February 6, 2002

John Meyer, Vice Chancellor
Office of Resource Management and Planning
One Shields Avenue
University of California
Davis, CA 95616

RE: Comments on Draft Focused Tiered EIR for UCD Hotel/Conference Center and Graduate School of Management Building

Dear Mr. Meyer:

The City of Davis appreciates the opportunity to review and comment on the subject EIR. This project, as reflected in our prior comment letters and correspondence on this matter, is of great concern to the City. The project brings to the forefront fundamental land use and fiscal equity issues directly affecting the delicate harmonic balance between the City and University and how it impacts the greater community we both serve. The City embraces the university’s presence, and how it contributes to the unique and wonderful place that Davis has become. Unfortunately, there are also costs, and the City struggles to balance the benefits and costs of being a university community in an increasingly challenging fiscal environment. Our goal, which we are sure you also share, is to build upon those qualities in the community that will make it a great place to live and learn for generations to come.

The hotel/conference center project, although seemingly a minor development given the scale and scope of projected UCD growth, is quite significant to the City of Davis and all it represents. The project represents a lost opportunity cost to the City in addition to a potential drain on downtown and local businesses. Given the many demands on city services derived from university related impacts and particularly the amount of university growth projected with the LRDP update currently underway, it only seems appropriate that the university more equitably share the benefits of a potential revenue and activity generating use represented by the conference center. Furthermore, options exist to site this use in a location that breaks down real and perceived physical boundaries that divide the City and university. The proposed location does not realize this possibility given its physical and psychological isolation from the community core. No matter how many trams, no matter how many informational brochures are handed out, and no matter how many verbal commitments are made to preserve existing business relationships with existing hotels; these actions cannot erase the overall lost opportunity for an improved synergistic relationship between campus and the City. We know it is hard to reverse the momentum.
that exists from those promoting this project but feel it is it is never too late to change course if it is to the long term benefit of the community.

Our specific comments on the draft EIR are provided below.

**Project Description Based on Incomplete/Unavailable Information**

The City believes the project description in the draft EIR is inadequate. The EIR text contains basic descriptions of the project, but only limited exhibits to substantiate the accuracy of the description. A small, barely readable site/floor plan is contained in the EIR. The city requested additional exhibits but was only able to obtain a to-scale drawing of the first floor and site plan. We have been told that second and third floor plans do not exist. There are apparently no publicly available building elevations available for all sides of the facility other than the single, very conceptual rendering contained in the EIR.

This lack of critical project information and unverifiable project description is a serious concern to the City since it prevents us from fully analyzing project impacts. Without 2nd and 3rd floor plans, how can we determine how large the rooms are or whether there is potential to convert this space to additional hotel rooms? How can the City assess visual impacts of the project without building elevations/renderings for all sides of each building?

While we recognize that further environmental review would be required for any increase in rooms from the number described, it will be a much less rigorous process since the baseline approval would already be in place. The net affect, particularly if the current plans were to show a high potential for convertibility to additional rooms, is a watered down analysis in this EIR of the current projects potential environmental impacts. This is clearly segmentation of the project in conflict with CEQA, and raises substantive questions about the adequacy of the EIR. The City believes the EIR needs to be recirculated with a more complete and accurate project description.

**EIR Analysis of Possible Conflicts with City General Plan Policies Not Complete**

The EIR’s analysis of consistency with the City’s General Plan is biased and flawed. It only considers selective General Plan policies and fails to even mention a key goal establishing the City’s downtown as the community’s heart and soul.

The entire analysis is based on an assumption that spillover business from the hotel/conference center will somehow benefit downtown Davis. This logic would be credible if the facility were conveniently located proximate to downtown. Unfortunately, the facility is not within easy walking distance to downtown nor is there any visual connection that would lure conference attendees in the direction of downtown. The conference/hotel is essentially a self contained island that will be connected to the performing arts and Mondavi Centers, leaving many conference attendees with only minimal incentive to venture into downtown Davis. It is a huge leap of faith to think that there would be enough spillover business, at least for many years, to provide the level of positive effects purported in the EIR analysis. An EIR must contain sufficient information...
and analysis to assure the public and decision makers that its assumptions are based on credible facts and conclusions are reasonable. The analysis on spillover effects is wishful thinking unsupported by evidence of visitor activities from similarly located and sized hotel conference centers, or successful programs to link other remote conference centers and downtown areas.

The EIR also notes potential positive aspects of the 3% dedicated TOT funds for visitor attraction and tram services. This is flawed for several reasons. First, the tram is necessary only because the hotel/conference center is proposed to be located far from the downtown. Second, there is no way to substantiate that many visitors will actually use the tram. And third, the TOT dedication does not make the City’s general fund whole from loss of hotel and restaurant business in the downtown. This loss of TOT general fund revenue will have serious impacts on the City’s ability to support existing city wide services, thereby causing potential adverse impacts on the City through lack of ability to maintain public facilities and adequately provide police, fire and other basic life safety services.

If this hotel was located within the city limits, it would be required to pay 1% of its gross revenue for visitor attraction services and 10% for TOT. This 10% supports downtown and general city services, assists in funding parks, police fire and other city services, all of which provide a benefit to the citizens of the City and the University. The loss of this revenue, together with the potential physical impact on the City by reason of closure of existing hotels within the City or serious decreases in the revenue generated by these hotels, has the potential to cause significant adverse environmental impacts on the City and on the University related services provided by the City – beginning with police and public safety and including road and park maintenance.

Additionally, since the EIR fails to acknowledge that the project will have an adverse environmental impact on the downtown and the City as a whole, the 3% proposal is not a mandated mitigation measure and is not binding on the University or its hotel operator. Therefore, this proposal is illusory in its current form and fails, in the final analysis, to offset the impacts that will be created by this project.

The EIR analysis of the City’s General Plan does not even mention a fundamental principle of the City’s General Plan which states:

Goal ED1: "Maintain and enhance the core area as a vibrant, healthy downtown that serves as the city’s social, cultural and entertainment center and primary, but not exclusive, retail and business district".

The City believes the proposed hotel/conference center in its current proposed location is in conflict with this goal. No amount of triage through trams or visitor brochures can make up for the physical separation of this facility from the downtown. It only makes sense for the City and University to work hand in hand to locate this facility in a location that directly connects the downtown to the University, such as the First and A Street site. The current
project does not achieve this and raises serious questions about the projects consistency with the City’s General Plan and the EIR’s determination that it does. While in the end the University may not have to comply with the City’s General Plan, continuing with this project as proposed represents a serious deviation from cornerstone principles contained in the 1989 Memorandum of Understanding between the City and University. That agreement contains a commitment from the University that campus growth through the current LRDP would be consistent with the City’s General Plan. It also contains numerous references for minimizing fiscal impacts on the City and providing revenue opportunities to the City where feasible to compensate for service costs to the City derived from campus growth. The proposed hotel/conference center project appears to be a significant departure from the spirit and understandings of that agreement.

Ambiguities in LRDP of Enterprise Opportunity Overlay/ Possible Need for LRDP Amendment

The City continues to have serious concerns about how the Enterprise Reserves designation is being interpreted and applied by the University. It is not clear in the words contained in the 1994 LRDP update that this designation was ever intended to be interpreted as broadly as it is. The second paragraph on Page 67 of the 94 update indicates “An Enterprise approach can be utilized in almost any LRDP land use area for create space for research activities, faculty/staff housing, office space, recreation opportunities, open space amenities and cultural facilities”. There is no mention in this opening of commercial activities such as the hotel/conference center. It does go on to state “there are certain campus objectives that can be best attained by reserving lands specifically for Enterprise activity. These include 1) Projects where the land assets of campus may be converted to income to support the academic mission”. While this could be creatively and broadly interpreted as allowing commercial activities, it does not expressly state so. The City never interpreted this designation as an “anything goes” designation, although the EIR analysis implies that is essentially what it is. If that was the case, why did the plan objectives on Page 68 only reference commercial activities to the east end of First Street. If there was a broader desire to apply this designation for commercial uses elsewhere on the University, it should have been more clearly stated in the LRDP and the impacts of this designation analyzed in the LRDP EIR. How could the true impacts of this designation in the 1994 LRDP environmental analysis have been truly evaluated under such an open ended designation? To fall back on the crutch of broad brush buildout parameters does not sufficiently cover the complexity of potential impacts of such a designation.

The City believes what is written on paper should prevail over interpretation of intent. The evidence is simply not on paper that the hotel/conference center project is consistent with the LRDP as written. The City believes the EIR needs to be revamped to include in the project description an amendment to the LRDP to change the description of the Enterprise Reserves overlay to allow projects such as the hotel/conference center. The EIR analysis should be revamped accordingly to contemplate the full ramifications of this type of action.
As a final note on this subject, the EIR attempts to equate other campus commercial activities such as Taco Bell and the bookstore as being similar to the subject project in that they are open to the general public. The City sees this as a real analytical stretch, since the uses clearly are intended to serve internal campus needs and are not typically used by the general community. The proposed hotel, although also intended to serve campus needs, is much different. It could draw in travelers on I-80 with no campus connection. The ramifications on the non-campus business community are much greater.

**Flawed Conclusion on Physical Impacts to Downtown Davis**

The draft EIR concludes that there would be no impacts or physical deterioration to downtown Davis resulting from construction of the proposed hotel/conference center. This conclusion is based, in part, on a determination in the economic analysis that there would not be a negative impact on local hotels/motels (a conclusion which we disagree with as outlined elsewhere in this correspondence) and in part on logic that even if the new hotel takes business away from existing hotels and motels in the city and ultimately even results in some closures, the vacancies created could be easily backfilled through adaptive reuse. The EIR states that under such circumstances, no physical deterioration would occur. Student housing is specifically listed as a possible reuse option. This conclusion lacks any depth of analysis in the ramifications of what is really being suggested. It fails to analyze the feasibility or the impacts of the proposed reuse. It also reflects an insensitivity to the public policy issues at play.

There is no analysis of whether conversion of existing hotels is truly feasible. For example, could building codes be met? Is there sufficient parking? It must be remembered that parking ratios are much higher for residential uses than for hotels. Many of the existing hotels have insufficient parking to meet residential standards. Also, open space requirements are higher for residential than for hotels. This is just a sampling of factors that would have to be considered but were not. Basically the EIR contains a conclusion on impacts unsubstantiated by fact.

The economic assumptions behind the EIR's conclusions are equally lacking. The EIR simply assumes the conversion from hotel to residential or office would occur seamlessly without secondary effects. What it does not consider is reduced revenue that would be available to the City from loss of Transient Occupancy Taxes and potentially from loss of property taxes if the facility were to become university owned or leased. This loss of revenue sources would affect the City's ability to maintain the downtown area and ultimately could result in physical deterioration. Furthermore, student housing typically has higher service costs which only exacerbates the drain on the City.

All of this doesn't even factor in the full ramifications of changing the land use mix in the downtown. Student housing replacing hotels/motels will likely result in reduced restaurant patronage and related activities. A further erosion in the City's earnings potential is the end result. The delicate balance of uses in the downtown area would also likely occur. Whereas there is currently a balance between permanent residents and students that
contributes to the charm of areas around the downtown, the new mix would be student dominated. Visions of Isla Vista come to mind.

