

1. Introduction

The University of California Davis (UC Davis or Project Proponent) retained Economic & Planning Systems, Inc. (EPS) to prepare a Regional Economic Impact and City Fiscal Analysis (Analysis) of the Aggie Square Project (Project), a proposed mixed-use innovation and research center in the City of Sacramento (City). Located on the UC Davis Health Science Campus in Sacramento, along the City's Stockton Boulevard corridor, the Aggie Square Project is envisioned as a Knowledge Community that creates an innovation hub for the Sacramento region – driving commercialization of University research, hosting Sacramento start-ups, growing local companies, and bringing new companies to Sacramento.

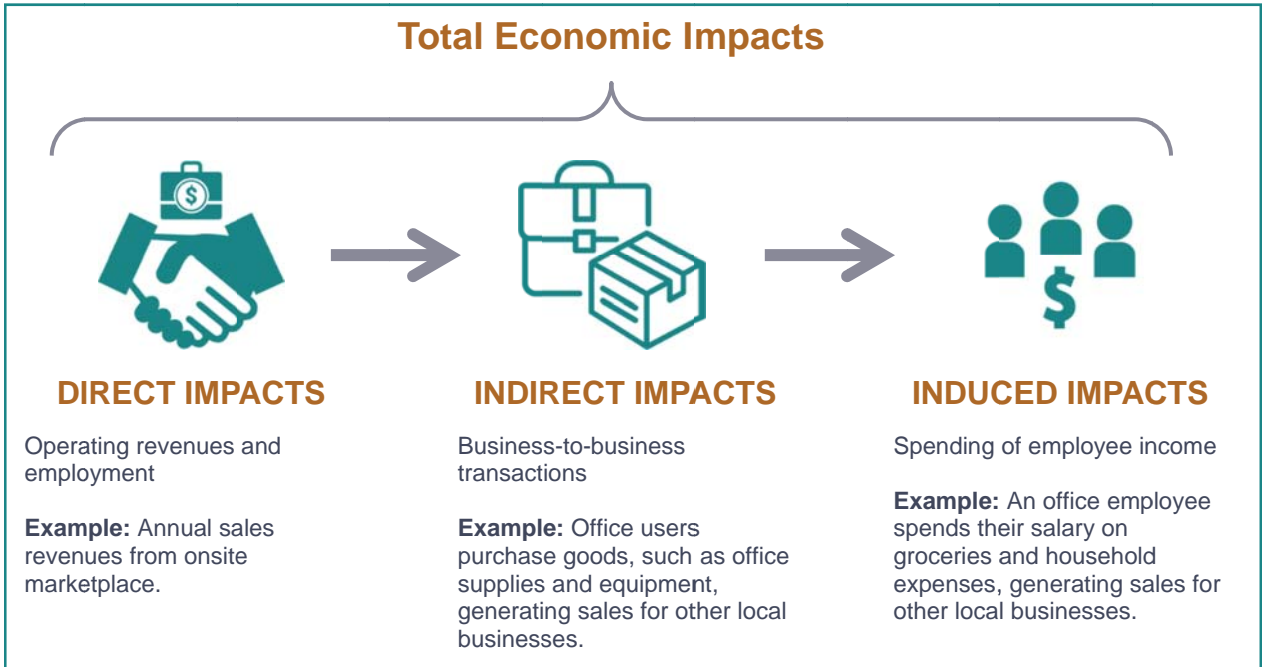
UC Davis and its selected Development partner, Wexford Science + Technology, are creating Aggie Square as a public-private partnership. The Project will be a significant collaborative hub for research, development, and education unlike anything currently located in the City or the Region. Aggie Square will couple all of the key elements of a thriving innovation ecosystem: publicly and privately funded research, commercial office and lab space, convening space, housing, public spaces, and ample opportunities for learning and connecting. The Project exemplifies best practices in innovation and inclusive economic development by leveraging the research strengths of UC Davis to create opportunities for academic, industry and community collaboration in a vibrant setting, to the benefit of UC Davis, the City, Sacramento County and the entire Region.

