

CHAPTER 5

Other CEQA Required Considerations

5.1 Introduction

Section 15126 of the CEQA Guidelines requires that all phases of a project must be considered when evaluating its impact on the environment, including planning, 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.

Section 15162 of the CEQA Guidelines require preparation of a Subsequent EIR (SEIR) if a lead agency determines that substantial changes are proposed in the project which require major revisions of the previous EIR. As part of this analysis, the SEIR must identify (1) new significant environmental effects or a substantial increase in the severity of previously identified significant 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 4.13 provide a comprehensive presentation of the environmental effects of the proposed projects, proposed mitigation measures, and conclusions regarding the level of significance of each impact 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 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 4.1-3: The proposed projects could create substantial new sources of light.

Impact 4.2-3: Construction of the proposed projects could result in long-term (operational) emissions of NO_x ROG, PM₁₀, or PM_{2.5}.

Impact 4.3-2: Development of the proposed projects could result in the loss of potential nesting habitat for Swainson's hawk, white-tailed kite, purple martin, and other sensitive and/or protected bird species.

Impact 4.10-1: Construction of the proposed projects could generate noise that would conflict with City standards.

Impact 4.10-2: Operations of the proposed projects could result in a substantial permanent increase in ambient exterior noise levels in the project vicinity.

Impact 4.10-4: Construction of the proposed projects could expose existing and/or planned buildings, and persons within, to vibration that could disturb people and damage buildings.

Impact 4.12-1: The proposed projects could worsen conditions at intersections in the City of Sacramento.

Impact 4.12-3: The proposed projects could worsen vehicle queuing at off-ramps on I-5.

5.2.2 Cumulative Significant and Unavoidable Impacts

Impact 4.2-9: The proposed projects could contribute to cumulative increases in long-term (operational) emissions of NO_x ROG, PM₁₀ and PM_{2.5}.

Impact 4.3-11: Implementation of the proposed project, in combination with other cumulative development, could/would contribute to the cumulative harm to, or loss of nesting habitat, for Swainson's hawk, white-tailed kite, purple martin, and other sensitive and/or protected bird species.

Impact 4.4-8: The proposed projects could contribute to the cumulative loss or alteration of archaeological resources, including human remains.

Impact 4.10-7: The proposed projects would contribute to cumulative construction that could expose existing and/or planned buildings, and persons within, to significant vibration.

Impact 4.12-10: The proposed projects could worsen vehicle queuing at off-ramps on I-5 under cumulative conditions.

Impact 4.13-7: The proposed projects would contribute to cumulative increases in demand for water supply and treatment.

5.3 Significant Irreversible Environmental Effects

Under CEQA, an EIR must analyze the extent to which a project's primary and secondary effects would commit future generations to the allocation of nonrenewable resources and to irreversible environmental damage [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. Irrecoverable 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;
- The proposed consumption of resources is not justified (e.g., the project involves the wasteful use of energy).

Like the 2007 RSP, the proposed RSPU would facilitate development of the RSP Area with a range of residential and non-residential urban uses. Development of the proposed projects would result in the permanent dedication of the RSP Area to a dense mixed-use urban development, including the proposed KP Medical Center, the proposed MLS Stadium, and infrastructure including the proposed Stormwater Outfall on the Sacramento River, thereby precluding other uses for the lifespan of the project. Redevelopment of the project site to less developed or natural conditions would not be feasible due to the long history of development on the project site, which was used as a railroad maintenance facility for nearly 150 years and has been undergoing remediation of hazardous materials for the last 20 years, the high degree of urbanization of the surrounding areas in downtown Sacramento and the River District, and the level of capital investment required to support the costs of construction.

The CEQA Guidelines also require a discussion of the potential for irreversible environmental damage caused by an accident associated with the proposed projects. While the proposed projects could result in the use, transport, storage, and disposal of hazardous wastes during construction and operation, as described in Section 4.8, Hazards and Hazardous Materials, all activities would

comply with applicable state and federal laws related to hazardous materials, which reduces the likelihood and severity of accidents that could result in irreversible environmental damage.

Implementation of the proposed projects 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. 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. As described in Section 4.12, the location and density of development in the RSP Area would result in reduced trip lengths and per capita vehicle miles travelled compared to regional averages, with concomitant reductions in congestion, air pollutant emissions, greenhouse gas emissions, and transportation energy consumption compared to equivalent amounts of development at suburban or other locations less central in the region. As noted in Section 4.12, per capita VMT is somewhat increased compared to the per capita VMT that would be generated by the 2007 RSP.

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 KP Medical Center and MLS Stadium would be constructed to LEED equivalent 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. Because of the commitments of the applicants for the KP Medical Center and the MLS Stadium to ensure that their projects are constructed to LEED equivalent standards, and the effects of implementation of current building codes, energy efficiency standards, and water efficiency standards, development under the proposed RSPU would be more efficient than the development that was envisioned under the 2007 RSP.