The EIR needs to fully consider the full range of possibilities when it comes to potential for physical deterioration to the downtown. The conclusions in the current draft are highly suspect and do not reflect a fair and honest analysis of the impacts of this project. The City believes this is a potential significant impact and should be addressed accordingly in the EIR.

Further detailed comments are provided below on the assumptions and determination contained in the economic and market analysis prepared for this project and why flaws in these analyses understate the full extent of significant economic and environmental impacts on the City of Davis.

**Alternatives Analysis Fails to Fully Consider Benefits of Other Sites**

The City believes the alternatives analysis only superficially considers the benefits and tradeoffs of alternative sites. It appears that project objectives were established that made all other alternatives infeasible. For example, when discussing the 1st and A site, it emphasizes parking and traffic constraints while largely ignoring potential positive benefits such as proximity to the downtown and better connectivity between the University and City. Proximity to other local hotels is another positive benefit. The analysis implies that the site is too small without providing any factual evidence to support that contention. Creative solutions to parking constraints were also not explored. Even though this site might not meet the narrowly defined objectives established by the University, it is the City’s contention that if these objectives had given some weight to broader factors benefiting the Davis community as a whole, the conclusions might have been more positive towards this alternative. Furthermore, because the impacts of the University’s preferred alternative on the City of Davis were understated, it tends to inflate its’ positive benefits at the expense of the other alternatives.

**General Approach to the Economic Analysis**

In conducting the analysis of the potential impacts of the proposed hotel on the Davis lodging market as a whole, the EIR and the background analyses upon which it relies for its conclusions fail to focus on the issue of potential impacts on hotels in the Downtown Area, which is of particular concern to the City. Instead, the EIR discusses the potential impacts of the proposed hotel on the Davis lodging market as a whole. In doing so, the EIR fails to acknowledge that each existing lodging property will not experience a pro-rata share of the potential impacts. For example, the EIR relies on conclusions regarding the potential change in hotel occupancy rates in Davis overall to conclude that no hotels would be adversely affected by declines in occupancy rates that could arise due to the increase in the supply of hotel rooms that the proposed project would create. In reality, it can be expected that some hotels, such as those in the downtown area closest to the proposed hotel site, would experience a disproportionate share of the impact from the new competitive supply. In addition, although the EIR asserts that the average daily room rate
within the Davis lodging market is well below the rates that the proposed hotel anticipates charging and that this means that the new hotel would target a different market niche than those currently serving the Davis market, the EIR does not acknowledge that all hotels in Davis do not charge the same rates and that a hotel such as the downtown Best Western Palm Court, which has posted room rates of $144 to $194 operates in the same price segment that the proposed hotel would operate in.

Page 4.2-6 of the EIR asserts that a 22.2 percent increase in transient occupancy taxes between FY 1999-2000 and 2000-2001 indicates a positive trend in the hotel business in the City of Davis during the last decade. Page 4.2-6 suggests that most of this gain appears attributable to the new freeway-oriented Comfort Inn in South Davis; however, the EIR does not acknowledge that existing conditions may be much poorer for older, downtown lodging establishments, for example. While the newer hotels with freeway visibility and access may be achieving a certain level of success in the market place, the EIR has not provided information regarding the performance of the older downtown lodging establishments. The City is particularly concerned about the downtown lodging facilities because of their proximity to the proposed hotel and because of the likelihood that because these facilities are located close to the UCD campus itself that they may be especially dependent upon the patronage of UCD-affiliated visitors who represent the targeted market niche of the proposed hotel. These downtown lodging establishments may therefore be especially vulnerable to competitive pressure from the proposed hotel, and the EIR should analyze this vulnerability of specific existing lodging properties even if the market as a whole may appear healthy enough to withstand the competition from the proposed hotel.

Page 4.2-7 of the EIR indicates that approximately 60 percent of the total accommodated demand in the City of Davis is generated from individuals visiting UC Davis or attending activities associated with UC Davis. If this is true in the aggregate, then the proportion of business attracted to freeway oriented lodging establishments that are visible from I-80 is likely less than 60 percent university-related and the proportion of business attracted to downtown hotels that are closer to campus is probably greater than 60 percent university-related.

For the reasons mentioned above, the EIR analysis should be revised to evaluate the potential impacts on individual hotels located within the competitive market area, considering, at a minimum, their current occupancy rates, their current room rates, how they would compete individually with the proposed hotel, and the likely impact on occupancy rates and long-term viability of each individual hotel.

Projected Hotel Demand

Page 4.2-7 of the EIR asserts that surveys of UC Davis meeting personnel conducted by campus staff in coordination with Keyser Marston Associates, Inc. in 1998 indicated an unmet demand for more than 28,000 room nights for conference and group meeting facilities. The EIR goes on to assert, based on this statement, that the unmet demand slightly exceeds the annual occupancy potential for the hotel component of the proposed
project. Although we have reviewed other parts of the EIR itself as well as the background reports prepared by Keyser Marston Associates and PKF Consulting and included as attachments to the EIR, we have not been able to find any documentation of the 1998 survey which would enable a critical evaluation of whether the EIR can rely upon information from the survey for its conclusions. For example, it is not clear from the EIR whether this “unmet demand” for room nights was due to a lack of suitable hotel facilities, or whether it was due to a lack of suitable conference facilities, or a combination of the two. It is possible that there may have been a lack of hotel rooms in Davis suitable to the survey respondents who were using on-campus facilities for their conference proceedings. Since 1998, the Comfort Inn have opened for business and have added a considerable number of rooms to the local supply. These new rooms may or may not have reduced or eliminated the “unmet demand.” Other changes in conditions since 1998 may mean that this unmet demand has been reduced or no longer exists; however, the EIR does not provide the information that would be necessary to make this determination. If this “unmet demand” is no longer as great as that assumed in the EIR, then the potential impacts on existing lodging establishments would likely be greater than suggested in the EIR.

Table 4.2-1 and Page 4.2-9 of the EIR assert that the overall occupancy rates for the nine competitive lodging facilities included in the EIR analysis would increase from an estimated 58.0 percent in 2001 to 62.0 percent by 2003; however, neither the EIR nor the supporting analyses by Keyser Marston Associates and PKF Consulting that were included as attachments to the EIR provide a thorough analysis to serve as the basis for this projected increase in occupancy rates. For example, there is no quantification of the projected growth in local population or employment during this time period that might support assumptions about increasing hotel occupancy rates. There was no discussion of the impact of pass-through traffic on I-80 as a factor contributing to demand for lodging facilities in Davis and how continued construction of new lodging facilities to the east and west of Davis along I-80 would affect demand for lodging in Davis.

Potential Future Lodging Industry Revenue

Page 4.2-9 asserts that with 2.0 percent annual inflation, room rates would increase from $77 to $88 by 2008. This assumption is then used to project an increase in the total lodging industry revenue in 2008. This increase in revenue is used in Table 4.2-1 to demonstrate potential for an overall increase in revenue within the Davis market area; however, this inflationary increase in revenue fails to account for the fact that hotel operating expenses will also rise significantly during this time period and may offset or eliminate any inflationary increases in room rates. If the effect of increasing operating costs is factored into the analysis, then the projected net increase in revenue would be reduced, and the impacts of the proposed hotel would be greater than anticipated in the EIR.
Potential Share of Local Lodging Market Demand Captured to Be Captured by Proposed Hotel

Page 4.2-11 of the EIR indicates that, based on a survey of other university-sponsored conference center hotels, an expected range of room night demand is between 0.8 and 2.0 per capita of university population, and that the lower end of this range would generate 20,000+ room nights of demand for the proposed hotel, or approximately 73 percent occupancy; however, for the purposes of estimating the potential impact of the proposed hotel on existing Davis hotels, the EIR uses occupancy figures ranging from 62 to 70 percent. Based on the information contained in the EIR itself, it appears that the impact analysis may be understating the potential occupancy rate of the proposed hotel and, as discussed below, if the demand captured by the proposed hotel is not “induced” demand (demand that is not currently being captured by existing hotels), then the proposed hotel can be expected to take more demand away from existing hotels than acknowledged in the EIR, leading to more significant economic impacts than those considered in the EIR.

Impact Modeling Scenarios

Page 4.2-12 defines a “No Project” scenario as the starting point for analysis of the potential impacts of the proposed project. This scenario relies on the trade area growth assumptions which we have previously questioned in the second paragraph under the heading Projected Hotel Demand, above and the paragraph under the heading Potential Future Lodging Industry Revenue, above. By relying on these assumptions, the EIR may be painting an overly healthy outlook for the Davis lodging market, which establishes a more positive background for the analysis of the potential impacts of the proposed project than may actually be the case.

Page 4.2-12 discusses a “worst case” scenario regarding impacts of the proposed hotel on the existing local lodging market. Although it does not state it explicitly, the “worst case” scenario actually appears to assume that at least 60 percent of the proposed hotel’s business would come from new business that is not currently captured in the Davis trade area. This assumption is likely based on the assertion from the referenced 1998 study that there is an unmet conference demand for 28,000 room nights, which we have questioned above in the first paragraph under the header Projected Hotel Demand. Absent better documentation of an existing unmet demand, a “worst case” scenario and the other scenarios should consider the possibility that the majority of the proposed hotel’s demand would be captured from demand currently being captured by other hotels existing in the marketplace.
Even though it is called a worst-case scenario, this scenario still only assumes that the proposed hotel would achieve a maximum 70 percent occupancy rate. As mentioned above, the EIR analysis indicated that at the low end of performance for a university-sponsored conference center hotel, the project could be expected to capture room demand equal to 73 percent occupancy. A “worst case” scenario and the other scenarios should consider the possibility that the proposed hotel would perform closer to the top of the range of university-sponsored conference center hotels, allowing it to achieve a much higher occupancy rate, thus increasing the quantity of business that might be diverted from existing hotels.

A “worst case” scenario and the other scenarios should also consider the possibility that a disproportionate share of the room demand captured by the proposed hotel from the existing marketplace would be taken from nearby hotels in the downtown area. Each of the scenarios should analyze the specific impact of the proposed hotel on each individual hotel, rather than limiting the analysis of potential impacts to the aggregated Citywide hotel market.

The “worst case” scenario (and the other scenarios) should also consider the fact that, as stated on page 4.2-7 of the EIR, approximately 60 percent of the total accommodated demand in the City of Davis is generated from individuals visiting UC Davis or attending activities associated with UC Davis. It seems reasonable to assume that if such a large portion of the local lodging business is university-related, then those university functions that generate this lodging demand would naturally tend to direct their visitors first to the on-campus hotel, if for no other reason than for convenience. Since the EIR acknowledges that the existing hotels are currently serving the university-related commercial/ transient business, the “worst case” scenario and the other scenarios should allow for the fact that greater proportions of the proposed hotel’s commercial/transient business could be captured from existing hotels than assumed in the scenarios defined in the EIR.

