

# CHAPTER 5

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## Other CEQA Required Considerations

### 5.1 Introduction

Section 15126 of the State CEQA Guidelines requires that all phases of a project must be considered when evaluating its impact on the environment, including planning, acquisition, construction, and operation. Further, the evaluation of significant impacts must consider direct and reasonably foreseeable indirect effects of the project over the short-term and long-term. As part of this analysis, the EIR must identify (1) significant environmental effects of the Proposed Project, (2) mitigation measures proposed to minimize significant effects, (3) significant environmental effects that cannot be avoided if the Proposed Project is implemented, (4) significant irreversible environmental changes that would result from implementation of the Proposed Project, (5) growth-inducing impacts of the Proposed Project, (6) potential urban decay effects caused by economic competition created by the project, and (7) alternatives to the Proposed Project.

Chapter S, Summary of Environmental Effects, and sections 4.1 through 4.11 provide a comprehensive presentation of the Proposed Project's environmental effects, proposed mitigation measures, and conclusions regarding the level of significance of each impact both before and after mitigation.

Chapter 6, Alternatives, presents a comparative analysis of alternatives to the Proposed Project.

The other CEQA-required analyses described above are presented below.

### 5.2 Significant and Unavoidable Impacts

Section 15126.2(b) of the State CEQA Guidelines requires that an EIR describe any significant impacts that cannot be avoided, even with the implementation of feasible mitigation measures. The environmental effects of the Proposed Project on various aspects of the environment are discussed in detail in Chapter 4, Environmental Setting, Impacts, and Mitigation Measures. Project-specific and cumulative impacts that cannot be avoided if the project is approved as proposed include:

## 5.2.1 Project-Specific Significant and Unavoidable Impacts

**Impact 4.1-1:** The Proposed Project could substantially degrade the existing visual character or quality of the site and its surroundings.

**Impact 4.2-3:** The Proposed Project would result in long-term (operational) emissions of NOx.

**Impact 4.4-2:** Construction of the Proposed Project could damage or destroy archaeological resources.

**Impact 4.8-1:** The Proposed Project could result in a substantial permanent increase in ambient exterior noise levels in the project vicinity.

**Impact 4.8-3:** Construction of the Proposed Project could result in noise levels that temporarily exceed the City's standards.

**Impact 4.8-4:** Construction of the Proposed Project would expose existing and/or planned buildings, and persons within, to significant vibration that could disturb people and damage buildings.

**Impact 4.10-2:** The Proposed Project would worsen conditions on freeway facilities maintained by Caltrans.

**Impact 4.10-3:** The Proposed Project would worsen queuing on the J Street freeway off-ramps from I-5.

**Impact 4.10-6:** Access to light rail transit could be inadequate.

## 5.2.2 Cumulative Significant and Unavoidable Impacts

**Impact 4.2-9:** The Proposed Project would contribute to cumulative increases in long-term (operational) emissions of NOx or ROG.

**Impact 4.4-5:** The Proposed Project would contribute to cumulative losses of archaeological resources.

**Impact 4.8-6:** The Proposed Project would contribute to cumulative increases in ambient exterior noise levels in the project vicinity.

**Impact 4.8-8:** The Proposed Project would result in exposure of people to cumulative increases in construction noise levels.

**Impact 4.8-9:** The Proposed Project would contribute to cumulative construction that could expose existing and/or planned buildings, and persons within, to significant vibration.

**Impact 4.10-12:** The Proposed Project would contribute to cumulatively unacceptable intersection operations in the City of West Sacramento.

**Impact 4.10-13:** The Proposed Project would contribute to cumulatively unacceptable operations on freeway facilities maintained by Caltrans.

**Impact 4.10-14:** The Proposed Project would worsen cumulatively unacceptable queuing on the J Street freeway off-ramps from I-5.

**Impact 4.10-17:** Access to light rail transit would be inadequate under cumulative conditions.

**Impact 4.11-3:** The Proposed Project would contribute to cumulative increases in demand for water supply.

### 5.3 Significant Irreversible Environmental Effects

Under CEQA, an EIR must analyze the extent to which a project's primary and secondary effects would generally commit future generations to the allocation of nonrenewable resources and to irreversible environmental damage (State CEQA Guidelines section 15126.2(c); 15127). Specifically, section 15126.2(c) states:

Uses of nonrenewable resources during the initial and continued phases of the project may be irreversible, since a large commitment of such resources makes removal or nonuse thereafter unlikely. Primary impacts and, particularly, secondary impacts (such as highway improvement which provides access to a previously inaccessible area) generally commit future generations to similar uses. Also, irreversible damage can result from environmental accidents associated with the project. Irretrievable commitments of resources should be evaluated to assure that such current consumption is justified.

Generally, a project would result in significant irreversible environmental changes if:

- The primary and secondary impacts would generally commit future generations to similar uses;
- The project would involve a large commitment of nonrenewable resources;
- The project would involve uses in which irreversible damage could result from any potential environmental accidents associated with the project; or
- The proposed consumption of resources is not justified (e.g., the project involves the wasteful use of energy).

Development of the Proposed Project would result in the dedication of the Downtown project site to an entertainment and sports center along with dense mixed-use urban development, thereby precluding other conflicting uses for the lifespan of the project. Redevelopment of the project site to a less developed condition would not be feasible due to the intensity of use that already exists

on the site, the urbanization of the surrounding area, and the level of capital investment required to support the costs of construction.

The development of the proposed offsite digital billboards on locations around Sacramento would commit small plots of land that, for the most part, would be at the fringes of other development or infrastructure uses, and would be unlikely to be used for other developed or undeveloped purposes.

The State CEQA Guidelines also require a discussion of the potential for irreversible environmental damage caused by an accident associated with the project. While the ESC project could result in the use, transport, storage, and disposal of hazardous wastes during construction and operation, as described in section 4.6, Hazards and Hazardous Substances, all activities would comply with applicable state and federal laws related to hazardous materials, which significantly reduce the likelihood and severity of accidents that could result in irreversible environmental damage. The potential for accidents related to the offsite digital billboards would be limited to the construction period; billboard operation does not involve any regular service or other use of hazardous materials at the billboard site.

Implementation of the Proposed Project would result in the long-term commitment of resources to urban development. The most notable significant irreversible impacts are intensification of the visual character of the project site, increased generation of pollutants from vehicle travel and stationary operations, and the short-term commitment of non-renewable and/or slowly renewable natural and energy resources, such as water resources during construction activities. Operations associated with future uses would also consume natural gas and electrical energy. Although the overall level of resource consumption on the project site would increase, on a per attendee or per square foot basis, resource consumption would decrease due to the regionally central location of the project site, the replacement of older inefficient buildings with new buildings built to modern codes, and the high level of sustainability that would be achieved through construction of the proposed ESC to LEED Gold standards. The unavoidable consequences of the Proposed Project are described in the appropriate sections in Chapter 4, Environmental Setting, Impacts, and Mitigation Measures.