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 overwhelming scientific consensus

that recent increases in global temperatures are associated with corresponding increases of greenhouse gases (GHGs). This temperature increase is affecting 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, for the reasons discussed above, development consistent with the proposed RSPU, including the proposed KP Medical Center and the proposed MLS Stadium, would generate greenhouse gas emissions at lower rates than anticipated for the 2007 RSP and less than typical suburban development in the region. This issue is further explored in Section 4.7, Global Climate Change.

5.4 Growth-Inducing Effects

As required by Section 15126.2(d) of the CEQA Guidelines, an EIR must discuss ways in which the proposed project could foster economic or population growth or the construction of additional housing, either directly or indirectly, in the surrounding environment. The EIR must also 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 Sacramento Area Council of Governments (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

The elimination of physical obstacles to growth is considered a growth-inducing effect. The RSP Area 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 River District; and
- Limited capacity of the wastewater system serving this portion of the City of Sacramento.

Stormwater Drainage System Improvements

The following discussion is an overview of stormwater drainage as it pertains to obstacles to growth. Impacts to stormwater drainage are discussed in Section 4.13, Utilities.

The 2007 RSP EIR discussed the impacts with respect to elimination of obstacles to growth, finding that implementation of the RSP would result in the elimination of growth obstacles by expanding the capacity of the existing at-capacity infrastructure systems. When the 2007 RSP EIR was prepared the storm drainage systems serving the RSP Area were limited in scope, only serving portions of the RSP Area, and were at or beyond capacity during severe storm events. It was anticipated that offsite upgrading/upsizing of existing drainage utilities would occur within the rights-of-ways for 5th Street, 6th Street, 7th Street and 12th Street. The 2007 RSP called for improvements to be sized to support other development in the RSP Area, which could remove an obstacle to growth.

As in 2007, today there are limited stormwater drainage systems serving the RSP Area. Since the certification of the 2007 RSP EIR, the only drainage improvements have involved the development of drainage infrastructure under the new 5th and 6th streets and Railyards Boulevard, including a detention basin to hold runoff. The implementation of the proposed RSPU would include the construction of a drainage system that would serve the entire RSP Area, connected to a stormwater outfall on the Sacramento River, substantially increasing the capacity of stormwater systems within the RSP Area. The 100-year peak storm event for the full build out was determined to be 436.8 cubic feet per second (cfs). The proposed drainage system would have a 600 cfs flow capacity, which would provide additional capacity, thereby removing the limited capacity of the stormwater drainage system. However, the proposed RSPU drainage configuration would only provide stormwater drainage within the project site and would not have connectivity

to surrounding stormwater drainage systems. As such, development of the RSPU stormwater drainage system would not remove an obstacle to growth to areas outside of the RSP Area.

Circulation System Improvements

The 2007 RSP EIR found that providing additional access routes from the RSP Area to the River District via the Bercut Drive extension, 5th Street extension, 6th Street extension, 10th Street extension, and the 7th Street alignment would provide increased access to and from the downtown Sacramento Central Business District (CBD) and the River District, thereby removing the limited roadway capacity as an obstacle to growth. The proposed RSPU would maintain the proposed roadway accesses that were analyzed under the 2007 RSP EIR. Existing roadway accesses analyzed in the 2007 RSP EIR were limited to 7th Street, which connected the River District to the CBD, and no other public roadways existing within the RSP Area.

Portions of the roadway network proposed in the 2007 RSP have already been constructed, including the section of Railyards Boulevard that extends west from 7th Street and the sections of 5th Street and 6th Street that extend from Railyards Boulevard south, including the realigned UPRR tracks and the 5th and 6th Street bridges that cross the track alignments, connecting with the CBD roadway network. For the purposes of this analysis, those roadway sections are considered part of the existing environmental setting, and are not proposed as part of the RSPU. In addition, since certification of the 2007 RSP EIR, the City has adopted plans that call for additional connections into the River District and Railyards circulation systems (I Street Bridge Replacement, and a future bridge connecting 3rd Street in the River District with Truxel Road in South Natomas). These additional connections, if completed, would result in roads in the RSP Area being used by through-traffic connecting West Sacramento and South Natomas to downtown Sacramento.

Roadway accesses to be constructed as part of the RSPU include Railyards Boulevard connections with Jibboom Street to the west and 12th Street to the east; the extensions of the 5th and 6th streets to North B Street; and the construction of 8th and 10th streets, from Railyards Boulevard to North B Street in the River District. At full build-out the RSP Area roadway network would provide additional access connecting CBD to the River District which could remove obstacles for further development of the RSP Area.