All four scenarios should be revised to provide a better assessment of the potential risks to the existing Davis lodging market, particularly the existing downtown lodging establishments. As discussed above, the existing scenarios rely on questionable assumptions about the nature of the potential market support for the proposed project; they potentially under-state the anticipated occupancy rate of the proposed hotel, which reduces the anticipated diversion of room nights from existing hotels; and the potential impacts on revenue of the existing hotels are under-stated because they incorporate assumptions about inflationary increases in room rates that increase revenue projections, but do not incorporate assumptions about inflationary increases in operating costs, which would offset much if not all of those inflationary increase. Because each of the four scenarios only analyzes the impacts on the Davis market in aggregate, they do not reveal how individual hotels, particularly downtown hotels that will likely compete most directly for business with the proposed hotel will fare. This information is necessary to provide a fair assessment of the potential impacts of the proposed project on downtown Davis.
Opportunity Cost to City of Davis

Should the hotel be constructed, it would represent a significant opportunity cost to the City of Davis. This is because the proposed hotel would capture lodging demand that might otherwise be captured in facilities in the City of Davis that would generate property taxes, sales taxes, and transient occupancy taxes to support the City of Davis General Fund, which is the primary source of funding for local municipal services. As the University continues to grow, the City of Davis will experience more demand from the community for municipal services; however, if the University brings revenue-generating facilities on-campus, such as hotels and conference centers, then the University is denying the City valuable opportunities to capture new revenues to support increased service expenditures.

For example, the City of Davis charges a levies a 10 percent transient occupancy tax on hotel facilities in Davis. Should a new on-campus lodging facility capture lodging demand of 19,163 room nights upon reaching stabilized occupancy, as suggested in the EIR, at an average room rate of $130 per night, as indicated in the EIR, would generate approximately $2.5 million in gross lodging receipts. At the City of Davis' current transient occupancy tax rate, this amount of lodging revenue would generate approximately $250,000 annually in General Fund Transient Occupancy Tax revenues. In the worst case, if the proposed hotel opens and captures 100 percent of its lodging business from existing Davis establishments, this would represent a loss to the City of $250,000 of current revenues that the City depends upon to fund basic municipal services, such as law enforcement, fire protection, and maintenance of public parks and facilities. Even in the unlikely event that none of the proposed hotel's business was captured from existing hotels, this could still be viewed as a $250,000 per year opportunity cost to the City of Davis. In other words, even if the new hotel's sales were all new to the marketplace, the construction of an on-campus hotel facility would foreclose on any opportunity that the City of Davis would have to develop a similar facility off-campus to serve the same market, meaning that the City would have a reduced range of opportunities in the future to develop a land use mix that is capable of generating new municipal revenues to help offset increasing service costs.

Alternative Reuse Analysis

General Approach

Because the hotel market impact analysis did not provide sufficient detail to determine the potential impacts on individual Davis hotel properties, it is not possible to determine the validity of this alternative reuse analysis, which focuses on one specific property. Despite the assertions contained in Attachment B to Appendix E of the EIR to the contrary, we do not believe that the analysis of one specific property, the Hallmark Inn, can be generalized to reflect the feasibility of converting any other lodging property in Davis that might be affected by the proposed university hotel. Whether the scenario being examined is the
future without the proposed hotel/conference center or with the proposed hotel/conference center, each of the different lodging properties in Davis can be expected to have different operating results. Costs to implement either the office or residence hall reuse alternatives can also be expected to vary because of the different physical configurations and conditions of the different properties, and the economics of undertaking these different alternatives vis-à-vis the continued lodging use scenarios can also be expected to vary significantly.

We question the reuse analysis' assertion that the reuse of part of a lodging facility for residence hall use could be compatible with continued use of the remainder of the property for lodging use. Hotel patrons generally expect their environment to be most quiet during the evening and nighttime hours whereas this tends to be the opposite in residence hall facilities, where nighttime activity levels can be significant, as the residence hall is typically a primary location for the social and recreational activities of its residents. Although the unique configuration of the Hallmark Inn may allow for some separation of lodging and residential uses, the reuse analysis should more fully explore this issue as it affects viability for this particular property and should also evaluate this issue in regard to the potential reuse of other lodging properties that may not have the same potential for separation of uses.

As indicated on page 5 of the alternative reuse analysis, a critical consideration for the feasibility of the residence hall reuse scenario is whether the university could arrange for private restaurants in downtown Davis to provide residence hall occupants with discounted meals, since the particular facility being evaluated would not provide an onsite dining hall. As further indicated in the analysis, the viability of this approach was not confirmed; therefore, the viability of this approach is seriously questionable simply from a practical feasibility standpoint. The reuse analysis should be expanded to further explore this issue and determine how the cost of providing for such off-site meal arrangements would affect the financial feasibility of this particular scheme for reuse of existing lodging facilities.

The analysis, which considers only partial reuse of a single facility, while assuming that the remainder of the facility continues to operate as a lodging establishment, fails to consider the possibility that one or more lodging facilities could shut down completely as a result of competition from the proposed facility. The reuse analysis should address this potential impact in addition to the potential need to reuse only a limited number of hotel rooms.

**Specific Assumptions Used in the Residence Hall Reuse Scenario**

The analysis assumes that the operating costs for the residence hall reuse scenario would be approximately $125 per month, per unit. This figure appears unrealistically low. The analysis indicates that the figure is based on the reported 2000 operating costs per square foot for garden-style apartments in the Sacramento area, inflated by 20 percent to allow for additional costs, including the stipend for a Resident Assistant. A twenty percent increase above that assumed for conventional multifamily apartments does not seem adequate to allow for additional factors such as the following:
Because the residence hall rooms would be very small, on average, the average cost per square foot approach to estimating costs probably does not adequately allow for the increased administrative expenses of managing a greater number of individual rooms for a given square footage.

Typically, the residence hall operator must manage contracts not on a per apartment basis, or even a per-room basis, but on a per-occupant basis. This suggests greater costs for contract administration, collections, etc.

College students have a reputation for creating substantial wear and tear in housing units. The analysis should factor in a substantial increase in costs for repair, replacement, and everyday maintenance above and beyond those reported for conventional multifamily rentals.

If the typical tenure in a residence hall room is one school year, costs to clean and repair residence hall rooms when tenants move out will be incurred at least once every 10 months of occupancy, whereas standard apartments likely have a much lower turnover rate. This would have increased operating cost implications not only for repair and maintenance, but also for facility management.

University-sponsored residence halls typically incorporate a programmatic content that provides a supportive environment for students in particular. The analysis does not appear to account for the additional costs of providing such programs and services.

The analysis appears to factor in operating costs only for a 10-month academic year. Although likely to be reduced from costs during the school year, the university would still be responsible for operating costs during the summer break period and these additional costs should be included in the analysis.

Given that the University sponsored the alternative analysis, we question why the EIR did not report actual operating costs for UCD residence halls, instead of attempting to estimate operating costs from data on dissimilar privately-owned and operated multifamily apartment buildings, which can be expected to have significantly different operating expenses than University-run dormitories. To provide a more realistic assessment of costs to operate a residence hall, the analysis should be revised to incorporate information regarding the operating costs for existing UCD residence halls and make appropriate adjustments to that information to reflect the expected operating costs under the reuse scenario being analyzed.

Table 3 of the alternative reuse analysis indicates that the annual cost per year charged to on-campus dormitory residents is almost $7,500 per year, whereas the alternative analysis assumes that the students living in off-campus facilities leased from a private property owner would only have to pay $5,600 per year for a similar accommodation, including meals to be provided by outside restaurant facilities. This suggests that the reuse analysis may be seriously under-estimating the potential operating costs associated with the
residence hall reuse scenario, which means that the financial feasibility of this scenario may be overly optimistic.

The reuse analysis has not considered whether the onsite parking would be adequate to accommodate the parking needs of dormitory or office users, in compliance with City regulations.

The reuse analysis asserts that office use would also be a viable reuse for existing hotel properties; however, the analysis is cursory (less than one paragraph of text discussion) and does not provide meaningful analysis of the physical compatibility of existing lodging structures for office use, or financial feasibility of such a reuse project.

The office reuse analysis relies on anecdotal comments from local contacts to determine that there is adequate demand for office space for smaller and larger firms; however, it does not acknowledge that the physical configuration of lodging properties would likely only lend themselves to reuse as office spaces for small office users who would require a space similar in size to a hotel room.

The office reuse analysis does not acknowledge the fact that there are currently at least three office projects under construction or planned in downtown Davis that may satisfy any outstanding demand for downtown office space. These include (reuse of the Kentucky Fried Chicken site on E Street between 1st and 2nd Streets, the Terminal Hotel property, and the PG&E property at 4th and F.

Finally, the reuse scenarios have not evaluated the fiscal impacts on the City of Davis from replacement of privately-owned and operated lodging facilities, which generate transient occupancy tax and property taxes for the City’s General Fund, with other uses which would have significantly different municipal service cost and revenue implications for the City. Any reuse scenario that would result in a net fiscal loss to the City of Davis will exacerbate the City’s existing budget difficulties and would adversely affect the City’s ability to maintain critical public services, such as police and fire protection, and maintenance of public facilities.

**Deficiencies in the Traffic Analysis**

The document appears to inadequately address traffic impacts of the project, particularly in terms of potential mitigation of these impacts.

For the intersection of Olive Drive and Richards Boulevard, the document apparently contends that since the improvements that would be necessary to mitigate the impacts are "... within the jurisdiction of the City of Davis and not the University to implement.", and that "The City of Davis has decided to maintain the Richards Boulevard underpass at its current restricted two-lane configuration", the document does not recommend either off-site mitigation for other traffic impacts, nor accept financial responsibility for a share of improvements that may be made in the future, if subsequent decisions are made by the
public to reverse the previous decision and to construct improvements to widen the underpass.

The document concludes that the Olive Drive and Richards Boulevard intersection will operate at LOS F in all peak hour operating conditions. This is inconsistent with the results of a recent study completed by Fehr & Peers as part of the Olive Drive Apartments Traffic Impact Study (January 18, 2002). Table 11, "Peak Hour Intersection Level of Service Results - Existing and Cumulative Conditions", the intersection is projected to function with a LOS D for both AM and PM peak hours with both cumulative project alternatives. This discrepancy should be addressed in the traffic analysis.

The document indicates that the LRDP EIR mitigation 4.3-1(b), subsection (c) calls for improvements at the southbound Research Park Drive approach to the intersection at Richards/Cowell, yet although this could be accomplished with the acquisition of additional right of way, curb and gutter, widening and striping improvements, the document dismisses the implementation of this mitigation measure by asserting again that it is "... outside the jurisdiction of the University to implement". Although it would be up to the City to approve a project and obtain the right of way, the University could work with the City to propose and fund these improvements.

In a similar vein, the document refers to Mitigation Measure 4.3-1(b)(b), concerning improvements to Richards Boulevard and the I-80 Eastbound off-ramp intersection. Again the document dismisses any responsibility for working with the City and/or Caltrans to develop a project to construct these improvements, and dismisses any University funding for the design and construction of improvements at this location. The document merely cites that "... it is within the jurisdiction of the City of Davis and Caltrans to determine and implement necessary and feasible changes to this intersection."