Resources that would be permanently and continually consumed by project implementation include water, electricity, natural gas, and fossil fuels; however, the amount and rate of consumption of these resources would not result in the unnecessary, inefficient, or wasteful use of resources. With respect to operational activities, compliance with all applicable building codes, including the 2013 Title 24 Energy Efficiency Standards, as well as mitigation measures, planning policies, and standard conservation features, would ensure that natural resources are conserved to the maximum extent possible. As noted above and elsewhere in Chapters 2 and 4, the proposed ESC would be constructed to LEED Gold standards, which ensure high levels of efficiency in energy consumption, water demand, wastewater generation, stormwater runoff, and such issues. It is also possible that, over time, new technologies or systems will emerge, or will become more cost-effective or user-friendly, to further reduce the reliance upon nonrenewable natural resources. Nonetheless, construction activities related to the Proposed Project would result

in the irretrievable commitment of nonrenewable energy resources, primarily in the form of fossil fuels (including fuel oil), natural gas, and gasoline for automobiles and construction equipment.

Over the past decade our understanding of global climate change and the role that communities can play in addressing it has grown tremendously. There is large scientific consensus that recent increases in global temperatures are associated with corresponding increases of greenhouse gases (GHGs). This temperature increase is beginning to affect regional climates and is expected result in impacts to our region and the world. Climate change has profound implications for the availability of the natural resources on which economic prosperity and human development depend. Although the relative contribution of the Proposed Project to global warming is not currently possible to determine, this issue is explored in section 4.5, Global Climate Change.

## 5.4 Growth-Inducing Effects

As required by section 15126.2(d) of the State CEQA Guidelines, an EIR must discuss ways in which a Proposed Project could foster economic or population growth or the construction of additional housing, either directly or indirectly, in the surrounding environment. Also, the EIR must discuss the characteristics of the project that could encourage and facilitate other activities that could significantly affect the environment, either individually or cumulatively. Growth can be induced in a number of ways, such as through the elimination of obstacles to growth, through the stimulation of economic activity within the region, or through the establishment of policies or other precedents that directly or indirectly encourage additional growth. The purpose of this section is to evaluate the potential growth-inducing effects resulting from the implementation of the Proposed Project in the City of Sacramento, and throughout the SACOG region. Additional analysis of the growth-inducing effects of the Proposed Project is provided in Chapter 3, Land Use, Population and Housing.

In general, a project may foster spatial, economic, or population growth in a geographic area if the project removes an impediment to growth (e.g., the establishment of an essential public service, the provision of the new access to an area; a change in zoning or general plan amendment approval); or economic expansion or growth occurs in an area in response to the project (e.g., changes in revenue base, employment expansion, etc.). These circumstances are further described below:

- **Elimination of Obstacles to Growth:** This refers to the extent to which a Proposed Project removes infrastructure limitations or provides infrastructure capacity, or removes regulatory constraints that could result in growth unforeseen at the time of project approval.
- **Economic Effects:** This refers to the extent to which a Proposed Project could cause increased activity in the local or regional economy. Economic effects can include such effects as the Multiplier Effect. A “multiplier” is an economic term used to describe inter-relationships among various sectors of the economy. The multiplier effect provides a quantitative description of the direct employment effect of a project, as well as indirect and induced employment growth. The multiplier effect acknowledges that the onsite employment and population growth of each project is not the complete picture of growth caused by the project.

## 5.4.1 Elimination of Obstacles to Growth

### Downtown Project Site

The elimination of physical obstacles to growth is considered a growth-inducing effect. The Downtown project site would be redeveloped in a built-out, highly urbanized area in Downtown Sacramento; however, some physical constraints to growth currently exist in the vicinity of the project site. The primary growth obstacles in the Proposed Project include:

- Limited capacity of the storm drainage system serving this portion of the City of Sacramento;
- Limited circulatory access connecting the Central Business District to the adjacent freeway system; and
- Limited capacity of the wastewater system serving this portion of the City of Sacramento.

The implementation of the Proposed Project would not result in the elimination of growth obstacles. The storm drainage and wastewater systems serving the project site are at or beyond capacity during severe storm events. Although the Proposed Project would contribute flows to these wet utility systems and would likely contribute funding to their expansion or other improvements, based on City infrastructure plans it is likely these improvements would be made regardless of whether the Proposed Project is developed.

The Proposed Project would rely upon the existing regional and local roadway system to provide circulation access to the project site. Other than minor changes to accommodate construction of the project at the site, no offsite roadway improvements would be constructed, nor would the project expand the capacity of the circulation system in the project vicinity.

Electricity and natural gas transmission infrastructure presently exists at the Downtown project site and in the streets in the vicinity. Development of the Proposed Project would necessitate the construction of an onsite distribution system to convey this energy to uses on the site, but no new energy resources or infrastructure that could support development in downtown Sacramento would be added as a result of the Proposed Project.

### Offsite Digital Billboards

The construction and operation of up to six offsite digital billboards on properties located near highways around Sacramento would not require the expansion or extension of any transportation or utility infrastructure. As is described in Chapter 2, Project Description, and Chapter 4, Environmental Setting, Impacts, and Mitigation Measures, the offsite digital billboards would tap into existing energy infrastructure to provide power, and would otherwise not require use of any urban infrastructure resources. In addition, once the offsite digital billboards are constructed, only very limited and infrequent maintenance activity would be required, limiting the potential need for expansion of the circulation systems beyond limited access roads which would not be used for other purposes.

## Conclusions

The Downtown project site is currently developed with and surrounded by urban uses, and implementation of the Proposed Project would be served by transportation infrastructure and utilities that already exist. Further, the construction of offsite digital billboards would not require the expansion or extension of any infrastructure. As such, the Proposed Project would not eliminate any obstacles to further redevelopment and growth in the Central City.

### 5.4.2 Economic Effects

As is presented in Chapter 2, based on the average levels of occupancy at the Downtown Plaza property over the last decade, it is estimated that there have been an average of 1,340 retail/commercial and office employees at the project site (including the Macy's West building). Under future conditions it is expected that total employment on the site, excluding employment at the proposed ESC, would rise to a total of 3,424 employees, an increase in employment at the project site of approximately 2,084 jobs.

The proposed ESC would house approximately the same level of permanent and temporary event-related employment as under current conditions at Sleep Train Arena. The Sacramento Kings currently employ approximately 265 employees and it is unlikely that this would change materially. In addition, as described in Chapter 2, temporary event-related employment at the proposed ESC would range from approximately 580 employees for small events to approximately 1,200 for large basketball games and other large events. The employment associated with the ESC would be essentially the same as at Sleep Train Arena, and would not contribute to further growth in the region.

