



DEPARTMENT OF  
FINANCE  
  
ADMINISTRATION DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

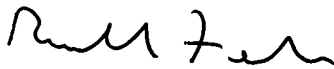
SACRAMENTO CITY HALL  
915 I STREET  
5<sup>TH</sup> FLOOR  
SACRAMENTO, CA  
95814-2604

PH 916-808-5845  
FAX 916-808-5755

## MEMORANDUM

Date: November 14, 2007

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

From: Russell Fehr, Finance Department Director 

Subject: Railyards Fiscal Impact Analysis Summary

The operational budget analysis of the proposed development of the Railyards indicates that the project will generate a surplus in the City's General Fund. The Railyards development will also generate significant levels of revenues not allocated to the General Fund. This analysis is, in its essence, a series of projections reflecting City costs of providing municipal services to the Railyards and the City revenue generated in the Railyards by the residents, businesses, and persons employed in those businesses. The projections included in the study are based on numerous assumptions regarding future costs and revenues including an explicit anticipated land use plan and buildout schedule. Changing the assumptions will ultimately change the results and, it is not always possible to reach consensus on the assumptions. The assumptions upon which the estimates are based are, in general, conservative. Readers of the analysis could comment that costs are overstated and revenues are understated, but given the uncertainties involved in making longer term projections, we feel that taking a somewhat conservative course is in the best interests of the City.

### Fiscal Impact of Project

Overall, it is expected that the net impact of the Railyards project will result in an operational budget surplus. City revenues exceed City costs over each phase of the project and at buildout as summarized in the following table.

<b>Phase</b>	<b>1A</b>	<b>1B</b>	<b>2</b>	<b>3</b>	<b>4 (Buildout)</b>
Revenues	\$ 1,036,158	\$ 5,044,080	\$ 6,703,892	\$ 11,658,928	\$ 16,464,281
Expenses	551,009	2,882,138	4,668,031	10,802,071	15,105,711
<b>Annual Surplus</b>	<b>\$ 485,149</b>	<b>\$ 2,161,942</b>	<b>\$ 2,035,861</b>	<b>\$ 856,857</b>	<b>\$ 1,358,570</b>

The reason for the annual surpluses being larger in earlier phases of overall project development than at buildout is that most residential development comes in the later phases of project development. Most of the service costs are associated with the residents of the Railyards. The development trajectory is different from typical Greenfield development where residential construction is followed by retail and other non-residential uses. At the Railyards, the plan is to construct most of the retail and non-residential parts before the bulk of the residential construction.

### **Expenditures**

The projections of the City costs for providing services to the Railyards as it is developed and at buildout of the project area were developed through a combination of direct input from some City Departments and extrapolation from current Citywide services costs. Total expenditures for the project are estimated to be \$551,000 in the first phase, growing to \$15.1 million at buildout. Police (\$6.8 million), Fire (\$2.7 million) and Parks and Recreation (\$2.2 million) generate the greatest share of total expenditures at buildout.

### **Revenues**

The study projects revenues generated by the Railyards development by estimating revenue growth based on per capita, per resident and per employee as appropriate for the revenue type. Revenue estimates were developed for all major revenue categories that would be expected to grow as a result of the project. Property tax in lieu of VLF (\$6.5 million), Sales Tax (\$3.1 million) and Utility Taxes (\$2.7 million) are estimated to generate the greatest shares of total project revenue at buildout.

### **Other Fiscal Benefits to City**

There are fiscal benefits to the City in the form of revenues which will not be credited to the General Fund. Property tax revenue will be allocated to the Railyards Redevelopment Area and will be available for housing programs and the funding of infrastructure for the project. Transient-Occupancy Tax revenue is, under current City Ordinance, allocated to the Convention Center Fund, the Metropolitan Arts Commission, and the Sacramento Convention and Visitors Bureau. The analysis indicates that 1,100 hotels rooms in the project area will generated approximately \$3.7 million in annual revenue.