The purpose of the Regional Economic Impact Analysis is to estimate the quantifiable one-time construction and ongoing operational impacts of the proposed Project on the local economy with respect to jobs, income, and total economic output. The economic stimulus generated by the Project will have a multiplying effect throughout the economy as local businesses, consumers, and employees associated with the Project make local expenditures. This Analysis quantifies these impacts using an input/output (I/O) economic modeling system, which measures the change in regional economic activity resulting from a specific economic stimulus.

In this Analysis, the economy is defined in both a broader regional and local context. The broader regional economy included in this Analysis is defined as the six county Sacramento Region (Region or Six County Region), composed of Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba counties, and the local economy is defined as Sacramento County. The economic impacts measured include the direct contributions of the Project, as well as indirect and induced impacts resulting from Project construction and ongoing annual operations in the Region and Sacramento County. The on-going, annual economic impact estimates do not capture the spin-off economic benefits and shared wealth creation that will come from start-ups that "go big," business growth extending beyond Aggie Square, company relocations to the region at sites other than Aggie Square, and catalytic innovations and inventions sparked by the ecosystem at Aggie Square. In addition, the estimates of on-going annual economic impact and the one-time

economic impact from construction do not include any development that occurs on surrounding properties outside the boundaries of Aggie Square. **Figure 1** illustrates the activities captured by this Analysis.

Figure 1 Economic Impact Analysis Components



Source: EPS.

In addition to the economic impacts discussed above, the Analysis includes a Fiscal Impact Analysis, which estimates incremental City of Sacramento revenues generated by the Project. Again, these estimates do not include revenues generated by the spin-off economic benefits referred to above or by development that occurs on properties outside the boundaries of the Project. The incremental revenues estimated in this Analysis include only the revenue categories included in the City’s General Fund and are based on the published Fiscal Year (FY) 2019-20 Annual City Budget, assuming stabilized Project operations.

Aggie Square is anticipated to be developed over two phases, with Phase 1 breaking ground in 2021, and being completed in 2023, and Phase 2 assumed to be developed within a few years thereafter.

Due to additional demand for hotel rooms in Sacramento that can be expected as a result of Aggie Square, two scenarios were developed for Phase 1: Scenario 1 is the “Base” development scenario; and Scenario 2 is the “Hotel Expansion” development scenario. These alternative analyses are described in greater detail in Section 2, Project Overview, below. There is only one development scenario included for Phase 2.

All results of this Analysis are presented independently and cumulatively for both Project phases. The cumulative totals reported in this Executive Summary reflect Phase 1 Scenario 2, including the hotel expansion, and Phase 2. At the end of this Executive Summary are three attachments containing the full technical analyses completed for each Phase 1 scenario and for Phase 2.

In addition to the Regional Economic Impact and City Fiscal Analysis described herein, EPS has completed a Sacramento County Fiscal Analysis under separate cover, which estimates the potential incremental Sacramento County General Fund revenues generated by ongoing operations of the Project.

The analysis included in this report is based on information collected in late 2019 and early 2020, primarily before the current COVID-19 pandemic. As the related long-term effects on any specific land uses are unknown at this time, this report is predicated on then-available information. While EPS has no reason to believe that the fundamental economic dynamics and data described in this Technical Memorandum have been altered as a result of the pandemic, it should be recognized that specific outcomes will be reliant on outside forces (e.g., viral behavior and related societal/policy responses) that cannot be predicted with certainty as economic recovery occurs.