The document cites a need for a left-turn, a left/right turn, and a right turn lane in order to mitigate the traffic impacts identified in the LRDP. Operationally, it appears unlikely that such a configuration would be effective. The analysis should assume that two left-turn lanes and two right-turn lanes would be necessary. The mitigation should identify the University's financial contribution to the design and improvement of the ramps.

In the event that a second left turn lane from the ramp to Richards is necessary, it will also be necessary to add a second thru lane on Richards between the ramps and Research Park Drive. This will probably require additional right of way on the south side of Richards and extend though the Research Park Drive intersection and begin to merge into a single thru lane east of the intersection. Again the University's fair share of the cost of design, right-of-way acquisition and construction of these improvements should be identified.

It is also unclear from the document whether the intersection of First and B Streets was properly analyzed. On page 4.3-29, the document indicates that "(T)here is now a four-way stop at the intersection...". In fact, the intersection is a three-way intersection, with B Street being the "stem" of the T-intersection. Although this may be an error in the text, the
analysis of the intersection needs to be reviewed to assure that the correct configuration was used.

In any event, as additional traffic impacts at the intersection of First and B Streets is generated by the proposed project, the University should commit to funding the future traffic signal identified in the LRDP, on a "fair-share" basis.

Conclusion

The City believes there are fundamental deficiencies in the draft EIR. It relies on baseline information and underlying assumptions that are incomplete and flawed. The result is conclusions that understate some impacts. At minimum, the EIR is of need of significant revision. Recirculation of the draft may be necessary to ensure full public disclosure of the level of impacts on the City of Davis associated with this project. In addition, the City continues to argue that an LRDP amendment is necessary to fully disclose what type of commercial development can be anticipated under the Enterprise Opportunity Overlay. The impacts of such a change must be considered in this EIR since they were not considered to any specific degree in the 1994 LRDP update EIR.

We look forward to your consideration and responses to the City's comments.

Sincerely:

Bill Emlen
Planning & Building Director
City of Davis
LETTER 5: Bill Emlen, Planning and Building Director, City of Davis

Response to Comment 5-1

Comment noted.

Response to Comment 5-2

Please see Responses to Comments 5-9, 5-11, and 5-32.

Response to Comment 5-3

The campus exists in a local and regional context. There are many examples of ongoing positive collaboration between the campus and the City. However, due to the size, scope, and scale of the campus, there are certain activities that provide assets and require access by the entire regional community. The new South Entry area, with the Center for the Performing Arts, Buehler Alumni and Visitors Center, and the proposed Conference Center, Hotel, and Graduate School of Management Building, is designed to create such a regionally accessible center. The synergy of these uses would not be possible if they were split into multiple locations. Please see also Response to Comment 5-9.

Response to Comment 5-4

Comment noted. Please see Responses to Comments 5-5 through 5-42.

Response to Comment 5-5

Section 15124 of the CEQA Guidelines describes the elements that must be contained in the Project Description in an EIR. UC Davis has complied with the requirements of 15124, as follows: the project’s location is described both in narrative form and is shown on maps on pages 3-1 through 3-4 in the DEIR (Section 15124[a]); a statement of objectives is provided on pages 3-7 through 3-8 (Section 15124[b]); a general [emphasis added] description of the project’s technical, economic, and environmental characteristics is provided on pages 3-8 through 3-16 (including illustrative drawings available at the time the DEIR was published); and intended uses of the EIR are described on pages 1-2 through 1-3 and 3-16 in the DEIR.

The level of detail provided by UC Davis in the Project Description is adequate to analyze the environmental impacts of the proposed project that would occur as a result of physical changes in the environment. The environmental impacts of the proposed project were fully evaluated by UC Davis in the Tiered Initial Study and in the technical chapters of the DEIR. Specifically, the visual impacts of the proposed project were evaluated on pages 136 through 141 in the Tiered Initial Study. The additional information requested by the commenter would not alter the conclusions of the DEIR as they relate to physical changes in the environment.
When the floorplans were available, the campus voluntarily sent them to the commenter. These floorplans are available for review during normal business hours at the UC Davis Office of Resource Management and Planning in 376 Mrak Hall.

As analyzed throughout the DEIR (pages 1-1 through 1-2), the campus is proposing a hotel with 75 guest rooms (including some suites). The campus previously reduced the size of the proposed hotel from 150 hotel rooms to 75 rooms in response to community concerns, and has no plans to increase the number of hotel rooms beyond the 75 rooms evaluated in the DEIR.

Response to Comment 5-6

As defined in the CEQA Guidelines Section 15378(a), “project” means “the whole of an action, which has a potential for resulting in either a direct physical changes in the environment, or a reasonably foreseeable indirect physical change.” CEQA disallows dividing projects into smaller pieces for purposes of evading or minimizing environmental review. This practice is known as segmenting.

The project analyzed in the DEIR includes the entire project that the University proposes to approve: a 75-room hotel, a conference center, and a building for the Graduate School of Management. The campus previously reduced the size of the proposed hotel from 150 hotel rooms to 75 rooms in response to community concerns, and the campus has no intention, plan, or proposal to increase the number of hotel rooms beyond the 75 rooms evaluated in the DEIR (pages 1-1 through 1-2 of the DEIR). Because the DEIR has analyzed the “whole of the action,” there is no basis for the commenter’s assertion that evaluation of the project would be considered segmented under CEQA.

Response to Comment 5-7

Section 15088.5 of the CEQA Guidelines states the requirements for recirculation of an EIR prior to certification. In general, recirculation is required when significant new information is added to the EIR after the Draft EIR is made available for public review but before certification, where the new information changes the EIR in a way that deprives the public of the opportunity to comment on a significant environmental effect of the project. The commenter does not provide any “significant new information” within the meaning of the statute, and recirculation is not required.

Response to Comment 5-8

The DEIR concludes that operation of the proposed project would not conflict with the City of Davis General Plan land use policies and related economic and business development policies (page 4.2-21). As discussed on page 4.2-22 of the DEIR, because the project is anticipated to induce spillover demand to local lodging facilities, restaurants, and other businesses, the project would benefit the City of Davis by increasing sales revenues and associated taxes. This increased patronage for City businesses, especially the adjacent downtown, would be beneficial for Davis’ downtown.
5. Comments and Responses

Goal ED 1 of the City’s 2001 General Plan, Chapter 5: Economic and Business Development (page 192) is stated in its entirety on page 4.2-4 in the DEIR, along with its corresponding implementing policy. The full text of Goal ED 1 reads: “Maintain and enhance the Core Area as a vibrant, healthy downtown that serves as the city’s social, cultural and entertainment center and primary, but not exclusive [emphasis added], retail and business district.” Based on the adopted 2001 General Plan document obtained by UC Davis from the City and the anticipated increased demand for rooms and other service in downtown Davis, the proposed project would support the apparently unstated General Plan goal to “establish the City’s downtown as the community’s heart and soul,” as suggested by the commenter. Other City General Plan goals and policies considered in the consistency discussion are stated on page 4.2-5 in the DEIR.

Impact 4.2-2 on pages 4.2-21 through 4.2-22 in the DEIR discusses consistency with the City General Plan land use and related economic business development policies, based on the standard of significance presented on page 4.2-9 in the DEIR. Consistency with Goal ED 1 and its corresponding policy is discussed in the impact discussion. As such, UC Davis respectfully disagrees that the General Plan policy consistency analysis is biased or flawed.

Response to Comment 5-9

The analysis in the Section 4.2 of the DEIR analyzes varying amount of spillover of hotel business from the proposed facility to other hotels in Davis. In the “worst case,” there is no spillover of group business from the project to other facilities in Davis. In the “best case,” half of the group business generated by the conference center could be accommodated in Davis establishments due to the relatively low room count in the proposed hotel and the number of room nights demanded by group visitors at the conference center. In the “most likely case,” 25 percent of the group business (or about 15 rooms per night) in the proposed facility is expected to spillover to Davis hotels, which would result in a net gain in revenue generated by Davis hotels from approximately $130,000 to $160,000 per year (see pages 4.2-12 to 4.2-18 of the DEIR).

In particular, the commenter speculates that there would be minimal incentive for conference attendees to go to downtown Davis, but presents no facts to support this conjecture. In fact, the proposed conference center would host conferences of up to 500 people, while the proposed hotel would offer only 75 rooms. In addition, it is unlikely that all rooms in the proposed hotel would be reserved in advance to accommodate conferences. Thus, in many cases, less than 75 rooms would be available to conference attendees. Based on personal preference, it is also likely that several conference attendees would prefer to stay in less costly hotels and/or in hotels closer to downtown.

Campus Events and Visitors Services would coordinate with local hotels to accommodate conference attendees and would provide conference planners with information about local hotels. In addition, hotels in Davis would have an opportunity to reserve rooms in advance for conferences. Use of multiple hotels when the capacity of the meeting facility is greater than the capacity of the hotel is a typical conference and convention center model. Such a practice occurs, for example, at the San Francisco Moscone Center (where the convention center generates a demand for many hotels including the Marriott headquarters), the Modesto Centre Plaza (served directly by the Doubletree),
the Monterey Conference Center (served directly by the Doubletree and Marriott), Oakland Convention Center (served directly by the Marriott), and the Eugene Conference Center (served directly by the Hilton). As discussed on page 1-2 of the DEIR, the project's business plan has also been modified in response to public comments to increase spillover to local businesses. The campus has made commitments to continue accommodating visiting sports teams at local hotels, to eliminate the complete meeting package so that academic conference attendees could use local hotels and restaurants, and to dedicate 3 percent of the gross room receipts from the hotel (paid in lieu of transient occupancy tax) for membership in the Davis Conference and Visitors Bureau and for supporting joint marketing efforts such as shuttle service to downtown Davis. As shown in Figure 3-2 of the DEIR, the proposed project would be located near the campus Arboretum, which currently offers pedestrian and bicycle connections to downtown Davis, located approximately 0.5 mile to the northeast. As indicated on page 1-2 of the DEIR, the campus will enhance these existing bicycle and pedestrian links along the Arboretum.

Response to Comment 5-10

Please see Response to Comment 5-9 for reasons why conference attendees are likely to travel the approximately one-half mile to downtown Davis. It is also likely that conference attendees would find it convenient to use the shuttle service to travel from the proposed conference center to downtown hotels and restaurants.

Response to Comment 5-11

Consistent with CEQA Guidelines Section 15131, the DEIR for the proposed project analyzes the physical changes in the environment caused by economic changes resulting from the proposed project. In accordance with the CEQA Guidelines, economic changes need not be analyzed in any detail greater than necessary to trace the cause of any physical changes. As discussed further in Response to Comment 5-17, the economic impact study for the proposed project (Appendix E of the DEIR) determined hotel closures were not likely as a result of operation of the proposed project. However, the adaptive reuse study (Attachment B to Appendix E) demonstrates that even if hotel closures did occur as a result of questionable viability with or without the proposed project, existing lodging facilities could be reused for other activities to prevent physical deterioration in downtown Davis.