Since certification of the 2007 RSP EIR, the City of Sacramento and the City of West Sacramento have collaboratively initiated a proposal to replace the I Street Bridge with a new bridge that would connect Railyards Boulevard in Sacramento with C Street in West Sacramento. While this new bridge is expected to carry substantial amounts of traffic (see Section 4.12 of this SEIR), it would be a two-lane bridge and would simply replace the existing two-lane I Street Bridge that connects C Street in West Sacramento to J Street in downtown Sacramento. Thus, the connection of Railyards Boulevard, part of the proposed RSPU, to the future I Street Bridge replacement would not remove an obstacle to development.

Wastewater System Improvements

Subsequent to adoption of the 2007 RSP EIR, portions of the internal roadway network and underlying sanitary sewer lines have been constructed, including a 36-inch sanitary sewer main along Railyards Boulevard, that will be part of a system that, if completed under the RSPU, will collect sanitary sewer flows from the entire RSP Area north of the UPRR tracks and provide connectivity to the combined sewer system (CSS) at 3rd Street. Additional lines have been constructed in 5th and 6th street north of the UPRR tracks, which drain to Railyards Boulevard and provide connectivity to H Street, which connects to the CSS. The proposed RSPU impacts are less than that of the 2007 RSP impacts because all stormwater flows for the RSPU would be collected by a separate stormwater collection system and discharged to through the proposed Stormwater Outfall into the Sacramento River. Wastewater generation from the RSPU would result in 4.6 mgd of flow through the 3rd Street relief main connection and 0.4 mgd of flow through the 7th Street main connection, resulting in a total of approximately 5 mgd of new wastewater flow to the SRWWTP. This amount of wastewater would not exceed the current excess capacity of approximately 75 mgd at the SRWWTP and would not contribute significantly to the capacity to the system, thereby failing to remove an obstacle to growth.

Conclusions

While the RSP Area is currently surrounded by urban uses, implementation of the proposed RSPU would include offsite improvements to roadways that would be sized to accommodate more growth than just that associated with the proposed project. As such, these improvements could eliminate an obstacle to further development and growth in the Central City, West Sacramento, and Natomas.

5.4.2 Economic Effects

As is presented in Chapter 3, under future conditions it is anticipated that total employment on the site would rise to a total of 22,903 employees.

The proposed KP Medical Center would employ up to a total of 4,465 staff. The employment associated with the KP Medical Center would be increased by approximately 1,185 over existing employment levels at the Morse Avenue facility, which could contribute to further growth in the region.

The proposed MLS Stadium would employ up to 70 permanent employees and up to 500 temporary employees for events of varying sizes.

In addition to the employment growth generated by the proposed projects, 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 KP Medical Center, MLS Stadium, office, hotel and retail portions of the proposed projects 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 construct the proposed projects and support businesses within the RSP Area. For example, when a manufacturer buys products or sells products, the employment associated with those inputs or outputs are considered *induced* employment. As an additional 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 3, Land Use, Population and Housing, it is estimated that the development in the proposed project would result in an increase in direct employment of 22,903 jobs in the retail, office, hotel, historic and cultural museum components of the RSPU project, the KP medical center, and the MLS Stadium. The proposed RSPU would increase direct employment by up to 10,500 jobs, compared to the 2007 RSP which proposed a range of employment between 12,400 and 15,200 jobs.

Increased activity in the RSP Area would support increased purchases of supplies, equipment, and services from businesses in Sacramento and nearby cities and from businesses located elsewhere in the region and beyond the Sacramento area. The increased spending also would initiate subsequent rounds of additional business spending by those and other businesses. Increased employment in the RSP Area would provide increased wage and salary incomes that would support additional household spending for a wide variety of goods and services.

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 region and beyond. Some of the increased employee spending would occur in proximity of the project site and more of it would occur near employee places of residence, many of which would be in Sacramento and nearby cities, and elsewhere in the Sacramento region. The additional employee spending would support business activity and jobs and initiate subsequent rounds of additional spending.

The future cumulative context of citywide and regional growth used for the cumulative analyses in the City of Sacramento's 2035 General Plan Master EIR and the cumulative analyses in SACOG's Metropolitan Transportation Plan/Sustainable Communities Strategy EIR includes the multiplier effects of the project. Consequently, the cumulative impact analyses in the Master EIR and the MTP/SCS EIR account for additional growth beyond the project site that would be generated by the project.

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 KP Medical Center and MLS Stadium 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. 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 in the RSP Area is an intended consequence of the proposed projects, growth induced directly and indirectly by the proposed projects could also affect the greater Sacramento region. While it is acknowledged above that the precise nature, location, and magnitude of effects of indirect and induced growth is speculative, potential effects caused by indirect and 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 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 (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.”¹ 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

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

dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth or homeless encampments.