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2. Project Overview

Located on the UC Davis Health Science Campus in Sacramento, the Project is anticipated as a mixed-use collaborative innovation center and research hub. The Project is located at the intersection of Stockton Boulevard and 2nd Street, south of the existing UC Davis Medical Center. The Project contains a variety of UC Davis and private sector uses, including science, technology, data and research uses, co-working space, community-serving retail, and housing. Each of these important elements, from the shared office and lab space, to the turnkey commercial labs, to the public “living room” infrastructure of Innovation Hall, allows for entrepreneurial collisions and connections, ongoing community engagement, commercial co-location clustering with startups, and new job creation/workforce development.

The Project is anticipated to be developed in two phases as described in more detail in the following sections. Phase 1 of Aggie Square will consist of approximately 1.2 million square feet across four buildings with a mix of innovation elements: academic research and learning, industry innovation and commercialization, shared office and lab suites, continuing education and training facilities, community convening space, housing, primarily for students, and public spaces for gathering and events. Other Phase 1 project elements outside the above include the Mobility Hub being developed by the university, a rehabilitation hospital already under construction, and future potential expansion of the hotel within the project boundaries. Occupancy of Phase 1 is currently projected for late 2023.

Phase 2 of the Project is anticipated to include 600,000 square feet in two additional buildings, consisting primarily of science, technology, and research uses, including additional shared office and lab space.

Additional demand for hotel rooms in Sacramento can be expected as a result of Aggie Square. For that reason, an additional sensitivity scenario was prepared for Phase 1 of the Project, illustrating the effects of a potential future expansion of the existing hotel that sits within the Aggie Square project boundaries on University-owned land, if such expansion were to occur as an outgrowth of the anticipated Aggie Square development. The Hotel Expansion Scenario assumes an expansion of the existing hotel from 139 rooms to approximately 250 rooms.

There is only one development scenario included for Phase 2.

Phase 1 Project Land Uses

Phase 1: Base Development Scenario

For purposes of this analysis, Phase 1 of the Project consists of four buildings and associated public spaces fostering an environment for community interaction and collaboration between disciplines. In addition, Phase 1 includes development of a rehabilitation hospital located adjacent to the site of the four Project buildings. Phase 1 includes 1,204,000 square feet anticipated to include the following mix of land uses.

Science and Technology East and West Buildings

- 388,000 square feet of science and technology uses
- 177,000 square feet of university research space
- 43,000 square feet of coworking space

Lifelong Learning Building

- 122,000 square feet of university offices and classrooms
- 118,000 square feet of data sciences uses
- 60,000 square feet of coworking space

Mixed-Use Housing and Community-Serving Retail Building

- 203,000 square feet of housing uses, accommodating 285 housing units
- 16,000 square feet of community-serving retail
- 12,000-square-foot Alice Waters Institute for Edible Education
- 12,000 square feet of UC Davis catering uses

Rehabilitation Hospital

- 53,000-square-foot rehabilitation hospital

Phase 1 includes consideration of the anticipated on-site Project parking structure, but does not include any offsite parking structures anticipated to develop as a result of the Project.

Phase 1: Hotel Expansion Scenario

An existing hotel with 139 rooms is located adjacent to the Project, north of 2nd Street. In addition to the Base Development Scenario included for Phase 1, the Analysis assesses the impacts of a potential update and expansion of this hotel to 250 rooms.

This Hotel Expansion adds 187,500 square feet of hotel uses to the development program, bringing the total development area of Phase 1 to 1,392,000 square feet.¹

¹ Estimated hotel square footage is based on an assumed square footage of 750 square feet per room applied to the total anticipated number of rooms. This assumption is based on data obtained for similar hotels located in the Region.

Phase 2 Project Land Uses

Phase 2 of the Project includes 600,000 square feet in two additional Project buildings, consisting primarily of science, technology, and research uses. The land uses included in Phase 2 of the Project include the following uses:

- 370,000 square feet of science and technology uses
- 200,000 square feet of university research space
- 22,000 square feet of coworking space
- 8,000 square feet of community-serving retail

Appendix A in each attachment includes more detail regarding the proposed land uses and assumptions used in this Analysis for each phase and scenario.