In addition to the employment growth generated by the Proposed Project, additional local employment could be generated through what is commonly referred to as the "multiplier effect." The multiplier effect refers to the secondary economic effects caused by spending from project-generated residents and employees. The multiplier effect tends to be greater in regions with larger diverse economies due to a decrease in the requirement to import goods and services from outside the region, as compared to the effects of spending in smaller economies where goods and services must be imported from elsewhere.

Two different types of additional employment are tracked through the multiplier effect. *Indirect* employment includes those additional jobs that are generated through the expenditure patterns of residents and direct employment associated with the project. For example, future residents and workers in the office, hotel and retail portions of the Proposed Project would spend money in the local economy, and the expenditure of that money would result in additional jobs. Indirect jobs tend to be in relatively close proximity to the places of employment and residence.

The multiplier effect also calculates *induced* employment. Induced employment follows the economic effect of employment beyond the expenditures of the employees within the Proposed Project area to include jobs created by the stream of goods and services necessary to support businesses within the Proposed Project area. For example, when a manufacturer buys products or

sells products, the employment associated with those inputs or outputs are considered *induced* employment.

For example, when an employee from the project goes out to lunch, the person who serves the project employee lunch holds a job that was *indirectly* caused by the Proposed Project. When the server then goes out and spends money in the economy, the jobs generated by this third-tier effect are considered induced.

The multiplier effect also considers the secondary effect of employee expenditures. Thus, it includes the economic effect of the dollars spent by those employees who support the employees of the project.

In Chapter 2, Project Description, it is estimated that the mixed-use development in the Proposed Project would result in an increase in direct employment of 2,084 jobs in the retail, office, hotel, and other uses at the project site. As is presented below, in Table 5-1, the indirect and induced employment growth associated with the increased employment from the mixed use development in the Proposed Project would add an additional 1,682 jobs in the Sacramento regional economy, bringing the total increase in jobs associated with the proposed mixed use development to 3,766 jobs.

**TABLE 5-1  
INDIRECT AND INDUCED EMPLOYMENT**

Employment Type	Direct Employment Change over 2004-2013 average	Indirect		Induced		Total Indirect + Induced Employment	Total Employment
		Type I Multiplier <sup>1</sup>	Change from Direct	Type II Multiplier <sup>1</sup>	Change from Indirect		
Theater	6	1.16	1	1.43	2	3	9
Fitness	62	1.34	21	1.68	21	42	104
Restaurant	251	1.13	33	1.29	40	73	324
In-line Retail	19	1.16	3	1.43	5	8	27
Macy's East	-117	1.16	-19	1.43	-32	-51	-168
Office	1,603	1.33	529	1.90	914	1,443	3,046
Hotel	250	1.35	88	1.63	70	158	408
Residential	10	1.34	3	1.68	3	6	16
<b>Total</b>	<b>2,084</b>		<b>659</b>		<b>1,023</b>	<b>1,682</b>	<b>3,766</b>

1. IMPLAN 2010 dataset for Sacramento County.

SOURCE: Sacramento County, 2013. *Employment Multipliers*; ESA, 2013.

As is noted in Chapter 2, permanent employment associated with the ESC is expected to be similar to the levels currently experienced at Sleep Train Arena. Compared to existing conditions, temporary event employment would vary depending upon the number and nature of events held at the ESC. Nevertheless, for the most part the economic effects of operations of the ESC are ongoing in the Sacramento regional economy and would not materially change as a result of the ESC.

Increased future employment generated by resident and employee spending ultimately results in physical development of space to accommodate those employees. It is the characteristics of this

physical space and its specific location that determine the type and magnitude of environmental impacts of this additional economic activity. Although the economic effect can be predicted, the actual environmental consequences of this type of economic growth are too speculative to predict or evaluate, since they can be spread throughout the Sacramento metropolitan region and beyond.

It should be noted that, while the Proposed Project would contribute to direct, indirect, and induced growth in the region, it would develop a new entertainment and sports center along with residential, office, hotel, and retail/commercial land uses in a manner that is located in the center of the Sacramento region, is efficient, and utilizes existing and planned urban resources. As is described in Chapter 3, development of the Proposed Project is consistent with the goals and policies of the City's General Plan and the Central City Community Plan. Contributing to the vitality of the community is also a General Plan Goal, which would be achieved as a result of the Proposed Project.

### **5.4.3 Environmental Effects of Induced Growth**

While economic and employment growth at the Downtown project site is an intended consequence of the Proposed Project, growth induced directly and indirectly by the Proposed Project could also affect the greater Sacramento region. Potential effects caused by induced growth in the region could include: increased traffic congestion; increased air pollutant emissions; loss of agricultural land and open space; loss of habitat and associated flora and fauna; increased demand on public utilities and services, such as fire and police protection, water, recycled water, wastewater, solid waste, energy, and natural gas; and increased demand for housing.

Specifically, an increase in housing demand in the greater Sacramento region could cause significant environmental effects as new residential development would require governmental services, such as schools, libraries, and parks. Indirect and induced employment and population growth would further contribute to the loss of open space because it would encourage conversion to urban uses for housing, commercial space, and infrastructure.

## **5.5 Urban Decay**

### **5.5.1 Economic and Social Effects**

Under CEQA, economic or social effects are not considered significant effects on the environment. Rather, these effects are considered in the context of their potential linkage or indirect connections between the Proposed Project and physical environmental effects. More specifically, the direction for treatment of economic and social effects is stated in section 15131(a) of the State CEQA Guidelines:

Economic or social effects of a project shall not be treated as significant effects on the environment. An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to physical changes caused in turn by the economic or social changes. The intermediate

economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on physical changes.

A social or economic change also may be considered in determining whether the physical change is significant (State CEQA Guidelines section 15382).

## 5.5.2 Urban Decay

As used in CEQA, the term “urban decay” was introduced by the Court of Appeal in the case entitled *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184 (*Bakersfield Citizens*). In that decision, the court required the City of Bakersfield to revise and recirculate two EIRs for two proposed Wal-Mart stores because the documents both failed to address the possible indirect physical effects flowing from the direct economic effects of the two projects. Though the court did not expressly define “urban decay,” the court seemed to equate the concept with a “chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.”<sup>1</sup> For the purposes of this assessment and consistent with the above described court decision, “urban decay” is not simply a condition in which buildings become vacant as businesses compete with each other in the normal course of the market-based economy, nor is it a condition where a building may be vacated by one business or use and reused by a different business or for alternative purposes. Rather, under CEQA “urban decay” is defined as physical deterioration of properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abnormally high business vacancies, abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth or homeless encampments.