The analysis of urban decay in the 2007 RSP EIR concluded that “on a project-specific basis, adequate demand will exist in the future to support existing retail uses plus retail/entertainment uses in the Specific Plan Area,” and no effects related to urban decay would occur as a result of the project. In the context of cumulative development throughout the market area, the analysis concluded that “with or without the Specific Plan Area, projected Comparison Retail space supply... will likely be greater than demand for comparison Retail by year 2015. By 2025, the imbalance between the supply and demand for Comparison Retail is expected to be resolved as growth in demand catches up with supply in the region.” The analysis recognized that during the period where space supply is greater than demand some vacancies could be created, but that urban decay would be avoided “through enforcement of existing and planned City policies related to downtown development, as well as consistency with the goals of the Sacramento Downtown Partnership.” Thus, the 2007 RSP was not anticipated to contribute to urban decay.

In the years since 2007, little has changed in the market area potentially affected by the proposed RSPU. The primary changes that have taken place include: (1) reconfiguration of the former Downtown Plaza shopping center into the Downtown Commons featuring Golden 1 Center, (2) the lack of any retail development in the RSP Area, and (3) continued population growth. No new major retail centers have been opened. The reconfiguration of the former Downtown Plaza resulted in a reduction in 231,275 sf of retail space, from 581,275 sf to 350,000 sf. Considering the average occupancy during the 2004 to 2012 period of 493,294 sf, the reduction in space to 350,000 sf represents a reduction of 143,294 sf. Thus, the amount of retail space supply in the market area outside of the RSP Area has decreased by somewhere between 143,294 sf to 231,275 sf.²

5.5.3 Methodology

This assessment of the potential for urban decay focuses is based on a review and reconsideration of information contained in the 2007 RSP EIR Urban Decay Assessment, prepared by Keyser Marston Associates,³ and the Sacramento Sports and Entertainment Center & Related Development EIR (ESC EIR) Urban Decay Analysis, prepared by ALH Urban and Regional Economics.⁴ The assessment focuses on changed conditions since the preparation of the 2007 Urban Decay Assessment. By assessing those changed conditions, conclusions are drawn about how the potential changes proposed in the RSPU would exacerbate or ameliorate the potential for urban decay in comparison to the conclusions of the 2007 assessment.

² City of Sacramento, 2014, *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report*, May 20, 2014, Table 2-2, p. 2-11.

³ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H*. Certified May 20, 2014.

⁴ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H*. Certified May 20, 2014.

The analysis of potential urban decay associated with implementation of the proposed projects is based on the assessments of the market supply of, and demand for, retail/commercial space included in the RSP Area and anticipated retail developments within the Sacramento region. The analysis involved the following steps:

- Identified the RSP Area's market area, i.e., the area from which the majority of the RSP Area retail shopping center consumers are anticipated to originate;
- Projected the RSP Area's retail sales;
- Estimated the RSP Area's spending potential;
- Estimated the impacts on the existing retail base resulting from proposed build-out in the RSP Area;
- Estimated the rate of capture, by which RSP Area retail uses would consume RSP Area spending potential;
- Assessed other economic considerations associated with proposed build-out in the RSP Area; and
- Assessed the extent to which operations of the proposed build-out in the RSP Area and other key area projects may or may not contribute to urban decay.

For the 2007 RSP EIR, supply/demand comparisons were prepared for Year 2015 and Year 2025, the anticipated completion of Phase I buildout and full buildout of the 2007 RSP, respectively. At present, none of the retail space proposed in the 2007 RSP has been built.

5.5.4 Retail Market Area

The definition of the market area for the RSP Area 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.

2007 RSP EIR

The analysis of market area in the 2007 RSP EIR divided retail uses into three types, including Comparison Retail, Convenience Retail, and Eating and Drinking Retail. The analysis delineated a Regional Trade Area (RTA) with a radius of approximately 30 miles, within which essentially 100% of patronage for Comparison Retail and Eating and Drinking Retail components would originate.⁵ A 10 to 15 mile radius was used to identify the Primary Trade Area (PTA) within

⁵ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N*. P. 8. Certified December 11, 2007.

which the majority of patronage for those uses would originate.⁶ Finally, Convenience Retail was anticipated to receive patrons from within the Downtown Central Business District (CBD), an area that generally spans an approximately one to one-and-a-half mile radius.⁷

5.5.5 Sources of Project Demand

The analyses in the 2007 RSP EIR and 2014 ESC EIR assumed that patronage would originate from residents, employees, visitors, and special use-generated visitors, as described further below.

2007 RSP EIR

- *Residents.* The 2007 RSP EIR analysis projected that by 2015, approximately 2.3 million total residents would reside within the RTA; 1.3 million would reside within the PTA, and 77,000 would reside within downtown Sacramento.⁸
- *Downtown Office Employees.* The 2007 RSP EIR projected that downtown Sacramento would have 91,000 office employees in 2015 and 106,000 in 2025, 50% of which are anticipated to also be downtown residents.⁹
- *Downtown Visitors.* Adjusted for resident and employee counts, it was estimated that there would be 2.4 million visitors to downtown Sacramento in 2015 and 2.7 million visitors in 2025.¹⁰
- *Special Use-Generated Visitors.* This designation accounted for regional residents who visited downtown Sacramento to attend museums, theater, or other live-performance venues. It was estimated that approximately 175,000 people would visit the State Museum of Railroad Technology, assuming it is located in the Central Shops. In addition, it was projected that up to 500,000 people would attend the entertainment venues in 2015 and up to 700,000 in 2025.¹¹

ESC EIR

- *Market Area Residents.* There were approximately 478,209 residents within the market area developed for the ESC EIR in 2013. At full project buildout of the ESC and the retail space

⁶ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N. P. 8.* Certified December 11, 2007.