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3. Summary of Economic Impact Analysis

The Analysis includes a detailed Economic Impact Analysis of each phase of development of the Project in the form of an I/O analysis, which estimates the direct economic contributions of the Project, as well as the associated multiplier or “ripple” effect (indirect and induced impacts) that could be generated through demand on suppliers of goods and services and employee spending in the economy.

The Analysis estimates both one-time construction impacts and ongoing, annual economic impacts associated with the buildout operations of the Project, using three economic measures: total output (total market value of goods and services generated by affected industries, inclusive of labor income), employment (jobs), and labor income (total compensation associated with employment, including employee compensation, proprietors income, and other profits, rents, and royalties income). The Analysis assesses the economic impacts of the Project on both the Sacramento County and the Region. **Table 1** shows the economic impacts of Phase 1 and Phase 2 independently, as well as the combined cumulative impacts of Phases 1 and 2. **Appendix E** in each attachment includes detailed economic impact estimating tables.

Economic Impact Analysis Findings

One-Time Construction Economic Impact

One-time economic impacts are generated during the Project construction period.²

Construction impacts are based on the estimated construction costs for each phase of the proposed Project, based on data provided by the Project Proponent. Included in the construction cost estimates is additional spending pertaining to one-time purchase of fixed equipment for all uses. In addition, the Analysis includes the construction impacts generated by infrastructure improvement projects undertaken by the Sacramento Department of Utilities and the Sacramento Regional County Sanitation District directly resulting from impact fee revenues to be paid by the Project.³ **Table D-1** in each attachment shows the estimated hard construction costs for each phase and scenario of the Project.

² To the extent that construction activity is short term and construction labor markets are tight, construction impacts often entail a shift of resources from other projects in a Region. This report therefore estimates gross economic impacts, not accounting for potential shifts in resources. Due to the extent that construction labor is used temporarily and laborers may live outside of the Sacramento County, this Analysis is based on the assumption that construction activities will not generate induced impacts.

³ Impact fee revenue estimates are based on calculations of impact fee revenue generated by each phase of the Project, prepared by RSC Engineering.

Table 1
Aggie Square Phase 1 Analysis
Regional Economic Impact and City Fiscal Analysis
Summary of One-Time and Ongoing Impacts (Rounded 2020\$)

Activity/Impact Categories	Estimated Economic Impact				
	Phase 1		Phase 2	Total Phase 1 and 2	
	Scenario 1: Base Scenario	Scenario 2: Hotel Expansion		Scenario 1: Base Scenario	Scenario 2: Hotel Expansion
Six County Region					
One-Time Economic Impacts					
One-Time Construction Impacts [1]	\$1,600.3 M	\$1,665.7 M	\$943.6 M	\$2,543.9 M	\$2,609.4 M
One-Time Construction Jobs (Job Years) [2]	9,584	9,993	5,754	15,338	15,747
Annual Ongoing Economic Impacts					
Annual Ongoing Operational Impacts [3]	\$2,992.6 M	\$3,021.8 M	\$1,877.0 M	\$4,869.6 M	\$4,898.8 M
Annual Ongoing Operational Jobs (Annual Average) [4]	15,703	15,909	9,109	24,813	25,018
Sacramento County					
One-Time Economic Impacts					
One-Time Construction Impacts [1]	\$1,124.6 M	\$1,170.3 M	\$661.2 M	\$1,785.8 M	\$1,831.5 M
One-Time Construction Jobs (Job Years) [2]	7,070	7,374	4,260	11,330	11,634
Annual Ongoing Economic Impacts					
Annual Ongoing Operational Impacts [3]	\$1,988.9 M	\$2,009.1 M	\$1,248.4 M	\$3,237.3 M	\$3,257.5 M
Annual Ongoing Operational Jobs (Annual Average) [4]	9,861	10,014	5,542	15,403	15,555

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Source: IMPLAN, 2018 Dataset; Project Proponent; EPS.