The conditions that were present in the *Bakersfield Citizens* case are distinguishable from the conditions related to the Proposed Project. In the former, two proposed Wal-Mart stores were proposed, and the question of urban decay related to the potential adverse effect of additional retail supply on existing retail stores in the same market area. In the case of the Proposed Project, the conditions are different in that the project site is currently an economically under-performing regional retail center. Nearby the site are properties that have been previously blighted and which are in the process of transition to more vibrant, redeveloped uses. In addition, questions have been raised related to the potential economic consequences of relocation of a regional sports and entertainment center from Natomas to downtown Sacramento. The urban decay analysis presented below addresses a number of economic questions that were raised in comments on the Notice of Preparation. The questions considered include:

- Would the closure of Sleep Train Arena adversely affect businesses in North Natomas sufficient to cause urban decay;

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<sup>1</sup> *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, p. 1204.

- Would the location of the ESC adversely affect businesses in Old Sacramento to a degree that would cause urban decay; and
- Would the retail/commercial and other mixed use development in the Proposed Project compete with and adversely affect existing and planned retail, including future development on K Street and at the Sacramento Railyards, to a degree that it would materially delay future redevelopment of these areas, extending the period in which blight affects these areas.

This assessment of the potential for urban decay is based on the Sacramento Sports and Entertainment Center & Related Development Urban Decay Analysis prepared by the urban economics firm ALH Urban and Regional Economics. The full report is contained in Appendix H of this EIR.

### 5.5.3 Methodology

The analysis of potential urban decay associated with implementation of the Proposed Project is based on an assessment of the market supply of, and demand for, retail/commercial space included in the Proposed Project. The analysis involved the following steps:

- Identified the Proposed Project's market area, i.e., the area from which the majority of the ESC retail shopping center consumers are anticipated to originate;
- Identified the net change in commercial retail between the existing Downtown Plaza and the Proposed Project;
- Developed a prototypical retail program for the Proposed Project;
- Estimated the Proposed Project's retail sales;
- Conducted fieldwork to review the Proposed Project's development site and evaluate existing market conditions;
- Conducted retail sales leakage analyses for the cities of Sacramento and West Sacramento;
- Estimated existing and forecasted market area demand;
- Estimated the Proposed Project's impacts on the existing retail base;
- Identified planned future retail projects;
- Assessed the cumulative impacts of planned future retail projects;
- Assessed other economic considerations associated with development of the Proposed Project; and
- Assessed the extent to which operations of the Proposed Project and the cumulative projects may or may not contribute to urban decay.

The supply/demand comparison was prepared for Year 2017, the year after opening of the ESC. While it is possible that some of the retail and eating and drinking space proposed in the PUD area

would be built at this time, it is much more likely that additional time will go by before the Proposed Project is fully developed and the operations stabilized. As such, analysis of the effects in Year 2017 represents a conservative analysis.

A complete description of the market analysis can be found in Appendix H.

### **5.5.4 Retail Market Area**

The definition of the market area for the Proposed Project is based on the principle that most consumers will travel to the shopping destination most convenient to their homes given the type of goods available. A market area is the geographic area from which the majority of a business' demand is anticipated to originate.

For the purposes of this analysis, the boundaries of the project market area is defined as 16 census tracts that encompass the western side of the Sacramento region, including the following neighborhoods and communities: Central City, East Sacramento, Natomas, Land Park, the Pocket, Meadowview, Tahoe Park, Oak Park, Lemon Hill, Fruitridge, and West Sacramento. The primary determinant of the market area was based upon consideration of competing shopping opportunities, especially opportunities with a Macy's store or other major apparel or soft goods retailers. The urban decay analysis assumes that residents for whom the Proposed Project would be the nearest and most convenient Macy's store, would choose to shop at the Proposed Project instead of more distant Macy's stores anchoring other shopping centers. Other market area defining factors include the traffic patterns created by existing roadways and regional population concentrations. Based upon research regarding the location of other regional Macy's stores and the array of shopping opportunities available at these shopping centers or their environs, it was determined that the most significant competitive shopping locations would include Arden Fair Mall and the Pavilions, east of the project site in Sacramento. There are other shopping centers with Macy's department stores, notably Country Club Plaza in the Arden area, but this center is characterized by high vacancy (e.g., former Gottschalk's and nearby mall shop space) and thus is not perceived to comprise strong competition to the retail space in the Proposed Project. In nearby West Sacramento no such competition was identified. As the Proposed Project would be the closest regional shopping location to West Sacramento, it was determined that West Sacramento should be included in the Proposed Project's market area.

### **5.5.5 Sources of Project Demand**

Within the market area, the Proposed Project retail and entertainment space would increase retail sales on the project site from an existing estimate of \$99 million to over \$177 million, an increase of approximately \$78 million. Residents, employees, visitors, and ESC event attendees would support this increase, as described further below. The analysis regarding the consumer groups that would support retail and restaurant demand in the Proposed Project supports a conclusion that 80% of demand would originate from market area household spending and 20% would originate from spending from other sources, including downtown workers, ESC visitors, and consumers living beyond the market area boundaries.

- Market Area Residents.** It is estimated that there are an estimated 178,332 households with a population of 478,209 in the 16 census tracts that collectively comprise the market area in 2013. By 2017, the first estimated year of full operations for the Proposed Project, the household count is forecasted to increase to 184,748, for an increase of 6,416 households. This growth is expected to be comprised of 5,646 households in Sacramento and 770 households in West Sacramento. It is estimated that market area residents would make up about \$62 million of the increased sales at the Proposed Project retail space. This leaves about \$16 million in retail sales to be generated from other sources, such as Downtown workers and visitors to the ESC.
- Downtown Office Employees.** As of September 2013, there were an estimated 35,635 people working within a half-mile of the project site, an easy walking distance to the project site. This employee count almost doubles to 68,437 within one mile of the project site, and within three miles of the project site there are an estimated 145,963 employees. Based on the current count of Downtown workers, the workers within a half-mile radius can support \$1.2 million in restaurant expenditures and \$2.3 million in retail expenditures. Additional expenditures are made for groceries, but this is not anticipated to be a retail category available at the Proposed Project; nor are there major food shopping opportunities elsewhere in the downtown area. These spending figures increase to \$2.3 million for restaurants and \$4.3 million for retail from workers located within a one-mile radius of the project site, and workers within a three-mile radius of the project site are estimated to generate daytime support for \$4.7 million in restaurant expenditures and \$8.8 million in retail expenditures. As downtown Sacramento's office occupancy rate increases, and new development occurs, including the office space proposed to be included in the PUD area, these demand estimates would only increase.