⁷ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N. P. 8.* Certified December 11, 2007.

⁸ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N. P. 13.* Certified December 11, 2007.

⁹ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N. P. 13.* Certified December 11, 2007.

¹⁰ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N. P. 13.* Certified December 11, 2007.

¹¹ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N. P. 13.* Certified December 11, 2007.

in Downtown Commons,¹² in 2017, the population was forecasted to increase to 495,501, for an increase of 17,292 residents.¹³

- *Downtown Office Employees.* As of September 2013, within three miles of the project site there was an estimated 145,963 employees.¹⁴ Based on a count of Downtown workers, the workers within a half-mile radius were assumed to support \$1.2 million in restaurant expenditures and \$2.3 million in retail expenditures. 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 ESC project site, which would capture the RSP Area, and workers within a three-mile radius of the RSP Area were estimated to generate daytime support for \$4.7 million in restaurant expenditures and \$8.8 million in retail expenditures.
- *ESC Attendees.* It was estimated that there will be approximately 1.54 million attendees to events at the ESC. A review of economic impact studies results in a wide range of estimated, or assumed offsite spending by visitors to urban arenas. 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 \$23.1 million on food and \$7.7 million on retail expenditures. Annual visitors to the proposed MLS Stadium could be anticipated to exhibit similar spending patterns.¹⁵

5.5.6 Retail Spending Potential

2007 RSP EIR

In the 2007 RSP EIR, the demand for retail and entertainment space was based upon the spending potential of the residents, employees and visitors in the relevant trade areas. In summary, the spending potential in the relevant trade areas was estimated as follows:

- *Comparison Retail.* Total RTA spending on Comparison Retail would be approximately \$9.2 billion in 2015, rising to approximately \$12.1 billion in 2025.¹⁶
- *Eating and Drinking.* Total RTA spending on Eating and Drinking would be approximately \$3.2 billion in 2015, rising to approximately \$4.2 billion in 2025.¹⁷

¹² In the ESC EIR, the area around the arena was referred to by its current name at the time, Downtown Plaza. Since certification of the ESC EIR, the property owner has rebranded the site as Downtown Commons. This name is used to refer to the development around the Golden 1 Center that is located in the property formerly known as Downtown Plaza.

¹³ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H.* P. 23. Certified May 20, 2014.

¹⁴ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H.* P. 24. Certified May 20, 2014.

¹⁵ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H.* Pp. 25 & 26. Certified May 20, 2014.

¹⁶ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 11-13. Certified December 11, 2007.

¹⁷ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 11-13. Certified December 11, 2007.

- *Convenience Retail.* Downtown spending on Convenience Retail and Services would be approximately \$141 million in 2015, rising to approximately \$242 million in 2025.¹⁸

ESC EIR

As noted above, the ESC EIR assumed that 80% of the Downtown Commons project demand would originate from spending from households in the ESC market area. The Year 2017 spending potential from households in the market area was estimated to exceed \$3.9 billion, including \$492.7 million at restaurant and drinking establishments and \$478.5 million at, what the 2007 RSP EIR referred to as, Comparison Retail establishments.¹⁹

5.5.7 Proposed Project Impact Analysis

Table L-1 and Table L-2 of Appendix L provides comparisons of spending potential and retail sales requirements, respectively, for the 2007 RSP, RSPU, and RSPU Land Use Variant.

2007 RSP EIR

The 2007 RSP EIR found that there would be sufficient support for Comparison Retail within the PTA in Year 2025, but supply would exceed demand in 2015. Buildout of phase 1 of the 2007 RSP was assumed to add 500,000 ft² of Comparison Retail that would add \$200 million in sales to the market area for a total of \$9.98 billion in sales. The 2015 spending potential for the RSP Area's market area was determined to be \$9.2 billion, which failed to meet Comparison Retail sales requirements.²⁰ At full buildout, the 2007 RSP would add 581,280 ft² of retail development, accounting for the addition of \$220 million in retail sales to the market area for a total of \$11.03 billion at Year 2025. Spending potential for the market area in Year 2025 was projected to be \$12.1 billion, which would be sufficient to exceed available supply of Comparison Retail.²¹

Eating and Drinking demand within the market area was projected to be sufficient to utilize the \$200 million in sales that would be contributed by Phase 1 buildout of the 2007 RSP.²² Full buildout of the Eating and Drinking Retail was projected to add \$270 million in sales, for a total of \$3.54 billion in market area sales. 2025 Spending potential was projected to exceed Eating and Drinking Retail supply by \$50 million.²³

¹⁸ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 11-13. Certified December 11, 2007.