The campus disagrees with the commenter's assumption that the project would lead to serious decreases in hotel revenues within the City. As explained in Section 4.2 of the DEIR, the project may slow somewhat the rate of increase in hotel revenues in the City under the "worst case" scenario (a decrease in future growth of City TOT over the "no project" of approximately $38,000 to $46,000 per year compared to annual city TOT of approximately $1 million). In the "best case" and "most likely case," the analysis shows that the project would cause an increase in hotel revenues over those occurring without the project. Since 10 percent of this increased revenue would be paid for City TOT, increased TOT accruing to the City from Davis hotels would range from $13,000 to $16,000 per year under the "most likely case" to $64,000 to $79,000 per year under the "best case." In addition, the proposed project is anticipated to generate patronage for downtown restaurants and
other establishments, which would generate additional City revenue. Thus, the project would most likely contribute to, and not detract from, the City's TOT revenue.

While it is true that locating the proposed hotel within the City limits would contribute to the City's TOT revenue, this revenue would be offset by the City's having to pay for services for the hotel, such as police and fire protection. However, if located on campus as proposed, the campus would provide all public services and utilities to the proposed Conference Center, Hotel, and Graduate School of Management Building. The City would only provide back-up police and fire protection through campus and City Mutual Aid agreements, just as the campus provides such back-up protection for growth within the City.

The City is not the only jurisdiction that provides services to support cumulative growth in the region, and all on-campus residents live in Yolo County. While hotels within the City pay 10 percent of their gross revenue for City TOT and 1 percent for visitor attraction services, the proposed hotel would pay 8 percent of its gross revenue for County of Yolo TOT and 3 percent for membership in the Davis Conference and Visitors Bureau to support joint marketing efforts. The County TOT would help pay for services provided by the County of Yolo, including maintenance of County roads, waste management, health and employment services, and the County courts and sheriff's department.

**Response to Comment 5-12**

UC Davis Chancellor Larry N. Vanderhoef proposed the 3 percent in lieu fee from gross room receipts as part of the proposed project in a letter to the Yolo County Board of Supervisors and the Davis City Council dated August 15, 2001. The Chancellor indicated that this fee would be dedicated for membership in the Davis Conference and Visitors Bureau and to support joint marketing efforts such as shuttle services to downtown Davis. The campus intends to include this assessment in any operation agreement for the proposed hotel. Thus, the campus disagrees that this 3 percent in lieu fee is “illusory.” Instead, the fee shows a serious commitment by the campus to support interactions between the proposed project and downtown Davis.

The fee is not proposed as a mitigation measure in the DEIR because there is no associated environmental impact that needs to be reduced.

**Response to Comment 5-13**

Goal ED 1 of the City's 2001 General Plan, Chapter 5: Economic and Business Development (page 192) is stated in its entirety on page 4.2-4 in the DEIR, along with its corresponding implementing policy. Consistency with Goal ED 1 and its corresponding policy is discussed in the impact discussion on pages 4.2-21 through 4.2-22 in the DEIR. Please see also Response to Comment 5-8.
Response to Comment 5-14

The Memorandum of Understanding (MOU) referred to by the commenter was part of the 1989 UC Davis LRDP and was based on the 1989 UC Davis LRDP and the 1987 City of Davis General Plan. Approval of the 1989 LRDP by the University was reversed later by a court order in response to a successful CEQA lawsuit. The MOU was not incorporated in the subsequent 1994 UC Davis LRDP. The City of Davis adopted a new General Plan in 2001 that superseded the 1987 General Plan. Nonetheless, the City and campus have worked together on many projects in the spirit of that MOU.

One of the guidelines in the 1989 MOU states that, “UCD will cooperate with and be sensitive to [emphasis added] the City and to the City’s General Plan, as enacted on December 26, 1987, and will work together with the City to resolve reasonably the off-campus impacts of the LRDP to the City.” As discussed on pages 4.2-21 to 4.2-23 of the DEIR, the proposed project would not conflict with the City's General Plan. In addition, as discussed on pages 4.2-10 to 4.2-21 of the DEIR, under the “most likely” scenario, the proposed project would result in a net gain in revenue generated by Davis hotels from approximately $130,000 to $160,000 per year over the no project scenario. This would result in an increase in City TOT from $13,000 to $16,000 per year. In addition, the proposed project is anticipated to generate patronage for downtown restaurants and other establishments. Therefore, the proposed project would provide revenue opportunity for the City. For these reasons, the campus believes the proposed project complies with the spirit of the 1989 MOU between the City and the campus.

Response to Comment 5-15

As discussed on pages 4.2-2 to 4.2-3 of the DEIR, the 1994 LRDP land use designations (as amended) for the proposed Conference Center, Hotel, and Graduate School of Management Building project site include High Density Academic and Administrative with Potential Enterprise Opportunity and Parking. As restated and clarified below, the proposed project is consistent with the uses identified for these land use designations in the 1994 LRDP, and therefore an amendment to the 1994 LRDP is not necessary.

The Potential Enterprise Opportunity overlay (defined on page 46 of the 1994 LRDP) “signifies that campus development in these areas will primarily be financed in cooperation with public or private organizations external to the campus.” As further defined on page 46 of the 1994 LRDP, “These reserves are intended to provide the flexibility for academic and administrative units to respond in a timely manner to initiatives that further the academic mission.” In addition, as indicated on page 67 of the 1994 LRDP, Enterprise activities include “projects where the land assets of the campus may be converted to income to support the academic mission” and “projects that benefit campus academic programs by hosting public or private research and outreach activities on campus land.” Consistent with this overlay, the proposed project would be partially funded by a development partnership with a private entity. The proposed project would enhance the campus’ ability to host significant academic conferences and professional meetings on campus, which would facilitate interdisciplinary research and learning opportunities for all academic disciplines on campus, thereby
substantially contributing to the campus' academic mission. The proposed project would also provide office space for units within the Office of University Relations and the Internship and Career Center, and space for the Graduate School of Management, which would further support the campus' academic mission.

The Commercial land uses the commenter refers to at the east end of First Street were identified in the 1994 LRDP on page 47 as uses “compatible with neighboring uses on campus and in the City of Davis.” Enterprise Reserve Plan Objective 4 (page 68 in the 1994 LRDP) indicates the campus’ objective to “Reserve land at the east end of First Street, which has a low opportunity cost for direct campus uses, for commercial development to financially support the academic mission.” This land was subsequently developed to accommodate a shopping center and is no longer owned by the University. The 1994 LRDP land use designation of land at the east end of First Street for Commercial development was not intended to exclude revenue-generating development at other locations. There are several revenue-generating venues on campus that are open to the general public and that directly support the campus’ academic mission. In particular, the proposed project is not unlike the Center for the Performing Arts (currently under construction across the South Entry Quad from the proposed project site), in that it would generate revenue, promote academic programs, and have an outreach component.

**Response to Comment 5-16**

The commenter notes that the proposed project is intended to serve campus needs. Like the other existing revenue-generating venues on campus that the commenter refers to, the proposed Conference Center, Hotel, and Graduate School of Management Building project is intended to primarily serve the needs of the campus and to support the campus’ academic mission. As discussed on page 3-4 of the DEIR, the proposed project would provide the campus with the ability to host significant academic conferences and professional meetings, which would substantially enhance research and learning opportunities for academic disciplines on campus.

The campus agrees that the proposed project could draw in travelers via I-80 with no other campus affiliation except the new facility. This result is consistent with project objectives. The proposed project is not unlike the Center for the Performing Arts (currently under construction across the South Entry Quad from the proposed project site), in that it would add to UC Davis' role as a regional center and would have exposure to the broader community off I-80. Like the Center for the Performing Arts, the proposed conference center and hotel would generate revenue, would promote academic programs, and would have an outreach component. The environmental effects of the proposed project, including the effects on the non-campus business community, have been fully analyzed in the DEIR. See, in particular, the economic analysis presented in Appendix E of the DEIR.

**Response to Comment 5-17**

As discussed in Section 4.2 (Land Use and Planning) and Appendix E of the DEIR, under the “most likely” case, the proposed project would result in a net gain in revenue generated by Davis hotels
from approximately $130,000 to $160,000 per year over the “no project” scenario. In addition, the proposed project is anticipated to generate patronage for downtown restaurants and other establishments. Moreover, even under the “worst case” scenario, it is unlikely that the proposed project would imperil the operation of the nine competitive lodging facilities in Davis, assuming sound management and marketing practices by the hotel operators.

The commenter's concern that there could be a large-scale conversion of hotel properties to student housing or other uses appears misplaced. Even with “worst case” assumptions regarding the impact of the project on local hotels, the net impact of the project would be a loss of approximately 4 percent of revenues for local hotels compared to the “no project” scenario, with actual numeric decline in revenue occurring in only one year. The proposed hotel, with only 75 rooms and an orientation to a market segment (the group segment) not now effectively served by local hotels, is simply too small a complement of rooms to effect a significant transformation in the land use of other facilities.

To further support the conclusion that the proposed project would benefit downtown Davis lodging facilities, please refer to Comment Letter 7 (from the owner of the University Park Inn, the Aggie Inn, and the Palm Court Hotel) and Comment Letter 8 (from the owner of the Hallmark Inn). These letters, submitted by hotel owners who together own almost 70 percent of the hotel room supply in downtown Davis, offer support for the proposed project, indicating that it would likely benefit local hotels.

The campus commissioned an adaptive reuse study of local hotels (presented as Attachment B to Appendix E of the DEIR) in case the results of the economic impact study indicated potential closure of downtown Davis lodging facilities. Because the economic impact study for the proposed project (Appendix E of the DEIR) determined that hotel closures were not likely as a result of operation of the proposed project, reuse of downtown lodging facilities is not expected. However, the results of the reuse study were disclosed in the DEIR to demonstrate that even if hotel closures did occur as a result of questionable viability with or without the proposed project, existing lodging facilities could be reused to prevent physical deterioration in downtown Davis.

Transient lodging facilities in downtown Davis are mostly older facilities with unique physical and locational characteristics. It was not feasible to test the conversion potential of each and every hotel in the adaptive reuse study, so the Hallmark Inn was selected as an illustrative test case to evaluate reuse feasibility. In response to the commenter’s concern about parking limitations at hotel properties, the campus assumes that in the unlikely event of reuse, the number of automobiles allowed at a reused hotel property would be limited to the number of spaces available on the site (or about one vehicle per room).

A key point of the adaptive reuse study presented as Attachment B to Appendix E is that adaptive reuse of a hotel property for use as student housing would not be a unique solution for Davis, but has been implemented successfully in other communities, as noted on page 4 of the study. Other schools that have undertaken adaptive reuse of lodging facilities for student housing include the UC Riverside (Holiday Inn), the University of Southern California (Embassy Hotel and Radisson Hotel),
and UC Santa Cruz (Holiday Inn). The adaptive reuse study (Attachment B to Appendix E) also identifies that due to the relatively high rental rates and highly constrained supply of office space in Davis, reuse of hotels as office space also appears economically viable.

In the unexpected event that a hotel property would need to be reused, the City of Davis would need to work with the property owner and/or project proponent (e.g., UC Davis) to ensure a viable reuse strategy.