If one-half the estimated restaurant expenditures by nearby employees is captured by the retail and restaurant space in the Proposed Project, this would comprise \$2.3 million in demand. This is a hypothetical figure, but would comprise more than one-quarter the Project's \$8.5 million in restaurant sales estimated to be generated from outside the market area. Employee spending could account for an even higher percentage of the approximately \$8.0 million in remaining Proposed Project retail sales assumed to be generated from outside the market area. If one-half of Downtown worker retail spending is captured by the Proposed Project, this would total \$4.4 million, which would account for more than one-half the estimated outside market area sales for non-restaurant or theater sales.

- ESC Attendees.** A review of economic impact studies results in a wide range of estimated or assumed offsite spending by visitors to urban arenas. The upper range of estimates finds that 83% of visitors spent money at an area restaurant, with an average expenditure of \$51.03 per person. Among these visitors, 30% also conducted retail shopping and approximately 28% visited a bar or nightclub. The average retail shopping expenditure was \$81.22. This includes a blending of day trippers and overnight visitors, with no distinction in frequency or amount of spending by type of visitor. At the lower end of the spending spectrum, a different study estimated that day visitors in 2011 spent \$3 on offsite food per capita, increasing to \$56 for overnight visitors. In this study, approximately 85% of visitors

were assumed to be day trippers, and 15% assumed to stay overnight. Yet another study from 2001 assumed that day trippers spent an average of \$10.00 on offsite food & beverage and \$5.00 on other spending, while overnight visitors spent \$32.72 on taxable spending other than lodging.

This information indicates that estimates of visitor spending vary widely, but that there is consensus that visitors to urban arenas make expenditures at offsite restaurant and retail venues. The majority of spending as a whole appears to occur for restaurants, and to a lesser extent retail. Making a relatively conservative assumption, if each estimated annual visitor to the ESC spent \$15 on food and \$5 on retail, this would suggest annual offsite expenditures of approximately \$24.8 million on food and \$8.3 million on retail expenditures. These are hypothetical figures, but if the Proposed Project captured even half of this restaurant figure and most of the retail figure, recognizing that there are competing food options Downtown but not strong competing retail options, then this spending would strongly support the assumption that 20% of the Project's demand will originate from sources other than market area households.

### **5.5.6 Retail Spending Potential**

As noted above, 80% of the project demand would originate from spending from households in the Proposed Project market area. This is most relevant to the question of whether the project would adversely affect demand for existing and planned retail in the market area, and is described more fully in Appendix H. In summary, the Year 2017 spending potential from households in the market area is estimated to exceed \$3.9 billion, including \$492.7 million at restaurant and drinking establishments, \$212.2 million at home furnishing and appliance stores, and \$266.3 million at clothing and clothing accessory stores.

Assuming that the market area generates approximately 80% of the sales at the Proposed Project retail stores and restaurants, the project would need to capture from 3% to 7% of demand for different types of retail and restaurant spending from households in the market area. Based on assessment of current capture rates for Downtown Plaza, in comparison to other retail centers such as Arden Fair Mall, suggests that the estimated total Proposed Project capture rates are reasonable.

### **5.5.7 Proposed Project Impact Analysis**

#### **Retail and Restaurant Sales**

Net new sales (over the amount currently captured by space in Downtown Plaza) anticipated to be captured by retail and restaurant space at the Proposed Project can be more than met by increased demand from market area households in all retail categories with the exception of clothing and clothing accessories, and restaurants and drinking establishments. For those two latter categories, the additional sales at the Proposed Project would represent relatively small percentages of the total regional sales, as noted below:

- For clothing and clothing accessories stores the excess sales at the Proposed Project of \$279,452 would represent 0.1% of the sales in this category in Sacramento and West Sacramento;
- For restaurants and drinking establishments the excess sales at the Proposed Project of \$16.8 million would represent 2.1% of the sales in the Sacramento and West Sacramento.

In both cases, it is expected that sales impacts of less than 3% may be absorbed by existing retailers without deleterious impacts on the viability of existing stores and restaurants. The analysis suggests that there is more than sufficient demand in several retail categories to absorb any sales declines that could result in retail store or restaurant closures. The demand may not be in comparable retail categories, but there is strong forecasted demand nonetheless. For example, the market area appears to have \$36.0 million in new demand for just two retail categories – general merchandise and other retail. Given the wide range of retailers in the other retail category these unmet demand figures suggest there would be numerous opportunities for retail backfilling to offset any store closures resulting from sales losses attributable to the Proposed Project sales.

## Cinema Sales

The Proposed Project would include a nominal increase in first-run cinema space, increasing from 42,370 square feet of theater space to 50,000 square feet, likely an increase from the current 7-screen cinema to a future 8 screens. Economically, the net addition of 1 cinema screen would be a very nominal increase, especially relative to the number of screens throughout the City of Sacramento and beyond.

Sensitivity analysis indicates that the addition of one new cinema screen would result in a decline in the number of persons per screen from 6,962 to 6,872, or by 90 people. This is equivalent to a 1.3% decline in the number of persons per screen. If 2 screens are added the decline in persons per screen increases to 2.6%, and then increases again to 3.8% with 3 new screens.

The analysis presented in Appendix H suggests that these declines in persons per screen comprise nominal declines that would be unlikely to cause a cinema operation to fail and close down operations. The two 1-screen theaters close to the project site (Crest Theater and IMAX) have unique characteristics, and thus are unlikely to experience ticket sales declines attributable to the Proposed Project sufficient to trigger closure. In contrast, the Proposed Project would enhance visibility of downtown Sacramento, especially on K Street, where these two cinemas are located. Therefore, it is anticipated that the added visibility and pedestrian traffic generated by people attending events at the ESC would produce a positive benefit for the existing nearby cinemas, counterbalancing any potential impacts that might ensue from the addition of one screen at the cinema in the Proposed Project.

## 5.5.8 Cumulative Impact Analysis

The cumulative impact analysis considered the effects of the Proposed Project in combination with the addition of 995,873 square feet of additional retail projects that are anticipated to be

completed by 2018 (see Appendix H, Exhibit 29 for identification of the cumulative projects).<sup>2</sup> Including the Proposed Project, the cumulative projects would absorb \$372.6 million in new sales, with the Proposed Project accounting for \$65.6 million (17.6%) of this increase. For the purposes of the cumulative impact analysis, the size of the relevant market area was modestly expanded to encompass the entirety of the cities of Sacramento and West Sacramento.

As is presented in Appendix H, Table 17, the sales that would occur at the project and cumulative retail and restaurant development are estimated to be greater than demand in almost all categories, with \$267.2 million in sales impacts after new demand absorbs as much demand as possible. This amount of sales would exceed overall market area demand by approximately 4.8%. Insufficient demand for the constructed space would occur for home furnishings and appliance stores, food and beverage stores, clothing and clothing accessories stores, general merchandise stores, restaurants and drinking establishments, and other retail stores. Even assuming that existing stores could absorb a loss of up to 3% of sales without deleterious effects, the analysis suggests that full buildout and occupancy of cumulative retail projects, including the Proposed Project, would result in excessive sales of \$141.9 million. Converted to square footage this amount translates to a total excess supply of approximately 375,000 square feet of retail and restaurant space. This excess supply compared to the Sacramento and West Sacramento market area demand could result in the closure of some existing retailers in Sacramento and West Sacramento.