¹⁹ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H.* P. 29. Certified May 20, 2014.

²⁰ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 19. Certified December 11, 2007.

²¹ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 19. Certified December 11, 2007.

²² City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 19. Certified December 11, 2007.

²³ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N.* P. 19. Certified December 11, 2007.

The 2007 RSP EIR projected that spending potential within the CBD would be more than adequate to exceed Convenience Retail supply at Phase 1 buildout and at full buildout. Phase 1 buildout would increase Convenience Retail sales by \$50 million to a total of \$110 million.²⁴ Year 2015 spending potential was projected to be \$141 million, exceeding projected supply for \$31 million. Year 2025 spending potential in the CBD was projected to exceed Convenience Retail supply by \$32 million.²⁵

Downtown Commons

The urban decay analysis presented in the ESC EIR found that new sales anticipated to be captured by retail and restaurant space at the Downtown Commons could be more than met by increased demand from market area households in all retail categories, with the exception of clothing and clothing accessories (Comparison Retail) and eating and drinking establishments. For clothing and clothing accessories stores (Comparison Retail), the excess sales at Downtown Commons of \$279,452 would represent 0.1% of the sales in this category in Sacramento and West Sacramento. For eating and drinking establishments the excess sales at Downtown Commons of \$16.8 million would represent 2.1% of the sales in Sacramento and West Sacramento.²⁶ In more general terms, the projected \$17,083,540 in excess sales requirements from Downtown Commons would be anticipated to impact the RSP Area retail spending potential and demand.

In both cases, it was 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.²⁷ The analysis suggested that there was more than sufficient demand in several retail categories to absorb any sales declines that could result in retail store or restaurant closures.

Railyards Specific Plan Update

Retail Sales Requirements

As shown in Table N-2, the RSPU would reduce the amount of proposed retail square footage by 37%, relative to the retail square footage proposed in the 2007 RSP, for a total of 869,646 sf. This study anticipates that, similar to the 2007 RSP, the retail square footage would be divided into 42% Comparison Retail, 34% Eating and Drinking establishments, and 24% Convenience Retail. Each retail area would have a 37% reduced sales contribution, relative to the 2007 RSP contributions. Therefore, the proposed RSPU would add approximately \$138.2 million in Comparison Retail sales (\$378/sf), \$169.7 million in Eating and Drinking Retail sales (\$574/sf),

²⁴ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N*. P. 19. Certified December 11, 2007.

²⁵ City of Sacramento, 2007. *Railyards Specific Plan: Environmental Impact Report; Appendix N*. P. 19. Certified December 11, 2007.

²⁶ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H*. P. 35. Certified May 20, 2014.

²⁷ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H*. P. 36. Certified May 20, 2014.

and \$88 million in Convenience Retail sales (\$421/sf), to the market area, for a total of \$395.9 million in retail sales requirements.

Retail Spending Potential

The proposed RSPU would also add to market area spending potential. As previously discussed, much of the Comparison Retail spending by RSP Area residents would be anticipated to be captured by Comparison Retail space developed within the RSP Area. In addition, based on the spending models for the Downtown Commons, similar spending patterns can be anticipated for the 667,000 annual MLS Stadium event attendees, who would be anticipated to add \$3.34 million in retail spending potential (non-specific to Comparison Retail or Convenience Retail) and \$10 million in Eating and Drinking Retail spending potential. As shown in Table N-2,²⁸ the addition of the RSPU's 6,000 housing units to the market area would add approximately \$97.8 million in overall retail spending, based on the ESC EIR model for spending per household. Based on the maximum housing scenario, the RSPU would add 10,000 households to the market area for a total of approximately \$163 million in additional overall retail spending potential.

The RSPU would also add approximately 22,903 employees to the downtown market area, including employment at the proposed KP Medical Center, who would be anticipated to contribute \$85.3 million in overall spending potential. For downtown, museum and entertainment visitors, this analysis assumes no change from the number of visitors and spending potential proposed in the 2007 RSP EIR. A key addition to RSPU spending potential is the addition of \$13.3 million in proposed annual spending from individuals attending events at the proposed MLS Stadium. Overall the RSPU would be anticipated to add \$377.1 million in spending potential, under the minimum housing scenario, and \$442.3 million in spending potential, under the maximum housing scenario. As compared to the 2007 RSP, which proposes a spending potential that ranges from \$400.3 million to \$430.9 million, under the minimum and maximum housing scenarios, the RSPU-generated spending would range from \$23.1 million below the 2007 RSP minimum housing scenario to \$11.35 million greater than the 2007 RSP maximum housing scenario.