[1] Includes direct and indirect impacts.

[2] Employment includes both full-time and part-time workers. Job years refer to the number of jobs in each year summed over the entire construction period of the Project.

[3] Includes direct, indirect, and induced impacts of the anticipated land uses within the Project.

[4] Reflects stabilized operational employment for the Project assuming a frictional vacancy rate.

One-Time Construction Impacts of Phase 1

- Under the **Base Scenario**, one-time economic activities stemming from construction of Phase 1 of the Project are estimated to generate **total output of \$1.6 billion** and generate the equivalent of **9,600 jobs lasting 1 year (job years)** within the Six County Region.⁴
 - Of the \$1.6 billion of economic activity generated in the Six County Region under the Base Scenario, it is estimated that **\$1.1 billion in total output** and **7,100 job years** occur in the Sacramento County.
- Under the **Hotel Expansion Scenario**, construction of Phase 1 of the Project is estimated to generate a **total output of \$1.7 billion** and generate approximately **10,000 job years** in the Six County Region.
 - Of the \$1.7 billion of economic activity generated in the Six County Region under the Hotel Expansion Scenario, it is estimated that **\$1.2 billion in total output** and **7,400 job years** occur in the Sacramento County.

One-Time Construction Impacts of Phase 2

- One-time economic activity stemming from construction of Phase 2 of the Project is estimated to generate **total output of \$944 million** and generate approximately **5,800 job years** in the Six County Region.
 - Of the \$944 million of economic activity generated in the Six County Region, it is estimated that **\$661 million in total output** and **4,300 job years** occur in the Sacramento County.

Combined One-Time Construction Impacts of All Phases

- Combined one-time economic activities stemming from construction of Phases 1 and 2 of the Project are estimated to generate a **total output of \$2.6 billion** and generate approximately **15,700 job years** in the Six County Region.⁵
 - Of the \$2.6 billion of economic activity generated in the Six County Region, it is estimated that **\$1.8 billion in total output** and **11,600 job years** occur in the Sacramento County.

Ongoing Economic Impact Results

Ongoing economic impacts capture the direct, indirect, and induced impacts generated by the operational activities of all land uses included in the Project, as described in the previously discussed Project Overview. Impacts associated with these economic activities are estimated based on Project employment estimates. Total employment estimates are

⁴ Note that the employment figures reported for construction impacts represent total job years lasting over the duration of the Project and could reflect the same job that extends over multiple years. For instance, a general laborer employed for 2 years during construction activity would represent 2 job years.

⁵ Combined totals reflect inclusion of Phase 1 Scenario 2 and Phase 2.

based on approximate employment counts for each nonresidential land use suggested by the Project Proponent and informed by EPS industry experience.

As estimated in the Analysis, Phase 1 of the Project is anticipated to generate from 3,600 to 3,700 on-site jobs, under the Base Scenario and Hotel Expansion Scenario, respectively.

Phase 2 of the Project is anticipated to generate an additional 1,700 new on-site jobs, for a total number of jobs generated by both phases of development ranging from 5,300 to 5,400.

Table D-2 in each attachment shows the total jobs generated by each phase of development of the Project by use.

Ongoing Economic Impacts of Phase 1

- Under the **Base Scenario**, ongoing economic impacts stemming from operations of Phase 1 of the Project are estimated to generate **total annual output of \$2.99 billion** and generate approximately **15,700 jobs** in the Six County Region annually.⁶
 - Of the \$2.99 billion of economic activity generated annually in the Six County Region under the Base Scenario, is it estimated that **\$1.99 billion in total annual output** and **9,900 jobs** occur in the Sacramento County.
- Under the **Hotel Expansion Scenario**, ongoing operations of Phase 1 of the Project are estimated to generate a **total annual output of \$3.02 billion** and generate approximately **15,900 jobs** in the Six County Region annually.
 - Of the \$3.02 billion of economic activity generated annually in the Six County Region under the Hotel Expansion Scenario, is it estimated that **\$2.01 billion in total annual output** and **10,000 jobs** occur in the Sacramento County.