It should be noted that the analysis presented above and in Appendix H is both conservative and somewhat oversimplified, and should not be construed to mean that 375,000 square feet of stores would necessarily close as a result of the development of the noted cumulative projects. The analysis is conservative in that it assumes that the entirety of the Proposed Project and cumulative retail space would be fully constructed and occupied by 2018. It is reasonable to assume that it may take additional time to complete these developments, especially if retailers and restaurateurs determine that there is insufficient demand in the market to support their businesses. In addition, to some extent existing stores may be able to absorb sales losses that occur when sales are diverted to new stores greater than the 3% allowance factored into the analysis in Appendix H. This could especially be the case for existing area stores if they are greatly exceeding their store chain or industry average performance sales figures. In addition, several other factors could also offset some of the identified impacts, including:

- Changes in retail composition, sales, or size of the cumulative supply;
- Slower than anticipated completion and opening of space at the project and the cumulative retail developments;
- Lower initial sales volumes at the project and the cumulative retail developments;
- A longer than estimated period of time to reach stabilized sales among the new developments; and

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<sup>2</sup> The timeframe of 2018, one year after the 2017 project analysis timeframe, was selected to better match the prospective timing of some of the cumulative projects.

- Changing consumer shopping patterns, especially if new or different retailers encourage increased market area household retail spending in excess of the amount reflected in the analysis.

In other words, the estimated supply that exceeds demand is likely to affect two types of businesses: existing retail stores and restaurants, and the developers and future tenants of the other retail centers proposed for the market. With regard to the impact on existing retailers, some existing stores in the impacted retail categories could sustain a short-term reduction in sales while others may sustain more long-term reductions. It is when businesses experience long-term sales reductions resulting in closure that concerns about urban decay come to the forefront.

A full description of the analytical findings of the market analysis is contained in Appendix H.

### 5.5.9 Urban Decay Effects

The assessment of the probability of urban decay ensuing from development of the Proposed Project and cumulative retail and restaurant space involved evaluating the likelihood that closed retail store spaces, if any, would be leased to other retailers within a reasonable period of time or would remain vacant for such a prolonged period of time that they contribute to the multitude of causes that could eventually lead to urban decay.

Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. Generally, if property owners lag in their maintenance, however, and the property begins to show signs of disrepair, the cities of Sacramento and West Sacramento have regulatory controls that can be implemented to avoid the onset of deterioration or decay.

As is explained above, there is sufficient demand from the local market area so that retail and restaurant space in the Proposed Project alone would not be projected to result in closure of retail stores and restaurants. However, the combination of the retail and restaurant space in the Proposed Project and in reasonably foreseeable cumulative projects that would open by 2018 would result in retail sales that would exceed market area demand, and, thus, could result in closure of existing retailers in Sacramento and West Sacramento. The analysis suggests that retail and restaurant vacancy could increase by up to 375,370 square feet. Even if some sites experience prolonged vacancy because they might be of a size that experiences less demand or they are located in shopping centers with poor visibility or other undesirable characteristics, the prevailing conditions in the market area suggest that these vacancies would be well-maintained and would not devolve into urban decay or deterioration. Moreover, it should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses. While not all tenants would be expected to have the financial wherewithal to continue these payments, national or regional retailers are more likely to have this capability. This is an important consideration because landlords would continue to receive income on these vacated spaces through committed lease payments, which means they would have available financial resources to continue to maintain their properties.

Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. This generally appears to be the case in the cities of Sacramento and West Sacramento, although there are apparent exceptions in Sacramento. Generally, if property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, both of these cities have regulatory controls that can be implemented to avoid the onset of deterioration or decay. During fieldwork conducted in September and October 2013 there were some, but very limited visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes and corridors in the cities of Sacramento and West Sacramento. Almost all vacant properties except select properties in Downtown, especially in the K Street area, were well- to reasonably well-maintained with limited to no signs or decay or deterioration. Thus, it appears that existing measures to maintain private commercial property in good condition in the cities of Sacramento and West Sacramento are generally effective and would serve to preclude the potential for urban decay and deterioration in the event any existing area retailers close following the operations of the Proposed Project and other cumulative retail projects.

In conclusion, while some existing stores may experience negative impacts following the opening of all of the retail and restaurant space allowed for in the Proposed Project combined with retail and restaurant space in cumulative developments through 2018, there is limited evidence to suggest that closed store spaces would exhibit traditional signs of deterioration and decay, such as graffiti, refuse dumping, and dilapidated fencing. Most existing vacant spaces throughout Sacramento and West Sacramento appear well-maintained, although some longer-term vacancies appear to show existing signs of lack of maintenance and deterioration. The fact that there are some instances of decay currently in the region does not mean that new vacancies would also lead to indicators of decay. This, plus the recent market area leasing activity, indicates that Sacramento and West Sacramento are inherently appealing retail markets. Based upon these findings, the analysis concludes that under the Proposed Project combined with cumulative retail projects would not cause or contribute to urban decay.

The full analysis of potential urban decay effects of the Proposed Project is contained in Appendix H.

## **North Natomas Economic Effects**

The Sleep Train Arena has a 25-year history in North Natomas. It comprises one of the last suburban NBA facilities in the United States. In recent years, declines in attendance have been attributed to age of the facility, economic conditions in the region, and the performance and threat of relocation of the NBA Sacramento Kings. Once the arena closes, the local economic benefits to businesses in Natomas associated with attendance at events at the arena will cease and will be shifted elsewhere in Sacramento, closer to the proposed new ESC.

Sleep Train Arena is located in a suburban area, approximately six (6) miles north of downtown Sacramento. Therefore, the spending projected for ESC attendees, described above, is not directly relevant to Sleep Train Arena. Nonetheless, arena attendees certainly make some expenditures at businesses in the area around the arena. This presumption is generally supported by analysis of the

Sleep Train Arena cell phone data acquired for the purpose of the transportation analysis presented in section 4.10, Transportation. The available data indicates that 8.7% of arena attendees are in Natomas before an event at Sleep Train Arena and 22.9% after an event. Analysis of these data cannot distinguish arena event attendees who live or work in the area from visitors arriving just for the event. Therefore, while the data indicate the prolonged presence of these visitors, it is not possible to precisely determine how many are there solely because of their attendance and thus, by deduction, are spending time frequenting area restaurants or retailers because of the presence of the arena as opposed to because of their residence or employment in the area.