The commenter also reiterates concern about the City's loss of TOT and associated potential physical deterioration in the City. As discussed in Response to Comment 5-11, the proposed hotel would pay 8 percent of its gross revenue for County of Yolo TOT and 3 percent for membership in the Davis Conference and Visitors Bureau and to support joint marketing efforts. The County TOT would help pay for various services provided by the County of Yolo, including maintenance of County roads, waste management, health and employment services, and the County courts and sheriff's department. Under the “most likely” case, the proposed project would result in a net gain in revenue generated by Davis hotels from approximately $130,000 to $160,000 per year over revenue growth expected in the “no project” scenario. This would result in an increase in City TOT from $13,000 to $16,000 per year. In addition, the proposed project is anticipated to generate patronage to downtown restaurants and other establishments.

Response to Comment 5-18

Comment noted. Please see Responses to Comments 5-19 through 5-42 regarding the economic and market analysis prepared for the proposed project.

Response to Comment 5-19

As required by the CEQA Guidelines Section 15126.6(a) and as stated on page 6-1 in the DEIR, the discussion of alternatives shall focus on alternatives capable of eliminating any significant adverse environmental effects or reducing them to a level of insignificance.

The objectives of the proposed project, as outlined on pages 3-7 to 3-8 of the DEIR, are specifically intended to represent the campus' goals for the proposed project. One objective of the project is to provide a venue on campus that would host state, national, and international academic conferences. Another project objective is to support and advance the campus' academic mission by enhancing the campus' role as a regional academic and arts center and meeting place in combination with the adjacent Center for the Performing Arts and Buehler Alumni and Visitors Center. The campus intends to consolidate the conference center, the hotel, the Graduate School of Management, and the Office of University Relations at a site that facilitates easy access by faculty and outside constituencies.

The analysis of the First and A Streets alternative on pages 6-30 through 6-33 provides a comparative analysis of the potential environmental effects of this alternative in the areas of land use, transportation and circulation, noise, and biological resources. The discussion on these pages
does not emphasize parking and traffic constraints, as suggested by the commenter. Proximity to other local hotels and the downtown area is not an environmental effect that requires analysis under CEQA. However, to the extent that location and traffic circulation patterns, parking, and noise levels could be affected by project siting, these topics are considered in the analysis of the First and A Streets alternative, consistent with CEQA Guidelines.

The First and A Streets location was not selected as the environmentally superior alternative because it was concluded that it’s the site’s proximity to sensitive residential uses could result in those uses being exposed to increased noise levels associated with increased traffic. Construction of the alternative at this location would also result in the removal of approximately 304 parking spaces (Parking Lot 10) that would need to be provided for elsewhere on campus. However, there are no additional sites for faculty/staff parking in this area of the campus. This alternative would also require an LRDP amendment to redesignate the site from Parking to High Density Academic and Administrative with Potential Enterprise Opportunity. In addition, as stated on page 6-33 in the DEIR, cultural artifacts and human remains have been found in the area, which could present a significant impact not associated with the proposed project. Furthermore, as discussed on page 6-30 of the DEIR, due to the small size of the site, the facility would need to be taller than the proposed project, making this alternative less financially feasible. The DEIR further states that “...it is assumed that minimal parking could be accommodated on the project site... Construction of off-site parking facilities and/or increased shuttle service would increase project costs and would make this alternative less financially feasible.” The First and A Streets alternative would require siting the conference center and hotel on a site that is less than 1.5 acre. Although this alternative would not include the Graduate School of Management Building, the site is still less than one-third the size of the proposed project site, which would require modifications in project design (building height and parking solutions) that would tend to increase costs.

**Response to Comment 5-20**

The commenter indicates that the DEIR did not evaluate impacts on specific hotels in the City, but instead analyzed the market as a whole. It would not be practical to evaluate the potential impacts of the project on each and every hotel in the City separately. To do so, it would be necessary to collect and evaluate specific operational and financial data for each lodging facility, most of which are regarded by owners as highly confidential. The impact of 75 new rooms oriented to a different segment of the market (conference/meeting group demand) than rooms in the existing inventory of 520 rooms is simply too small to allow for meaningful analysis of specific hotels.

The commenter expresses concern that downtown hotels might experience a disproportionate share of the financial impacts of the new facility. Under the “most likely” case scenario, the proposed project would result in a net gain in revenue generated by Davis hotels from approximately $130,000 to $160,000 per year from a spillover of approximately 25 percent of the group demand generated by the project to other hotels (see pages 4.2-12 to 4.2-18 of the DEIR). It can be presumed that, due to proximity, downtown Davis hotels would experience the majority of this spillover effect. Furthermore, evidence of the likely positive effect on downtown hotels, as indicated in Comment Letter 7 (from the owner of the University Park Inn, the Aggie Inn, and the Palm Court Hotel) and
Comment Letter 8 (from the owner of the Hallmark Inn), is the support for the proposed project offered hotel owners who together own almost 70 percent of the hotel room supply in downtown Davis. Please see also Response to Comment 5-17.

As discussed on pages 4.2-10 to 4.2-21 of the DEIR, even with the “worst case” scenario, local lodging establishments could lose a total of approximately $375,000 to $460,000 of the growth projected in the “no project” scenario, an amount equal to about 4 percent of room revenues. It is unlikely that even the “worst case” scenario, if it did occur, would be severe enough to imperil the operation of the nine competitive lodging facilities in Davis, assuming sound management and marketing practices by the hotel operators. Even if hotel closures did occur as a result of questionable viability with or without the proposed project, Attachment B to Appendix E to the DEIR shows that existing lodging facilities could be adaptively and profitably reused. Therefore, the proposed project would not cause physical deterioration in downtown Davis.

Consistent with CEQA Guidelines Section 15131, the DEIR for the proposed project analyzes the physical changes caused by economic changes resulting from the proposed project. In accordance with the CEQA Guidelines, economic changes need not be analyzed in any detail greater than necessary to trace the cause of any physical changes.

Please see also Response to Comment 5-9 for discussion on proposed coordination with City of Davis lodging facilities and connections to downtown Davis.

Response to Comment 5-21

The impact on downtown hotels is significantly reduced by the fact that the existing inventory serves primarily commercial and leisure visitors, not the group market that would be targeted by the project. The Best Western Palm Court (with 27 rooms) referred to in the comment is the only property in Davis with a rate structure at all comparable to the proposed hotel, and this property does not have meeting space that would make it competitive with the proposed project. As indicated in Comment Letter 7 and Response to Comment 5-17, the owner of the Palm Court has expressed support for the proposed project.

Please see also Response to Comment 5-20.

Response to Comment 5-22

Please see Responses to Comments 5-17, and 5-20. Comment Letter 7 (from the owner of the University Park Inn, the Aggie Inn, and the Palm Court Hotel) and Comment Letter 8 (from the owner of the Hallmark Inn). Hotel owners, who together own almost 70 percent of the hotel room supply in downtown Davis, offer support for the proposed project, indicating that it would likely benefit downtown hotels.
Response to Comment 5-23

There is no doubt that the majority of transient lodging business in Davis is associated with the campus. In addition, hotels off I-80 may in fact attract less of this demand than facilities located closer to downtown. Under the most likely case scenario, the proposed project would result in a net gain in revenue generated by Davis hotels from approximately $130,000 to $160,000 per year from a spillover of approximately 25 percent of the group demand generated by the project to other hotels (see pages 4.2-12 to 4.2-18 of the DEIR). As discussed in Response to Comment 5-20, it can be presumed that, due to proximity, downtown Davis hotels would experience the majority of this spillover effect.

Response to Comment 5-24

As discussed in Responses to Comments 5-20 and 5-21, the economic analysis provided in the DEIR is an adequate basis for evaluating environmental impacts of the proposed project.

Response to Comment 5-25

The language referenced by the commenter on page 4.2-7 of the DEIR was taken from page 7 of the December 12, 2001 economic impact study prepared by Keyser Marston Associates (Appendix E of the DEIR). Keyser Marston Associates states the following in support of the strong likelihood that the project would successfully attract group business (several other reasons are listed on page 6 of the study): “Surveys of UC Davis meeting personnel conducted by University staff in coordination with KMA in 1998 indicated a pent-up demand for more than 28,000 room nights of demand for conference and group meeting facilities. Thus, the pent-up demand slightly exceeds the annual occupancy potential (27,375 room nights) for the hotel component of the UC Davis conference center/hotel development.” Discrepancies associated with this reference are addressed and included in Chapter 3 (Text Changes to the DEIR) of this FEIR and are further clarified below.

First, the Keyser Marston Associates economic impact study incorrectly attributed the 28,000 demand figure to a survey that was performed in 1998 with assistance from Keyser Marston Associates. In fact, two surveys of campus meeting planners have been performed: one was an e-mail survey of 33 respondents performed in 1997 by Keyser Marston Associates; and one was a written survey issued to 47 respondents through Campus Events and Visitors Services (supplemented by face-to-face interviews performed by PKF Consulting of campus administrators, department heads, and faculty members). The 1997 survey was not formally documented, but (as indicated in the attached memo from PKF Consulting) it reflected a demand for conference facilities to accommodate 15,286 to 107,015 attendees per year. The 1999 survey data was compiled by PKF Consulting for the September 2000 Market and Financial Feasibility Analysis (available for review during normal operating hours at the UC Davis Office of Resource Management and Planning in 376 Mrak Hall), and it indicated a demand for approximately 28,000 room nights per year. The Keyser Marston Associates economic impact study (and by incorporation, page 4.2-7 of the DEIR) should have attributed the 28,000 demand figure to the 1999 survey performed with assistance from PKF Consulting.
The third full paragraph on page 4.2-7 of the DEIR has been revised as follows:

Surveys of UC Davis meeting personnel conducted by campus staff in coordination with Keyser Marston Associates, Inc. in 1998 PKF Consulting in 1999 indicated an unmet campus demand for more than 28,000 room nights for conference and group meeting facilities. Thus, the unmet demand slightly exceeds the annual occupancy potential (27,375 room nights per year) for the hotel component of the proposed project. This survey is a sample of meeting usage, and as such, it provides general guidance but does not represent a complete evaluation of all the potential group and meeting demand on campus.

Second, the Keyser Marston Associates economic impact study incorrectly states that the 28,000 room nights of demand are all associated with pent-up demand for conference facilities (implying that none of the demand would be attracted from Davis lodging facilities).

The fourth sentence in the first paragraph on page 4.2-10 of the DEIR has been revised as follows:

As noted in the Environmental Setting, there is an unmet campus demand for more than 28,000 room nights for conference and group meeting facilities.

Upon investigation of the source of this demand figure, as further discussed in the attached February 2002 memo from PKF, the survey was found to reflect a sample of campus demand associated with conference and group meeting facilities for 15,060 room nights generated by short-term visitors (transient demand) and 13,300 room nights generated by group demand. This equates to a total of 28,360 room nights of campus demand for conference and group meeting facilities (or roughly 28,000), but this demand represents both demand that is currently met by Davis lodging facilities (most likely all of the short-term visitors) as well as demand that is pent-up (group demand that is not currently accommodated due to the lack of adequate conference facilities in the area). As indicated in PKF’s February 2002 memo, this survey is a sample of meeting usage, and as such, it provides general guidance but does not represent a complete evaluation of all of the potential group and meeting demand on campus. PKF states: “In our opinion, indications are that the amount of group and meeting demand is greater than that quantified in the survey.”