Railyards Specific Plan Land Use Variant

Retail Sales Requirements

The RSPU Land Use Variant would develop 1,038,469 sf of retail space. Under the same assumptions for distribution of retail types, the RSPU Land Use Variant retail would be divided into 436,168 sf of Comparison Retail, 353,089 sf of Eating and Drinking Retail, and 249,239 sf of Convenience Retail. Applying the same conversion rate as used for the RSPU, the RSPU Land Use Variant would add approximately \$1.65 million in Comparison Retail and \$202.6 million in Eating and Drinking Retail to the market area, and add \$105 million in Convenience Retail to the Central Business District, for a total of \$472.7 million in new retail sales (see Table N-2).

²⁸ City of Sacramento, 2014. *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report; Appendix H*. P. 26. Certified May 20, 2014.

Retail Spending Potential

Similar to the RSPU, the RSPU Land Use Variant would also add spending potential to the market area. As shown in Table N-1, the RSPU Land Use Variant would result in the development of from 7,000 to 10,000 residential units that would add between \$114.1 million and \$163 million in spending potential to the market area. For employee spending, the RSPU Land Use Variant buildout would increase the square footage of office space in the RSP Area by approximately 24%, but would be without employee spending from the KP Medical Center and MLS Stadium projects. Thus, there would be an anticipated decrease in spending potential for RSP Area employees, relative to RSPU spending potential. However, RSPU Land Use Variant employee spending potential would be \$84.1 million, which would be \$27.5 million greater than 2007 RSP employee spending. Assuming no change in visitor and spending patterns for downtown, museum, and entertainment visitors, overall anticipated spending potential for the RSPU Land Use Variant would be lower than the 2007 RSP, ranging from \$378.8 million to \$427.7 million.

Conclusion

Table 5-1 represents the sales capture rates for the 2007 RSP, RSPU and RSPU land use variant.

**TABLE 5-1.
RSPU PROJECT RETAIL SPENDING POTENTIAL AND SALES REQUIREMENTS
(2007\$)**

	Project Retail Spending Potential	Project Retail Sales Requirements	Project Sales in Excess of Project Demand (\$)	Excess Retail Space (sf)¹
2007 RSP				
Minimum Housing Scenario	\$400,255,000	\$630,000,000	\$229,745,000	576,261
Maximum Housing Scenario	\$430,937,500	\$630,000,000	\$199,062,500	499,301
Proposed RSPU				
Minimum Housing Scenario	\$377,104,675	\$395,864,870	\$18,760,195	47,056
Maximum Housing Scenario	\$442,288,675	\$395,864,870	(\$46,423,805)	(116,443)
RSPU Land Use Variant				
Minimum Housing Scenario	\$378,850,050	\$472,725,780	\$93,875,730	235,465
Maximum Housing Scenario	\$427,738,050	\$472,725,780	\$44,987,730	112,841

NOTES:

1. Assumes a conversion rate of 40% Comparison Retail, at \$343.75/ft², 35% Eating and Drinking Retail, at \$507.52/ft², and 25% Convenience Retail, at \$381.68/ft².
2. Includes new spending potential from ESC residents, ESC Employees, and ESC event attendee.

SOURCE: City of Sacramento, 2007. Railyards Specific Plan Environmental Impact Report, Appendix N.; ESA, 2016.

Railyards Specific Plan Update

The 2007 RSP would be anticipated to exceed spending potential by between \$199.1 million and \$229.7 million. Converted to excess retail square footage, the 2007 RSP would result in the

creation of between 499,301 sf and 576,261 sf of excess retail square footage that would exceed retail spending potential generated by the RSP Area (see Table N-2). Under the RSPU minimum housing scenario, RSP Area retail would capture all RSP Area spending potential and have an excess of \$18.7 million in sales requirements. Under the RSPU maximum housing scenario, RSP Area spending potential would exceed RSP Area retail sales requirements by \$46.4 million. This excess spending potential would benefit retailers in the market area surrounding the RSP Area.

Converted to square footage, under the RSPU maximum housing scenario, RSP Area spending potential would provide demand for up to 116,443 sf of excess retail in the market area outside of the RSP Area. As compared to the 2007 RSP, under both the minimum and maximum housing scenarios, the RSPU would result in either a reduction of excess sales requirements by at least \$180 million, or the creation of an excess of up to \$46 million in spending potential. In the context of urban decay analysis, the effect of the proposed RSPU would be to reduce the potential for urban decay relative to the 2007 RSP. In light of the conclusion of the 2007 RSP EIR that the 2007 RSP would not result in urban decay, the analysis suggests that the proposed RSPU would have an even lower likelihood of causing urban decay effects.

Railyard Specific Plan Land Use Variant

Under the RSPU Land Use Variant there would be an excess sales requirement of between \$44.9 million and \$93.9 million (see Table 5-1), a substantial reduction compared to the predicted excess sales requirements from the 2007 RSP (from \$199 million to \$229.7 million). Thus, relative to the 2007 RSP, the RSPU Land Use Variant would substantially reduce the potential for retail development in the RSP Area to contribute to urban decay. In light of the conclusion of the 2007 RSP EIR that the 2007 RSP would not result in urban decay, the analysis suggests that the RSPU Land Use Variant would have an even lower likelihood of causing urban decay effects.