In order to assess the potential negative impacts on Natomas businesses following the closure of Sleep Train Arena, select economic trends in Natomas since arena attendance has noticeably declined were examined. The decline at Sleep Train Arena is most prominent since fiscal year 2010, when annual attendance totaled 1,243,601 (see Appendix H, Exhibit 37). Between fiscal years 2010 and 2013, annual attendance at Sleep Train Arena dropped to 956,487, for a total decline of almost 25%.

Retail and restaurant sales figures for the same time period indicate that instead of declining in tandem with Sleep Train Arena attendance, sales increased or stayed flat. Specifically, general retail sales were flat for the period and restaurant sales increased by 4.7%. This followed an even stronger restaurant sales increase of 13.7% from 2010 to 2011, a period of time when Sleep Train Arena attendance declined by almost 1%.

These trends are highlighted in Table 5-2, which clearly shows that Sleep Train Arena attendance is not strongly correlated with area retail and restaurant sales trends.

**TABLE 5-2  
SLEEP TRAIN ARENA ATTENDANCE AND NATOMAS RETAIL SALES TRENDS 2010-2013**

Factor	Percent Change from Prior Year			
	2010	2011	2012	2013
Arena Attendance	0.0%	-0.8%	-20.3%	-2.0%
General Retail Sales	n/a	-2.6%	0.0%	n/a
Restaurant Sales	n/a	+13.2%	+4.7%	n/a

SOURCE: ALH Urban and Regional Economics, 2013

Interviews with several commercial real estate brokers active in Natomas indicated that while Sleep Train Arena-related demand was one of many sources of demand considered by Natomas businesses, it is, in and of itself, not the impetus for a restaurant or retail business deciding to locate in Natomas. One source indicated that based upon examination of the financial records of a Natomas area restaurant that recently changed hands, it appeared that Sleep Train Arena-related demand comprised approximately 5% of that restaurant's business. Thus, while Natomas businesses benefit from spending by Sleep Train Arena attendees, this spending does not appear to comprise a significant portion of sales. Furthermore, no restaurants or retailers have been known to close specifically because of Sleep Train Arena's declining attendance.

The retail sales trends and more anecdotal information from real estate industry professionals active and knowledgeable about Natomas suggest that Sleep Train Arena event attendee sales are

not a significant portion of the sales base in Natomas. This further suggests that full closure of Sleep Train Arena would not result in undue economic hardship on the Natomas area's retail base.

It is important to note that Natomas businesses have been experiencing the effects of building restrictions due to the condition of the Natomas Basin levees. The lifting of these restrictions is contingent upon improvements to the levee system being undertaken by Sacramento Regional Flood Control Agency (SAFCA). Once the building restrictions are lifted and new residential building commences, household-based retail demand will increase. While it is unknown when the building restrictions will be lifted, it is possible that it could occur by the time that Sleep Train Arena would be closed. If this occurs, then any retail base losses attributable to the closure of Sleep Train Arena would likely be more than compensated for by increased household demand.

While Natomas restaurants and retailers may experience sales losses due to the closure of Sleep Train Area, these losses would likely not be sufficient to impact the overall viability of the business. Further, any such business losses would likely be more than offset by increases in household retail demand once the building restrictions in Natomas are lifted and new residential construction proceeds.

## **Old Sacramento Economic Effects**

Old Sacramento is an 8-block Historic Landmark and State Historic Park located several blocks to the west of the existing Downtown Plaza. Old Sacramento is a major tourist destination, drawing approximately 2-3 million visitors a year. The area includes the California State Railroad Museum, over 100 shops and restaurants, as well as entertainment venues, offices, and other museums and historical tours, such as Old Sacramento Historic Underground Tours. Old Sacramento hosts many recurring events, such as Gold Rush Days, the Sacramento Music Festival, St. Patrick's Day Parade, and Halloween festivities, some of which occur over a weekend and others that comprise single day events.

### ***Congestion Effects***

Old Sacramento is just blocks away from the proposed location of the ESC. While only a few blocks away, the project site is separated from Old Sacramento by I-5, and linked by a below-grade pedestrian pathway. The key vehicular entries to Old Sacramento are located at the intersections of I Street and 3<sup>rd</sup> Street, and at the intersection of Capitol Mall and Neasham Court (near Tower Bridge). There is on-street parking in Old Sacramento but most parking is provided in public parking garages within walking distance of Old Sacramento, including the existing parking available at Downtown Plaza. Old Sacramento is also within walking distance of the Sacramento Valley Station, with many visitors to the area arriving by train.

Streets in and around Old Sacramento are not typically congested during the weekday peak hours. As is shown on Table 4.10-2, under existing conditions the intersections that serve as entries to Old Sacramento operate at nearly free-flow conditions, with the level of service (LOS) at both the I St./3<sup>rd</sup> St. intersection and the Capitol Mall/Neasham Court intersection is LOS A during the

AM, PM, and Pre-Event peak hours. Currently, congestion in Old Sacramento occurs primarily during special events. During these periods, Old Sacramento streets are typically shut down and access is limited to parking garages.

The analysis presented in section 4.10, Transportation and Circulation, concludes that in the future, the intersections that provide entries to Old Sacramento would continue to operate with very low levels of congestion. As is shown in Table 4.10-21, it is projected that both the intersection of I St./3<sup>rd</sup> St. and the Capitol Mall/Neasham Court intersection would continue to operate at LOS A.

Intersection operations under cumulative conditions, accounting for projected growth through year 2035, are presented in Table 4.10-31. Under those conditions, the Old Sacramento entry intersections would continue to operate with relatively low levels of congestion (LOS A or B), with the exception that the intersection of I St./3<sup>rd</sup> St. would degrade to LOS F during the PM peak hour (4:45-5:45pm), largely due to PM peak hour commute traffic and not traffic associated with the Proposed Project. As is noted above, under cumulative conditions in the pre-event peak hour (6:00-7:00pm) for a sold out NBA basketball game, the intersection of I St./3<sup>rd</sup> St. would operate at LOS B.

As is described above, the Proposed Project would not cause a material increase in congestion on streets in and around Old Sacramento. Project-related traffic therefore would not adversely affect economic activity at Old Sacramento businesses.

### ***Parking Effects***

Old Sacramento's retailers, restaurants, and entertainment and cultural venues are highly dependent upon the availability of parking in nearby parking garages. The few street parking spaces fill quickly, and are often used by area employees. The ESC development would include approximately 3,727 parking spaces spread across the project site; these spaces would not be sufficient to park all ESC patrons. The offsite parking resources in downtown Sacramento that would be used by ESC patrons include the public parking garages within walking distance of Old Sacramento. These include the Old Sacramento Garage under I-5, with its entrance on I Street between 3rd and 2nd streets, and the Tower Bridge Garage, with its entrance on Capitol Mall at Neasham Circle. These garages are located between one-quarter and one-half mile from the proposed ESC. There are numerous other parking facilities located closer to the proposed ESC than the garages that serve Old Sacramento. Thus these two garages are at the fringe of the area of parking anticipated to serve the ESC, and are likely to be utilized by ESC patrons only during the most heavily attended events almost all of which are reasonably expected to take place on evenings or weekends.