Ongoing Economic Impacts of Phase 2

- Ongoing operations of Phase 2 of the Project are estimated to generate **total annual output of \$1.88 billion** and generate approximately **9,100 jobs** in the Six County Region annually.
 - Of the \$1.88 billion generated in the Six County Region, is it estimated that **\$1.25 billion in total annual output** and **5,500 job years** occur in the Sacramento County.

⁶ Direct employment relates to full time employee estimates employed within the Project. Indirect and induced employment estimates include both full and part time job estimates.

Combined Ongoing Economic Impacts of All Phases

- Ongoing operations of uses included in both Phases 1 and 2 of the Project are estimated to generate a **total annual output of \$4.90 billion** and generate approximately **28,000 jobs** in the Six County Region.⁷
 - Of the \$4.90 billion generated in the Six County Region, is it estimated that **\$3.26 billion in total annual output** and **15,600 job years** occur in the Sacramento County.

⁷ Combined totals reflect inclusion of Phase 1 Scenario 2 and Phase 2.

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4. Summary of City Fiscal Impact Analysis

In addition to the Economic Impact Analysis described in the previous section, the Analysis includes a City Fiscal Impact Analysis, which estimates the potential incremental revenues to the City of Sacramento's General Fund based on development of the Project at buildout of each phase and scenario. The objective of the Analysis is to catalog the significant potential for growth to City revenues resulting from the Project and illustrate the Project's ability to support and bolster municipal services performed in the Project area and the remainder of the City. At this time, no evaluation of marginal public services costs potentially driven by the Project has been conducted. Because of the infill nature of the Project and the presence of UC-dedicated public safety personnel, it is expected that many typical service costs may be minimal; however, this should be further evaluated at the appropriate time.

The Analysis examines the General Fund revenues of Phase 1 of the Project under the Base Scenario and the Hotel Expansion Scenario, as well as buildout of Phase 2. **Table 2** shows the estimated General Fund revenues generated by the Project for each phase and scenario.

Fiscal Impact Analysis Findings

- 1. Phase 1 of the Project is anticipated to generate gross revenues ranging from approximately \$3.0 million to \$3.7 million annually to the City General Fund.***

Under the **Base Scenario**, Phase 1 of the Project is anticipated to generate nearly **\$3.0 million** annually to the City's General Fund. The largest sources of revenue anticipated from the Project are property tax-related revenues (including property tax and property tax in lieu of vehicle license fees) and sales tax, estimated at \$1.9 million and \$509,000, respectively.

Under the **Hotel Expansion Scenario**, Phase 1 of the Project is anticipated to generate over **\$3.7 million** annually to the City's General Fund. The largest sources of revenue anticipated from the Project are property tax-related revenues and transient occupancy tax, estimated at \$2.0 million and \$1.0 million, respectively.

- 2. Phase 2 of the Project is anticipated to generate additional revenues of approximately \$1.4 million annually to the City General Fund.***

Phase 2 of the Project is anticipated to generate approximately **\$1.4 million** annually to the City's General Fund. The largest sources of revenue anticipated from the Project are property tax-related revenues and sales tax, estimated at \$1.0 million and \$256,000, respectively.

