CalEEMod accordingly (i.e., commercial-customer [C-C] trip length, commercial-work [C-W] trip length, and commercial-non-work [C-NW] trip length).

For the proposed project (not including on-site housing), based on the daily VMT of 186,000 under the Modified Cumulative Scenario, the project-specific annual VMT was calculated to be 47,430,000, assuming the proposed project would only be in operation 255 days out of the year (based on 52 weeks out of the year, five days per week, and accounting for five federal holidays). As stated above, the vehicle trip lengths within CalEEMod were then adjusted from default values to reflect the project-specific annual VMT of 47,430,000. For the Mixed-Use Alternative analysis within the Draft EIR, 20 percent of the daily VMT was associated with residential trips and 80 percent of the daily VMT was associated with employee trips. The same proportion of resident and employee daily VMT was assumed for this analysis. Accordingly, 80 percent of the total daily VMT was multiplied by 255 days per year to get the annual employee VMT, and 20 percent of the total daily VMT was multiplied by 365 days per year to get the annual residential VMT (based on the assumption that residential trips would occur 365 days per year). The aforementioned calculation was used to estimate the total annual VMT for each of the Mixed-Use Alternative employee occupancy levels evaluated herein.

The technical appendix to this memorandum, which includes all CalEEMod output files, is available upon request at the City.

## **Summary of Results**

The sections below present the summarized results of the sensitivity assessment forecasts for the Mixed-Use Alternative under the Modified Cumulative Scenario assuming that 0, 25, 50, 75, or 100 percent of the on-site housing would be occupied by residents who work at the MRIC.

### Trip Generation Sensitivity Assessment Results

Figure 1 presents the trip generation sensitivity assessment results based on the number of daily external vehicle trips at the various levels of employee unit occupancy. The orange bar in the figure shows the number of external daily vehicle trips that would be generated by the MRIC Project (i.e., without a residential component). Each column represents a different Mixed-Use Alternative scenario in terms of the proportion of units occupied by at least one employee of the MRIC. For example, the “0%” column indicates the number of trips that would be generated by the Mixed-Use Alternative, which includes 850 residential units, if none of the residents in the on-site housing work at the MRIC. The purpose of having the orange line in the chart is to show the point at which the Mixed-Use Alternative would generate more vehicle trips (e.g. have greater impacts) than the MRIC Project. The results indicate that the Mixed-Use Alternative would generate less external daily trips when compared to the MRIC Project when the occupancy of the residential units consists of 60 percent or more MRIC employees.

### VMT Sensitivity Assessment Results

Figure 2 presents the VMT sensitivity assessment results based on the daily VMT at the various levels of employee unit occupancy. Again, the orange bar in the figure shows the daily VMT that would be generated by the MRIC Project (i.e., without a residential component). Each column represents a different proportion of Mixed-Use Alternative units occupied by at least one employee of the MRIC (i.e., 0, 25, 50, 75, and 100 percent). As the chart indicates, the Mixed-Use Alternative would generate less daily VMT, as compared to the MRIC Project, when the occupancy of the residential units consists of 35 percent or more MRIC employees.

### GHG Sensitivity Assessment Results

Figure 3 presents the GHG emissions sensitivity assessment results based on the annual operational GHG emissions at the various levels of employee unit occupancy. The orange bar in the figure shows the annual operational GHG emissions that would be generated by the MRIC Project (i.e., without a residential component). Each column represents the annual operational GHG emissions at different proportions of Mixed-Use Alternative units occupied by at least one employee of the MRIC (i.e., 0, 25, 50, 75, and 100 percent). The chart indicates that the Mixed-Use Alternative would generate less GHG emissions when compared to the MRIC Project when the occupancy of the residential units consists of approximately 53 percent or more MRIC employees.