It is possible that attendees of evening events may park in the garages most accessible to Old Sacramento, meaning that Old Sacramento patrons would have to walk further from parked vehicles; this could reduce the number of patrons that frequent Old Sacramento in evenings. As an example, analysis of the anticipated hours of events suggest that ESC event attendees would tend to arrive and park vehicles earlier than patrons of Laughs Unlimited's early shows, which

typically start at 8:00pm. If the Old Sacramento garages fill up before the start time of the Laughs Unlimited shows, especially at the Tower Bridge Garage, then it may be difficult for patrons to attend the shows and Laughs Unlimited could lose clientele. The same is the case for the patrons who typically frequent retail stores and restaurants that are open during evening times, as well as other Old Sacramento venues open later in the evening, such as the Delta King. It is important to note that these businesses could benefit from increased exposure to ESC attendees, some of whom could patronize Old Sacramento businesses before or after ESC events, or at other times. Nevertheless, due to a real or perceived lack of parking, some existing Old Sacramento operations may lose business, some of which cannot otherwise be counterbalanced by additional patronage stemming from ESC attendees. This loss of business could cause an economic hardship for these individual businesses.

While some businesses may suffer from increased competition for parking, other businesses could find that business losses due to lack of parking for non-ESC patrons are recouped through gains in patronage from ESC attendees. It is reasonable to presume that a portion of ESC patrons using the Old Sacramento area garages would frequent Old Sacramento on an increased basis before or after an ESC event, mostly area restaurants and bars, but also retail or other entertainment venues. It is not possible to determine with any precision the exact mix of lost sales versus gained sales, but it is reasonable to conclude that some portion of sales losses would be counterbalanced in this manner. In fact, it is possible that some businesses would experience a net gain in business, through a different mix of customers and timing of client patronage.

With the development of the ESC, there would be an increase in the level of activity in and around Old Sacramento, there would also be an increased competition for parking spaces in public garages that are used by Old Sacramento businesses. In order to take full advantage of increased activity associated with the ESC, Old Sacramento businesses may need to take actions, including extending or altering business hours. In some cases, the nearby presence of the ESC could be a net positive gain for Old Sacramento. The area's visibility and regional recognition would be boosted, Old Sacramento's typical visitors could continue to frequent the area when desired, and yet additional patrons would be generated before and after ESC events. However, if businesses are unable to increase revenues to levels that compensate for lost business due to lack of available parking, it is possible that those businesses could experience a decrease in patronage and sales, potentially resulting in closure.

If such closure occurs, Old Sacramento's status as an historic area and major tourist destination, plus the added visibility and exposure from proximity to the ESC, is anticipated to support real estate market conditions leading to reuse of existing structures without any potential for urban decay or deterioration to occur between occupancies. This finding is consistent with the current conditions of existing retail vacancies, all of which are well-maintained and exhibiting no signs of urban decay or deterioration.

## **K Street/Railyards Economic Effects**

Sports facilities, along with other major civic structures such as cultural and entertainment centers, are often perceived as an economic development tool to rebuild cities. There are many

examples in the United States of new sports, cultural, or entertainment facilities that have been built, often with the assistance of public subsidy, in the hopes of serving as a catalyst for economic development. Some of these examples are presented in Appendix H.

### ***K Street Corridor***

The ESC would anchor the 7th Street end of the K Street corridor, and numerous game and event patrons would traverse K Street as well as neighboring downtown streets on their way to and from the existing downtown parking garages expected to be used by ESC patrons. Currently, K Street has the highest concentration of vacant, run-down structures in Downtown Sacramento, including former office and retail spaces. Many of the buildings are over 50-75 years old and are in need of rehabilitation. The street is highly urban, and until recently portions of the street were maintained as a pedestrian-only mall. During the day, many of the restaurants and commercial spaces on K Street and nearby are frequented by the Downtown workforce. By evening, there is a lack of activity and a perception of crime and blight prevail on the 700 - 900 blocks of K Street, with signs of deterioration and some long-term vacancies. The 700 block is closest to the future entrance to the ESC. Currently this block provides pedestrian egress to the Downtown Plaza.

Examples of complimentary development that occurred in other communities that added sports and entertainment facilities to downtown areas, presented in Appendix H, indicates the potential for more development to occur, including redevelopment of neighboring properties, as the surrounding areas gain visibility and pedestrian traffic as well as population base growth, including the ESC's proposed 550 residential units and the 137 new units included in the redevelopment plans for the 700 block of K Street. This permanent increase in the population of the immediate area would combine with the numerous sports fans, families, and other patrons attending events at the ESC, during both weekdays and evenings, substantially swelling the population circulating in the area and boosting overall activity in the area.

From an economic development perspective, the Proposed Project is one of many prospective new retail enhancements to Sacramento's retail base. Among the many planned projects, the Proposed Project would be unique because it would comprise a replacement of an older, poorly performing retail center, which historically served as a retail focal point in downtown Sacramento. While the Proposed Project would result in an estimated net sales increase, it would actually result in a reduction in the City's retail base. Even under a conservative assessment, more than sufficient new retail demand would be generated in the years before the Proposed Project opens to absorb the retail space that would be included in the Proposed Project. Therefore, development of the Proposed Project would not materially impact the potential for yet further retail development to occur on K Street.

### ***Railyards***

As noted in the previous section, the ESC as a whole is anticipated to comprise an economic development catalyst, thus bringing people into the Downtown area and enhancing the potential for a wide range of additional development, including retail.

The Railyards, as approved, calls for development of 12,200 housing units, 2.4 million square feet of office space, 1.4 million square feet of retail, 485,000 square feet of cultural/historical space, and 1,100 hotel rooms. This is especially the case given the anticipated development timeframe for the Railyards. As the Railyards project has not yet started construction, its development will substantially lag development of the ESC retail, which is estimated for the purpose of this study to be fully operational by 2017. Based upon this potential timeframe and representative project phasing, the retail space included in the Proposed Project is likely to be fully developed and stabilized before new retail space is developed at the Railyards. The Project's net addition of \$78.2 million in retail sales would be unlikely to inhibit development of the retail space included in the Railyards project. Considering the likely development timeframe and more expansive trade area, the Proposed Project retail is therefore unlikely to be an impediment to the development of the Railyards retail component.