The 28,000 room night estimate was not used in the economic model to determine potential economic impacts or benefits on local hotels (see Appendix E of the DEIR). The figure was one of several approaches in evaluating the potential demand for the facility (see pages 6 and 7 of the DEIR's Appendix E). The September 2000 Market and Financial Feasibility Analysis by PKF (available for review during normal office hours at the UC Davis Office of Resource Management and Planning in 376 Mrak Hall) documents university demand captured at other University-related conference center/hotels, which ranged from 0.8 rooms to 2.0 room nights per capita. In the economic impact analysis for the proposed project (Appendix E of the DEIR), Keyser Marston Associates assumed utilization towards the lower end of this range, which would yield group
February 15, 2002

Mr. Robert J. Wetmore
Principal
Keyser Marston Associates
55 Pacific Avenue Mall
San Francisco, California  94111

Re:  Proposed Hotel and Conference Center, University of California at Davis

Dear Mr. Wetmore:

We are responding to your inquiry about potential demand for the proposed hotel and conference center as stated in our September 2000 Market and Feasibility Analysis which was compiled for the University of California at Davis (UC Davis). As can be noted in our report, we analyzed a variety of sources of demand for the proposed facility, including: the performance of the full-service hotel market in Sacramento; the performance of the lodging market in Davis; two surveys of on-campus meeting demand characteristics; and, statistics from similar conference center facilities.

Our September 2000, contains the following paragraph on page VI-10:

A compilation of the total room night demand for transient guest and group lodging is provided in the following table. The survey revealed a total of 15,060 rooms nights and an average length of stay of two nights. On average, each respondent was responsible for 75 room nights of total use per year. Group demand from this written survey equaled 13,300 room nights and 11,500 day conferees per year. The average meeting size was 93 attendees and at an average length of stay of 2.1 days.

In accordance with our engagement with UC Davis, we completed a written survey of on-campus meeting planners in mid-year 1999. This survey was issued through the Office of Campus Events and Visitor Services. 47 group and meeting planners which were contacted by the University replied in writing to the survey. Further, this survey was supplemented by face-to-face interviews conducted by PKF Consulting with a number of university administrators, department heads, and leading faculty members.
As stated in our report, the written survey of meeting planners on the campus provides an important demonstration of facility usage and pricing. The survey is a sample of meeting usage and, as such, provides general guidance on several key issues. The survey does not represent a compilation of all potential meeting and group demand on campus. In our opinion, indications are that the amount of group and meeting demand is greater than that quantified in the survey.

PKF Consulting carefully tabulated the responses to the survey. Our tabulations indicate a total of 15,060 room nights generated by transient, or short-term hotel usage, by the surveyed meeting planners. At an average length of stay indicated in the survey of two nights, this would approximate 7,530 persons.

Additionally from the survey, 13,300 room nights were indicated as generated by group demand, with an average length of stay of 2.1 days. This would approximate 6,333 persons.

Day conference use, those attendees not staying in hotels when attending conference events, were identified as 11,900 attendees, or, assuming an average conference length of two days, would approximate 5,950 persons.

Therefore, the total number of room nights occupied annually is 28,360 (15,060 + 13,300), or roundly speaking, 28,000. In our March 2001 Report of the Potential Impact on the Existing Lodging Market from the Development of a Proposed 150-Room Conference Center, we reference the 28,000 room nights of demand. In this report, we have referred to this as “demand for conference and group meeting facilities”. Our reference could have also been referred to as “transient and group room night demand”.

Our 1999 survey was separate from a December 1997 survey compiled by Keyser Marston Associates, Inc. This survey indicated a total of 662 annual events from all sources. Total annual attendance is indicated at 107,015 persons. The inference that can be made, therefore, is that the 47 respondent survey completed by PKF Consulting is not comprehensive in nature, and, most likely, there are additional room nights booked by on-campus group and meeting planners which are not accounted for in the survey tabulations.

Please do not hesitate to contact me should you have any additional questions or should you require any additional information.

Yours sincerely,

Kenneth Kuchman,
Vice President
5. Comments and Responses

demand sufficient to both achieve 60 percent of the project's occupied room nights and result in potential spillover benefits on downtown Davis lodging facilities.

Regardless, the survey data is not inconsistent with the assumptions used in the economic analysis. At stabilization of the proposed hotel (or 70 percent occupancy), there would be 19,200 occupied room nights per year. Typically, the group segment would need to be given priority over campus visitors associated with various campus meetings (transient) in order to meet the needs of conference attendees. If there were a total of 13,300 room nights per year of group demand for the proposed facility, this would equate to approximately 70 percent of the hotel's 19,200 total occupied room nights. This is not inconsistent with the economic model's assumption that 60 percent of the proposed hotel's occupied room nights would be accommodated by group demand. This assumption is based on the market segmentation shown at other University-related conference center/hotels (documented in PKF's September 2000 Market and Financial Feasibility Analysis) that indicates the group market accounted for between 38 percent and 80 percent of total room nights, with an average of 58 percent at the comparable facilities. Because very little group business is presently captured by other facilities in Davis (as shown on page 7 of the DEIR's Appendix E), the group demand accommodated by the proposed hotel would principally be demand that is currently not met by other facilities in Davis.

The Comfort Inn would have a very marginal impact on the demand reflected by the 1999 survey because the facility does not cater to group demand.

Response to Comment 5-26

PKF Consulting's March 2001 Report of the Potential Impact on the Existing Lodging Market from the Development of a Proposed 150-Room Conference Center, provided as Attachment A to Appendix E of the DEIR, provides a discussion of regional and campus growth (pages 5-6) and the growing regional lodging market (pages 8-9). This discussion shows that over the 1992 to 2000 period, occupancy in Sacramento metropolitan area hotels has indicated a steady room rate growth of 4.1 percent per year, and it concludes that the Sacramento area economy indicates support for continued activity in the lodging market.

In addition, recent population and employment projections by SACOG indicate that the economy of the Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA) will grow in this decade at about the percent and numeric rate as occurred in the previous decade (www.sacog.org). Between 1990 and 2000, the population in this area increased by approximately 212,000 persons, or 18.1 percent. SACOG projects that from 2000 to 2010, population in this area will increase by 284,000 persons (20.5 percent). Between 1990 and 2000, employment in the CMSA grew by 140,000 persons, or 27.1 percent. SACOG projects employment growth at 166,000 persons (25.3 percent) from 2000 to 2010.

Of greater significance for Davis hotels, the campus may expand significantly pursuant to an updated LRDP (anticipated to be ready for consideration by The Regents in fall of 2003) as discussed further in Appendix D of the DEIR, with potentially major positive benefits for hotels.
5. Comments and Responses

The DEIR anticipates that, under the “no project” baseline scenario, room revenue for the competitive facilities in Davis will increase by 3 percent per year, a conservative estimate compared to actual growth of 10.5 percent per year during the previous decade, as measured by TOT receipts (see page 4.2-9 of the DEIR). Therefore, basic occupancy and room rate trends built into all of the projections in the DEIR have a strongly conservative orientation that assume the future will be much less robust than the relatively recent past.

The March 2001 report prepared by PKF Consulting (presented as Attachment A to Appendix E of the DEIR) explicitly examined additions to lodging supply in the nearby Cordelia-Fairfield-Vacaville-Dixon area. The report concluded that new or proposed properties, along with other market characteristics, are forecasted to effectively place a ceiling on occupancy potential for the Davis market in future years. The base projections in the Keyser Marston Associates economic impact evaluation (Appendix E of the DEIR) incorporate this assumption by assuming that over the projection period, the occupancy of Davis hotels would not exceed 62 percent, regardless of growth and economic development in the region.

It should be recognized that competition along the I-80 corridor in the vicinity of Davis is not a recent phenomenon. The current inventory of transient lodging facilities in communities near Davis (Dixon, Fairfield, Vacaville, and Woodland) totals nearly 2,500 rooms, of which nearly 800 rooms have been constructed since 1990. There are, of course, many thousands of additional rooms in Sacramento. Despite the large growth in competitive inventory since 1990, TOT receipts in Davis increased at an annual rate in excess of 10 percent in the past decade. Currently, there are approximately 400 rooms under construction in the neighboring communities. None of the facilities, including Hilton Garden Inn, Extended Stay, Hawthorne Suites, or Holiday Inn Express, offer meeting and conferencing facilities that could make them competitive with the proposed project.

**Response to Comment 5-27**

The comment is correct that, over time, expenses increase as well as revenue for hotels and other types of income property. However, it is not accurate to state that increased operating expenses would offset the any inflationary increase in room rates and that the financial impacts of the proposed hotel on the City of Davis would be greater than analyze\textgreater in the EIR.

In the economic impact study for the proposed hotel (Appendix E of the DEIR), operating scenarios of the proposed project (“worst case,” “best case,” and “most likely case”) are built upon the “no project” baseline scenario. Projected gross room revenue (occupied room nights x room revenue) for the “no project” scenario is compared to projected gross room revenues of the operating scenarios to determine the potential economic impacts and benefits of the proposed project. For example, the economic impact study concludes that the “most likely case” would result in an increase in gross room revenue of local hotels from $130,000 to $160,000 annually compared to the “no project.” Gross revenue is a more reliable and more frequently used measure of performance than net operating income (gross revenue less operating expenses). Under the “no project” baseline scenario, gross room revenue for the competitive facilities in Davis is assumed to increase by 3 percent per
year, compared to actual growth of 10.5 percent per year during the previous decade. Therefore, basic occupancy and room rate trends built into all of the projections in the economic evaluation are much less than they have been historically or are likely to be in the future.

Expenses for typical, limited-service hotels such as those in Davis generally total approximately 60 percent of gross income. Therefore, since gross income exceeds expenses, an identical 2 percent inflationary increase in both gross income and expenses results in a larger numeric increase in the amount of gross income than in expenses, with a resulting 2 percent increase in net operating profit. For example, if a hotel grossed $1,000,000 in year one, with 2 percent inflation, it would gross $1,020,000 in year two. Expenses in year one would be $600,000 and in year two would be $612,000. Net operating income (gross revenue less operating expenses) would be $400,000 in year one and $408,000 in year two, resulting in an increased profit of $8,000 (or 2 percent of $400,000). Therefore, the impacts of the proposed project would not be greater than those anticipated in the DEIR. If anything, they could be less because there are a number of fixed or capped expenses that do not rise with inflation (e.g., taxes, and debt).