Figure 1

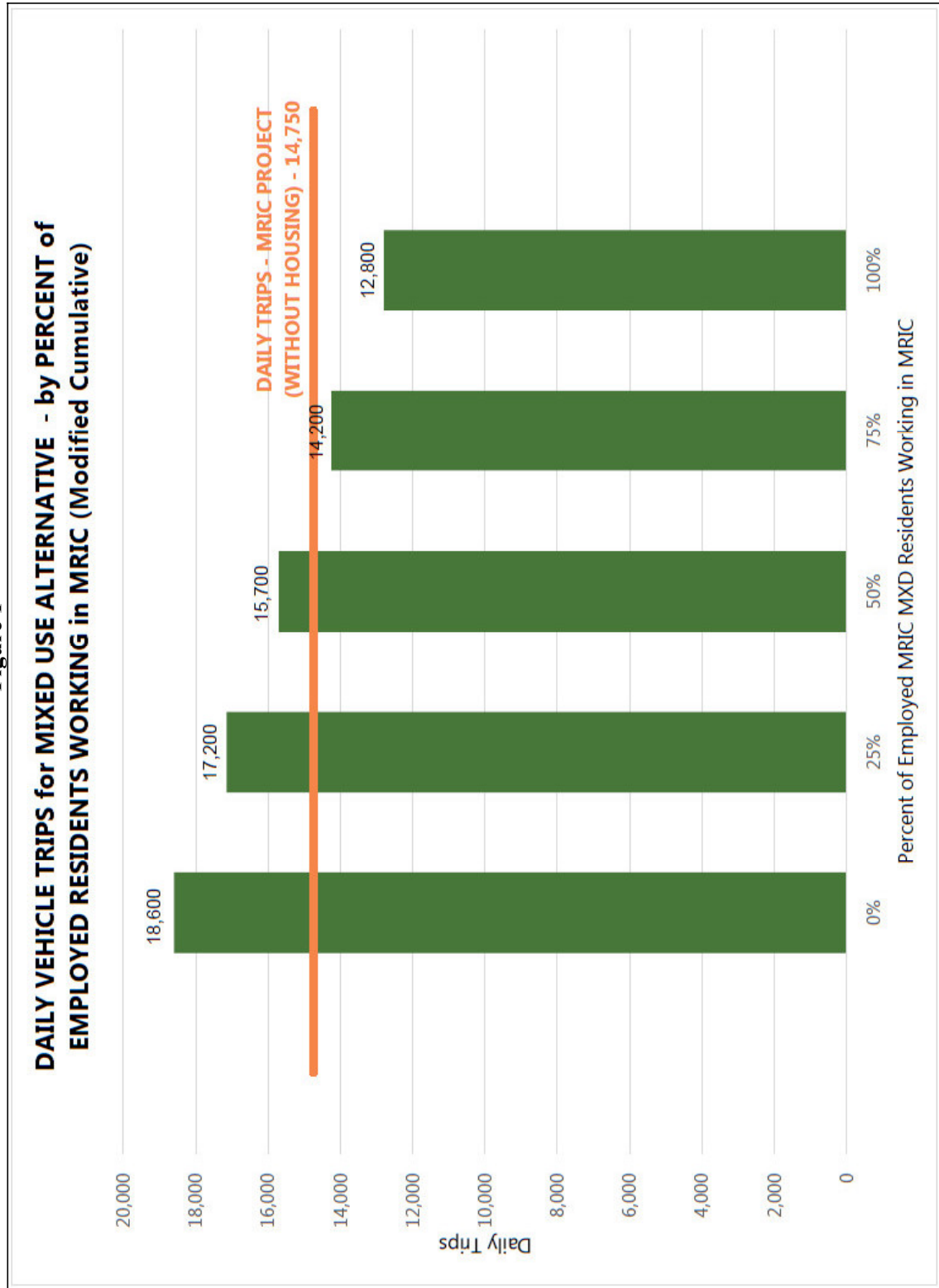


