

STAFF REPORT

DATE: December 26, 2017

TO: Finance and Budget Commission

FROM: Kellie Bruton, Administrative Analyst II
Katherine Hess, Community Development Administrator
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SUBJECT: Nishi Student Housing Proposal– Preliminary Review

Recommendation

Staff recommends the Finance and Budget Commission review the fiscal model results of the Nishi Student Housing project and provide feedback to City Council.

Background

Applications for a mixed-use development on the Nishi property were approved 5-0 by the City Council in January 2016, subject to voter ratification. Litigation was filed after City Council action, challenging the Environmental Impact Report (EIR) and affordable housing approach. The ballot measure in June 2016 was not approved, invalidating the General Plan Amendment for the project. Earlier this year, the litigation was resolved in the City's favor, and with the litigant ceding the affordable housing argument.

Current Proposal

In October, the property owners submitted a preliminary project narrative and conceptual site plan for development on the Nishi property. The focus of the project is providing student housing, including an affordable component. The narrative notes that vehicle access would be through an underpass under the Union Pacific Railroad tracks to the UC Davis campus. Vehicle trips would be reduced, and the elimination of private automobile traffic to West Olive Drive would need to be explored. The project also includes open space, potentially a farm to provide produce for UC Davis students, and surface parking with opportunities for photovoltaics.

The proposal includes approximately 2,200 beds in perhaps 700 apartment units. Surface parking is anticipated, at a ratio of 0.5 spaces per bedroom. The business park and for-sale condominium components of the previous proposal have been removed. The current project does include 10,000 square feet of neighborhood-serving commercial (such as a café or pub) with no parking.

The proposal is for development to occur with annexation to the City of Davis. Required entitlements would include General Plan Amendment (subject to voter approval), rezoning and preliminary planned development. A Development Agreement is anticipated. Implementing entitlements, such as subdivision maps, would be processed through the Planning Commission at a later date, consistent with zoning and Baseline Project Features.

Commission Review Process

In October, the City Council authorized an environmental review (anticipated to be an Addendum to the certified EIR) and directed that the proposal be scheduled for Commission review and comment. The current schedule allows for Planning Commission and City Council hearings in January 2018, which would give the City Council the ability to schedule the project for a June 2018 ballot if it so chooses.

Dates for commission review are as follows.

Commission	Date
Recreation and Park	November 15
Natural Resources	November 27
Open Space and Habitat	December 4
Social Services	December 4
Finance and Budget	December 11
Bicycle, Transportation, and Street Safety	December 14

The purpose of this initial review is to allow the Finance and Budget Commission to provide preliminary review and comment on general topics relating to the fiscal model. Staff anticipates that comments from advisory commissions would be presented to the Planning Commission and City Council in a matrix format, with staff notes on how recommendations have been addressed.

Fiscal Model Review

Staff and applicant are requesting Commission comments on the fiscal model.

Financial assumptions

1. Tax rate area is 6.9275 %, based upon the 2015 EPS report for Nishi. There could be a possibility that the City could get 10.3912% property tax rate from Yolo County.
2. Resale for this project is in year 7; fiscal model assumes property transfer tax but no new reassessed property tax values.
3. Sales tax basis is on a dwelling unit equivalent of .79 persons per household per unit. Assumed annual taxable expenditure are \$11,395.68 per unit, or approximately \$4,000.56 per resident.
4. Net present value is at the 2% inflation rate consisted with the Leland Model.
5. Revenues and expenditures are consisted with the Leland Model.
6. Roadway maintenance costs include \$3 million for CIP 8250 in general fund expenditures included in the 2017-18 budget.

Project assumptions

1. 3.14 persons per household
2. 700-unit Multi-family apartment complex
 - a. Absorption schedule is built out in 5 years
 - b. Assessed valuation \$350,000 per unit
3. 7500 square feet of the retail commercial
 - a. Absorption schedule is built out in year 3

- b. Assessed valuation \$350 per square foot
- 4. 2500 square feet of the retail commercial
 - c. Absorption schedule is built out in year 4
 - d. Assessed valuation \$500 per square foot
- 5. Privately maintained by Development
 - a. 2.67 acres of Parks, Greenbelt and Open Space
 - b. 150 linear feet of Residential Street Connector
 - c. 2,500 linear feet of Residential Lane
 - d. 50 linear feet of Residential Traffic Calming
 - e. Street trees

Finance Summary

The Nishi project is anticipated to be revenue positive according to the fiscal model analysis. The project will contribute property taxes to the City's General Fund based on the value of the property. The new property tax revenue for this project would be \$2.6 million over 15-years with a valuation of \$266 million and a tax rate share of 6.9275%. If the tax rate share went to 10.3912%, the revenue over 15-years period would be \$3.9 million. Sales tax revenue over 15-years is \$ 2.8 million. Over a 15-year period, the project will contribute \$13.8 million in revenue projections while expensing \$12.2 million in expenditures. Parks, greenbelts, street trees, all residential street and connectors will be maintained by the development.

One-time Fees

At current rates, the project would generate a one-time fiscal benefit to the City

- 1. Construction Tax \$2.1 million
- 2. Permitting cost \$2.1 million
- 3. Development Impact fees, total fees \$11 million
 - a. Roadways \$3.6 million
 - b. Storm Sewer \$60,680
 - c. Parks \$2.6 million
 - d. Open Space \$462,560
 - e. Public Safety \$540,680
 - f. General Facilities \$1.3 million
 - g. Sewer \$2.3 million
 - h. Water connection fees to be determined by Public Works

The project will also contribute one-time fiscal benefit to other agencies.

- 1. Davis Joint Unified School District \$2.1 million
- 2. Yolo County development impact fees \$2.2 million

Attachment

- 1. Fiscal Model