Response to Comment 5-28

The economic impact study for the proposed project (presented as Appendix E of the DEIR) assumed that at stabilization, the proposed project would have 70 percent occupancy (or 19,200 occupied room nights per year). This occupancy is near the lower level of university room night demand per capita observed at comparable university conference center/hotels, taking into account the relatively small size of the hotel (75 rooms). The commenter appears correct, in that demand for the proposed hotel could be significantly higher based on experience at other campuses. However, even if demand were significantly greater (for example, another 10 percent occupancy), the number of additional occupied rooms per night would be relatively minor at 7.5 rooms, in comparison to the inventory of competitive facilities in Davis (i.e., 520 rooms). Furthermore, virtually all of the additional occupied room nights would be generated by the proposed project, since they would represent primarily group business that is not presently captured in the community.

Response to Comment 5-29

The “no project” scenario evaluated on pages 4.2-12 to 4.2-13 of the DEIR indicates growth in room revenue for existing facilities in Davis equal to less than 30 percent of the rate of increase over the previous decade, against a background of population and employment projections by SACOG for the Sacramento region that do not indicate an overall slackening of growth (see Response to Comment 5-26). The Davis lodging facilities are shown to never increase over an occupancy of 62 percent (projected for 2004) for the entire projection period, regardless of growth and economic development in the region.

Please see also Responses to Comments 5-25, 5-26, and 5-27.
Response to Comment 5-30

Appendix E and Section 4.2 of the DEIR provide an extensive discussion of the factors that will enable the proposed project to attract group business that is not presently captured by other transient lodging facilities in the City of Davis. Such factors include the ranking of UC Davis, the quantity and quality of meeting facilities on campus, the location of the project adjacent to other related university facilities, the lack of other similar venues in Davis, and the experience of comparable Universities in attracting group business for conferences. The commenter's indication that the project would impact local hotels by attracting campus-related business away from other hotels is incorporated in the “worst case” scenario, which assumes that two-thirds of the leicommercial/transient business using the project would otherwise have gone to other lodging facilities in Davis. Two-thirds is a large portion of the transient demand at the proposed facility, especially since much of this demand would likely be attracted by or related to the conference facility.

Please see also Responses to Comments 5-9, 5-20, 5-25 and 5-27.

Response to Comment 5-31

Please see Responses to Comments 5-20, 5-21, 5-25, 5-26, 5-27, 5-28, 5-29, and 5-30.

Response to Comment 5-32

Consistent with CEQA Guidelines Section 15131, the DEIR for the proposed project analyzes the physical changes caused by economic changes resulting from the proposed project. In accordance with the CEQA Guidelines, economic changes need not be analyzed in any detail greater than necessary to trace the cause of any physical changes.

As discussed in Response to Comment 5-17, under the most “likely case”, the proposed project would result in a net gain in revenue generated by Davis hotels from approximately $130,000 to $160,000 per year over the “no project” scenario. This would result in an increase in City TOT from $13,000 to $16,000 per year. In addition, the proposed project is anticipated to generate patronage for downtown restaurants and other establishments.

As discussed in Response to Comment 5-11, the proposed hotel would pay 8 percent of its gross revenue for County of Yolo TOT, which would help pay for various services provided by the County of Yolo for all Yolo County citizens, including those who live in the City of Davis. If the proposed project were located in the City, it is quite likely that this could be viewed as a lost opportunity cost by the County. Yolo County provides public services to all residents of the County, including those who live in the City of Davis and on campus.

The proposed project includes multiple elements that together meet campus objectives for the project. These elements include a building for the Graduate School of Management, a conference center, and a hotel. The Graduate School of Management building and the conference center also
include much needed office space for the University Relations and other programs. Also, the hotel has been reduced from 150 rooms to 75 rooms in response to public concerns. A larger hotel would have generated even more County TOT revenues.

The commenter expresses a concern that by building a conference center and hotel on the campus, this forecloses future opportunities for the city. Given the developed nature of downtown Davis, the proposed project site is the closest land to the downtown that is undeveloped, easily accessible from the freeway, and would not require guests and conference attendees using downtown hotels, restaurants, and other businesses to use the congested Richards Boulevard underpass. Other undeveloped sites in the city would necessarily be further away from the downtown and the campus.

Response to Comment 5-33

The commenter’s concerns that the DEIR’s economic impact and adaptive reuse evaluations did not evaluate several specific lodging facilities are addressed in Response to Comments 5-17 and 5-20. Response to Comment 5-17 provides further discussion regarding the unlikely extent of hotel closures.

Given the minimal effect of the project on local lodging facilities under the “worst case” scenario and the benefit to local hotels under the “most likely” and “best case” scenarios, it is highly unlikely that conversion to student apartments or other feasible uses (such as office uses) would need to be implemented to keep any of the downtown Davis properties economically viable. Regardless, the Keyser Marston Associates study of Adaptive Reuse of Davis Lodging Facilities (provided as Attachment B to Appendix E of the DEIR) evaluates a test case that includes the separation of lodging from residential uses, which is anticipated to mitigate potential conflicts between students and guests. If a smaller facility were to be converted, it is possible that the entire facility rather than a portion could be used for student housing, further mitigating potential conflicts.

If a downtown Davis facility were converted to student housing, students could represent a potential source of additional clientele for downtown Davis restaurants. There is no apparent reason why a meals program could not be arranged with some downtown Davis dining establishments. Discussion of specific financial arrangements with specific establishments was beyond the scope of the DEIR.

Response to Comment 5-34

As noted on page 6 of the March 2001 *Adaptive Reuse of Davis Lodging Facilities* report prepared by Keyser Marston Associates (presented as Attachment B to Appendix E of the DEIR), even if operating expenses were somewhat higher than projected, the hotel to student housing conversion program was still considered feasible because the study likely underestimated the amount that students would be willing to pay for accommodations. Nevertheless, the expense estimate appears reasonable.

The operating costs of the test case hotel for reuse as student housing were estimated at 20 percent higher than those for apartments in the Sacramento market to take into account the unique factors of
operations noted by the commenter. Specifically, the projections incorporated a management fee of $124 per unit per month as well as other administrative costs of $257 per unit per month. The expense estimate also includes allowances for maintenance, repairs, painting, and decorating, and provide for a capital cost of $1,000 per unit per year for initial fit-out and reconversion to motel use at the end of the projected five-year term. The analysis did not assume a programmatic content to provide a specific environment in this living situation. The projections assume that some fixed expenses would be incurred for twelve months and that variable expenses would be limited to 10 months of annual occupancy. The small scale of operations for this facility and the absence of a food service component render direct comparisons to dormitory operations difficult and highly imprecise.

In respect to costs of occupancy, the analysis did indeed indicate that this program would be feasible at costs to students that are less than those associated with occupancy of dormitory facilities. This is unrelated to the issue of feasibility but does suggest that there is a cushion between the $7,500 annual cost for dormitory accommodations and the $5,600 estimate for the rental price of the units as student housing to accommodate somewhat higher expenses than anticipated. The office reuse alternative was not considered in detail in the reuse analysis, but it appears to be a possible consideration in respect to reuse due to the relatively high rental rates and highly constrained supply of office space in Davis. Currently, very little office space is available in downtown Davis and demand is strong. As of February 2002 two small offices (approximately 500 square feet each) were available (Personal communication with Laura Cole, Downtown Davis Business Association, February 26, 2002). Potentially, four buildings including office space may be constructed and open in downtown Davis in the next two years. The Downtown Davis Business Association, pursuant to discussion with local property owners and banks, anticipates that this new space will be filled. Thus, the resulting office vacancy rate will still be very low.

Please see also Response to Comment 5-17.

Response to Comment 5-35

The campus has committed approximately $1.2 million for Richard Boulevard studies and improvements. Approximately $880,000 of this has already been given to the City and used for the recent addition of a right turn lane at the intersection of Richards, 1st, and E Street.

The 1994 LRDP EIR assumed that the Richards Boulevard underpass would be widened from two to four lanes by 2005 because the City had identified committed funding sources for the project. However, after certification of the 1994 LRDP EIR, the City of Davis decided through a vote of citizens to maintain the two-lane corridor. The 1997-98 Major Capital Improvement Projects Supplemental EIR included an updated analysis of transportation and circulation impacts and revised 1994 LRDP EIR mitigation measures to address this change. If, as the commenter suggests, the City decides to reverse the previous decision and widen the underpass, the campus will analyze the changed circumstances and potentially introduce new mitigation measures. Currently, no mitigation is possible to reduce impacts at the intersection of Olive Drive and Richards Boulevard to a less-than-significant level without substantive improvements to the Richards
Boulevard underpass. Travel demand in the corridor exceeds the capacity of the underpass during peak periods, resulting in queues extending into the subject intersection. Any improvements undertaken at the intersection cannot alleviate the queuing problem, and therefore cannot improve the level of service to an acceptable level. Regarding off-site mitigation, no feasible off-site mitigation has been identified by the commenter or the campus that would reduce this impact to a less-than-significant level without introducing new significant impacts at other locations.

Response to Comment 5-36

As noted in Section 4.3, page 4.3-7 in the DEIR, the delay and subsequent level of service at the intersection of Richards Boulevard and Olive Drive is based upon field observations of queuing and delay extending from the Richards Boulevard underpass. Because the peak period traffic volumes at this location are constrained, traffic counts at this location record only those vehicles that pass through the intersection rather than the total demand. If the constrained volumes are used in operations analysis, better than LOS “F” results may be indicated. However, actual delay experienced by peak period motorists is greater than that reflected by a LOS “D” designation.

However, if the City wishes to rely on the modeled analysis that indicates LOS “D” at this location in the present and in future years, then there is no need for any mitigation at this location, since LOS “D” is acceptable at this location according to the City standards and the LRDP standards of significance.

Response to Comment 5-37

Comment noted. CEQA does not impose any duty on a lead agency to undertake mitigation measures to reduce the impacts of a project when those mitigation measures are outside the lead agency’s jurisdiction to approve or implement. The University clearly cannot approve or initiate physical improvements at off-campus intersections and roadways located in the City of Davis or Yolo County. However, while the campus has no legal duty to implement mitigation measures that are within the jurisdiction of another public agency, the campus is committed to working with the City, as it has in the past, to jointly address traffic congestion issues in Davis. Please see Response to Comment 5-35 for a discussion of funding already committed to Richard Boulevard studies and improvements.

Response to Comment 5-38

Please see Response to Comment 5-37.

Response to Comment 5-39

The commenter indicates that “it appears unlikely that such a configuration would be effective.” However, no further information is provided on why this lane configuration proposed in the DEIR would not be effective. Lane configurations similar to that proposed in the DEIR are utilized by Caltrans and other jurisdictions at freeway ramp terminations. The analysis of the lane configuration
proposed in the DEIR indicates that intersection operating conditions would be improved to an acceptable level. If the lane configuration suggested by the commenter was employed, operating conditions would also achieve an acceptable level of service.

Response to Comment 5-40

Please see Response to Comment 5-37.

Response to Comment 5-41

As noted by the commenter, the text should note “all-way stop” rather than “four-way stop.” The analysis did properly evaluate the intersection with three legs.

Please see Response to Comment 5-37. In addition, in compliance with 1994 LRDP EIR Mitigation Measure 4.3-1, the campus is continuing to monitor traffic levels at this intersection. Based on recent survey results, a traffic signal is not necessary at this time.

Response to Comment 5-42

Please see Responses to Comments 5-5 to 5-41.