Table 2
Aggie Square Phase 1 Analysis
Regional Economic Impact and City Fiscal Analysis
City General Fund Revenue Analysis (2020\$)

Item	Detailed Annual Fiscal Impacts (Rounded)				
	Phase 1		Phase 2	Total Phase 1 and 2	
	Scenario 1: Base Scenario	Scenario 2: Hotel Expansion		Scenario 1: Base Scenario	Scenario 2: Hotel Expansion
City General Fund					
Annual Revenues					
Property Tax	\$1,374,000	\$1,428,000	\$741,000	\$2,115,000	\$2,169,000
Property Tax in lieu of VLF	\$552,000	\$574,000	\$298,000	\$850,000	\$872,000
Sales Tax	\$247,000	\$248,000	\$124,000	\$371,000	\$372,000
Sales Tax - Measure U	\$247,000	\$248,000	\$124,000	\$371,000	\$372,000
Sales Tax - Prop. 172 (Public Safety)	\$15,000	\$15,000	\$8,000	\$23,000	\$23,000
Transient Occupancy Tax (TOT)	\$343,000	\$996,000	\$6,000	\$349,000	\$1,002,000
Utility Taxes	\$95,000	\$97,000	\$38,000	\$133,000	\$135,000
Business Operations Tax	\$73,000	\$75,000	\$35,000	\$108,000	\$110,000
Licenses and Permits	\$21,000	\$21,000	\$8,000	\$29,000	\$29,000
Total Annual General Fund Revenues	\$2,967,000	\$3,702,000	\$1,382,000	\$4,349,000	\$5,084,000

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Source: EPS.

Note: All values are rounded to the nearest \$1,000.

3. ***Including both phases, the Project is anticipated to generate revenues of approximately \$5.1 million annually to the City General Fund at buildout of both phases of development.***⁸

Combined, Phases 1 and 2 of the Project are anticipated to generate **\$5.1 million** annually to the City's General Fund. The largest sources of revenue anticipated from the Project are property tax-related revenues and transient occupancy tax, estimated at \$1.5 million and \$1.0 million, respectively.

Discussion of Key Revenue Considerations

EPS used either an average-revenue approach or a marginal-revenue case-study approach to estimate Project-related General Fund revenues:

- The **average-revenue approach** uses the City's FY 2019-20 budgeted revenue amounts on a citywide per capita, per employee, or per-persons-served basis to forecast revenues derived from estimated Project residents, employees, or persons served. The average revenue approach is used to estimate utility taxes, business operations tax, and licenses and permits.
- The **marginal-revenue case-study approach** simulates actual revenue generation resulting from new development. Case studies used in this Analysis are discussed in greater detail in the following section.

Appendix B in each attachment shows the Fiscal Revenue calculations for each development phase and scenario.

Marginal-Revenue Case-Study Categories

Property Tax

Estimated annual property tax revenues resulting from Project development are derived from the estimated assessed valuation of the Project and the City General Fund's post-Educational Revenue Augmentation Fund (ERAF) share of the 1 percent ad valorem property tax rate. The total assessed value represents the Project's estimated land value and the value of Project improvements at buildout, based on information provided by the Project Proponent. It is assumed that property tax will only be assessed on privately owned portions of the Project, and no property tax revenues are estimated for the publicly owned or leased uses.⁹

⁸ Combined totals reflect inclusion of Phase 1 Scenario 2 and Phase 2.

⁹ Privately owned uses in this Analysis include long-term ground leases of university-owned property. The portion of the Project estimated to be occupied by private sector tenants have been included in the privately-owned uses. Based on input received from the Sacramento County, the duration of proposed ground leases results in treatment of said property as private ownership for all intents and purposes.

Property Tax in Lieu of Vehicle License Fee

The Analysis uses a formula provided by the State Controller's Office to forecast Property Tax in Lieu of Vehicle License Fees (PTIL VLF). PTIL VLF is calculated by taking the percentage increase in the City's assessed value resulting from the Project's estimated assessed value and applying that percentage increase to the City's current State allocation of PTIL VLF revenue, as shown in the City's FY 2019-20 budget.

Sales Tax

Sales tax revenue is based on estimated taxable sales, the Bradley-Burns local 1 percent Uniform Local Sales Tax rate, and the voter approved Measure U 1 percent rate.¹⁰

EPS uses a combination of methodologies to account for taxable sales generated by the Project.