Figure 2

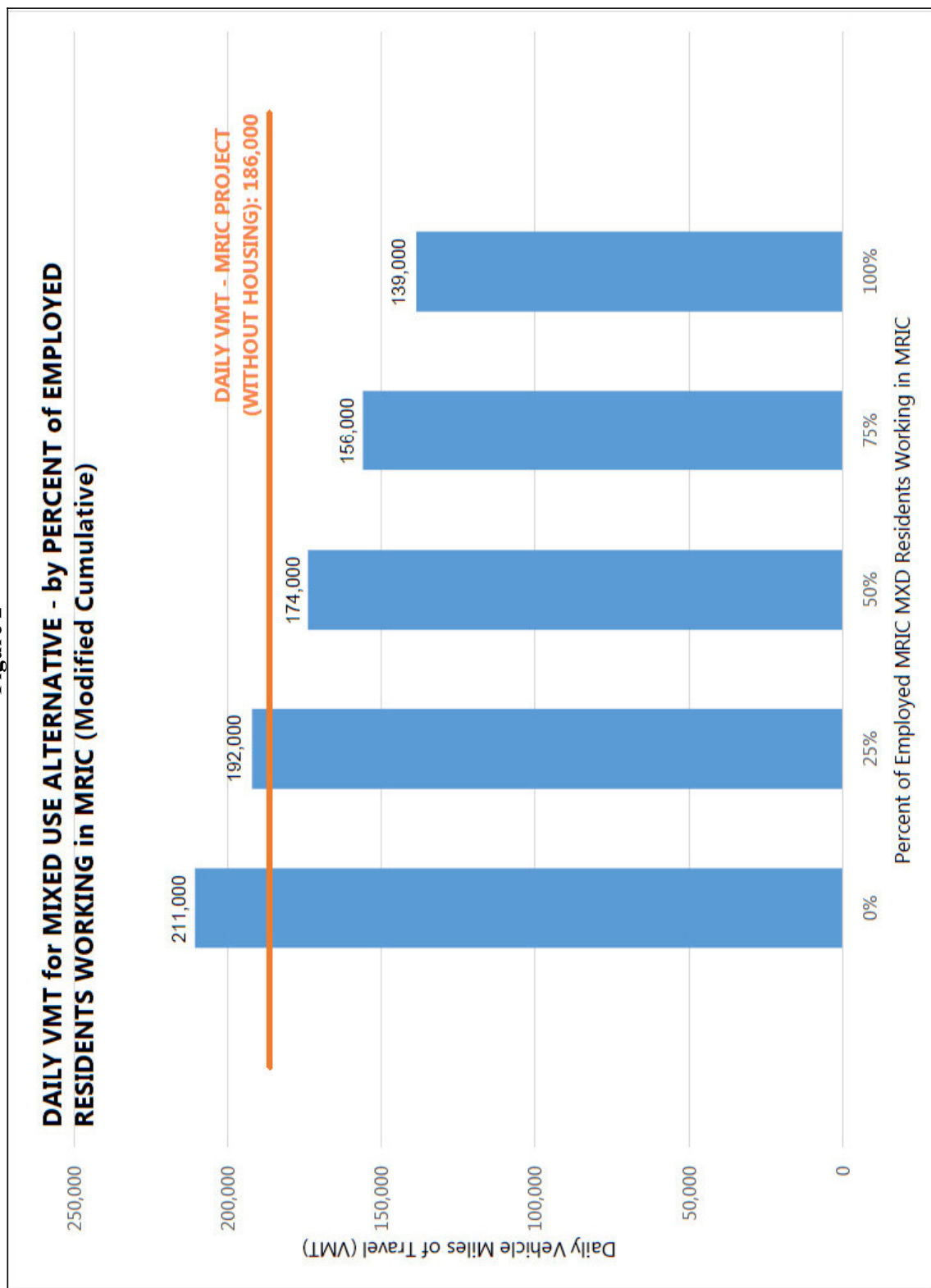


Figure 3

