



ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

## MEMORANDUM

Date: November 14, 2007

To: Mayor and City Council  
Marty Hanneman, Assistant City Manager  
Other Interested Parties

From: Dave Harzoff, Economic Development Manager

Subject: Railyards Economic Impact Analysis

---

This analysis was recently completed that looks at the overall economic impact of the Railyards Development Project. The analysis was prepared to better understand the magnitude of new employment and economic activity that would be generated by development and operation of the land uses proposed for the Railyards project. This is particularly important because the developer is seeking to establish a public-private partnership in which the City of Sacramento and the Redevelopment Agency are being asked to financially assist with the development of infrastructure, public facilities, and possibly some private development in the project. The project has significant infrastructure and public facilities costs, estimated at \$750 million, that have been identified in the Railyards Specific Plan Public Facilities Financing Plan. Another study, summarized in the economic report, the Railyards Specific Plan Fiscal Impact Analysis looked at the costs of providing municipal services to the Railyards development and the municipal revenues the project would generate to offset those costs. All three reports are available on the City's website at <http://www.cityofsacramento.org/dsd/projects/railyards/>.

### **Summary of Findings in the Analysis**

The Economic Impact Analysis (analysis) analyzes one-time impacts of the construction of the project and projects ongoing annual economic activity. The analysis looks at both direct and indirect economic impacts of the project. The economic impact of the cultural and entertainment district proposed in and around the historic Central Shops is analyzed separately from the rest of the project due to the unique characteristics of that type of economic activity.

*Building on Our History ~ Creating The Place to Be.*

The analysis projects an ongoing annual economic impact of \$2.7 billion and 19,200 permanent jobs. The estimated one-time cumulative economic impact from construction of the project is \$5.7 billion over an assumed 20-year build-out period. It is estimated that an average of 2,800 construction jobs would be generated annually during the 20-year construction period. A summary of the projected economic impacts are included in the table below. A brief discussion of the assumptions on which the analysis is based is presented below the table.

Summary of Railyards Specific Plan Economic Impact Analysis	
Estimated One-Time Economic Impacts from Construction over 20 years	\$5,700,000,000
Estimated One-Time Employment from Construction	2,800 jobs/yr for 20 years
Estimated Annual Economic Impact at Buildout (inc. Historic and Cultural District)	\$2,700,000,000
Estimated Annual Employment at Buildout (inc. Historic and Cultural District)	19,200 jobs
Estimated Annual Economic Impact at Buildout of Historic and Cultural District	\$86,000,000
Estimated Annual Employment at Buildout of Historic and Cultural District	750 jobs

### **Assumptions and Accuracy of the Analysis**

The significant positive economic impacts projected for the Railyards are built on a number of assumptions. Significant changes to the assumptions could significantly alter the specific projections produced by the analysis. The land uses that are the basis of the analysis are based on the Railyards Specific Plan that has been submitted for approval. It is difficult to say with certainty how closely build-out of the Railyards over 15, 20 or even 30 years will adhere to the land use assumptions. Market forces will ultimately drive most of the specific land uses developed and the pace and quantity of development. Similarly the economic modeling for the analysis uses a number of factors based on Sacramento County's demographic characteristics and the structure of the local economy. It is impossible to predict how these economic factors will change over time. The economic data used is more readily available for the County than the City but it is assumed that a large portion of the economic benefit will be experienced within the City of Sacramento. Additionally some of the economic benefits generated by the project will be felt in surrounding counties where some benefitting employees and businesses likely will reside.

Although the assumptions can be changed and market conditions will substantially influence the build out of the Railyards it is fair to conclude a project of this magnitude will have a huge economic impact on the City and County of Sacramento and the broader region. The companion fiscal impact analysis that was prepared projects that the City will be able to fund its ongoing municipal services from the revenues from the land uses proposed in the Railyards Specific Plan. That is an important consideration in the City's decision-making process, whether to approve the Railyards project or not, that is projected to produce these economic benefits. The methodologies used in both the economic impact and fiscal impact analyses are intentionally conservative to not overstate the projected economic benefits and to not overestimate the City's capacity to fund municipal services.