Annual Taxable Sales from New Market Support

This Analysis estimates taxable retail expenditures of future residents, employees, and visitors in the Project and the share of expenditures estimated to be captured by retail outlets in the City.

This Analysis estimates retail expenditures of Project residents by estimating the total income of new households, based on projected annual rental rates for new multifamily units, housing costs, and estimated household income.

Taxable spending of Project employees is estimated by applying an average per day employee spending estimate to the anticipated Project employees.¹¹

Visitor spending estimates are based on the anticipated visitors from outside of the City drawn to the Project to attend weekly events sponsored by the Venture Café and for larger events held at the onsite Innovation Hall. A per day taxable spending estimate is applied to total nonlocal visitation estimates to arrive at a total taxable visitor spending estimate.

In total, Phase 1 of the Project is anticipated to generate approximately 95,000 annual visitors, including approximately 62,000 nonlocal annual visitors from outside of the City. Additional visitor generation for Phase 2 has not yet been forecast and as such no estimated taxable sales generated by visitors has been estimated by EPS at this time.

¹⁰ Measure U was a supplemental half-cent sales tax rate approved by voters in 2012 as a temporary tax. In November 2018, Sacramento voters approved a new version of the City's Measure U sales tax, extending it and raising it from a half-cent to a full cent.

¹¹ To avoid double counting and ensure the Analysis accurately captures net new activity, an adjustment is made to total employee estimates to exclude 7.5 percent of Project employment assumed to be offset by existing workforce levels in the City.

Direct Annual Taxable Sales from Commercial Uses

The commercial land uses in the Project will generate taxable retail sales beyond the taxable sales generated from Project residents, employees, and visitors (market support). That is, other consumers outside of the Project will purchase taxable goods and services from the Project's onsite retail, and the onsite commercial nonretail uses will generate additional taxable sales resulting from business-to-business transactions. To estimate taxable sales from commercial uses, EPS has applied an assumed taxable sales per square foot estimate to all retail, science and technology, coworking, and data science uses.

Transient Occupancy Tax

Under the Base Scenario of Phase 1, estimated annual transient occupancy tax revenues resulting from Project development are based on the assumption that a portion of visitors generated by the Project will require overnight accommodations and will stay at local hotels in the City. An average daily room rate based on average room rate for hotels in the Region is applied to out-of-Region visitor estimates. Under the Hotel Expansion Scenario, additional transient occupancy tax is estimated for the additional hotel rooms created in the Project and an assumed increase in the existing daily room rate of the Project hotel resulting from the anticipated expansion. Transient occupancy tax is estimated using a per persons served multiplier for Phase 2.

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5. Conclusion

The Project is poised to become a significant driver of economic activity in the City, Sacramento County, and Region. The unique partnership between UC Davis, the City, and private industry partners will result in a collaborative hub for science and research unlike anything located in the City and the Region. The Project exemplifies best practices in innovation center and economic development by leveraging the research strengths of the University of California to create opportunities for academic and industry collaboration in a vibrant setting, to the benefit of the Region. As shown in this Analysis, at buildout, the Project could result in one-time construction impacts of approximately \$2.61 billion and ongoing annual economic impacts of approximately \$4.90 billion to the Region.

The Project also represents a significant revenue driver for the City, with the potential to generate City General Fund revenues of approximately \$5.1 million annually. Because of the infill nature of the Project and the presence of UC-dedicated public safety personnel, it is expected that revenue generation of the Project will outweigh any anticipated expenditures related to municipal services required to serve the Project. The Project has potential to be a major factor in the advancement of the City's Stockton Corridor, a major focus of current City economic development efforts.

In addition to the Regional Economic Impact and City Fiscal Analysis described herein, EPS has completed a Sacramento County Fiscal Revenue Analysis under separate cover, which estimates the potential Sacramento County General Fund revenues generated by ongoing operations of the Project.