Downtown Commons

As described above, as a result of the Sacramento ESC project, the former Downtown Plaza shopping center is being reconfigured into Golden 1 Center and Downtown Commons. Retail space is being demolished and reconstructed resulting in a reduction in 231,275 sf of retail space, from 581,275 sf to 350,000 sf. Considering the average occupancy during the 2004 to 2012 period of 493,294 sf, the reduction in space to 350,000 sf represents a reduction of 143,294 sf. Thus, the amount of retail space supply in the market area outside of the RSP Area has decreased by somewhere between 143,294 sf to 231,275 sf.²⁹ Translated to sales requirements, the reconfiguration of Downtown Commons retail would be anticipated to reduce sales requirements by \$95 million in 2007 dollars (see **Table 5-2**) based on total square footage, and by \$58.9 million based on the 2004-2012 average occupancy.

²⁹ City of Sacramento, 2014, *Sacramento Entertainment and Sports Center & Related Development: Environmental Impact Report*, May 20, 2014, Table 2-2, page 2-11.

**TABLE 5-2.
DOWNTOWN COMMONS RETAIL SPACE AND SALES REQUIREMENTS (2007\$)**

	Project Sales Requirement (2007 \$)	Retail Space (sf)
Downtown Plaza (2007)	\$238,904,025	581,275
Downtown Plaza (2004-2012 Average Occupancy)	\$202,743,834	493,294
Downtown Commons	\$143,850,000	350,000
A: Change from Downtown Plaza (2007)	(\$95,054,025)	(231,275)
B: Change from Downtown Plaza (2004-2012 Average)	(\$58,893,834)	(143,294)

SOURCE: City of Sacramento, 2007. Railyards Specific Plan Environmental Impact Report, Appendix N.; City of Sacramento, 2014; ESA, 2016.

The net effect of proposed RSPU or RSPU Land Use Variant, combined with the reconfiguration of the former Downtown Plaza shopping center (now Downtown Commons) is shown in **Table 5-3**. When the reduced sales requirements for space in the Downtown Commons is added to the revised spending potential and sales requirements in the RSP Area there is an overall reduction in excess sales requirements. When combining projected sales requirements for the Downtown Commons and the RSPU, there is a net reduction of excess retail space ranging from 96,038 sf to 259,737 sf.

**TABLE 5-3.
NET DOWNTOWN COMMONS AND RSPU RETAIL SPACE AND SALES REQUIREMENTS (2007\$)**

	Excess Project Sales Requirement (2007 Dollars)	Excess Retail Space (sf)
RSPU & Downtown Commons		
Minimum Housing Scenario and 2004-2012 Downtown Plaza ¹	(\$40,103,639)	(96,038)
Maximum Housing Scenario and 2004-2012 Downtown Plaza ²	(\$105,317,639)	(259,737)
RSPU Land Use Variant & Downtown Commons		
Minimum Housing Scenario and 2004-2012 Downtown Plaza	\$34,981,896	92,171
Maximum Housing Scenario and 2004-2012 Downtown Plaza	(\$13,906,104)	(30,453)

NOTES:

1. Calculation is based on the Downtown Plaza 2004 to 2012 Average and 2007 RSP Maximum Housing Scenario

2. Calculation is based on the Downtown Plaza full 2007 retail space and 2007 RSP Minimum Housing Scenario)

SOURCE: City of Sacramento, 2007. Railyards Specific Plan Environmental Impact Report, Appendix N.; City of Sacramento, 2014; ESA, 2016.

The combination of the Downtown Commons and the RSPU Land Use Variant would similarly result in a net excess retail space ranging from 92,171 sf to -30,453 sf. Under any of the proposed development scenarios, there would be a net reduction in excess sales requirements from buildout of the RSPU or RSPU Land Use Variant and Downtown Commons, relative to the 2007 RSP. The 2007 RSP EIR concluded that the 2007 RSP would not generate urban decay effects. The

RSPU, in combination with the reduction in retail space in Downtown Commons, would improve the balance between spending potential and available retail space, in some scenarios eliminating any excess retail space. Therefore, urban decay would not occur under the proposed RSPU or Land Use Variant, and would be even less likely than disclosed in the 2007 RSP EIR.

KP Sacramento Morse Avenue Medical Center Closure Effects

The proposed KP Medical Center project would relocate surgical, clinical, and associated uses from the KP Sacramento Morse Avenue Medical Center (Morse Avenue facility) to the KP Medical Center within the RSP Area. The relocation of these uses would reduce near-term activity at the existing facilities to property maintenance and upkeep; Kaiser is currently studying alternative uses for the facility. The Morse Avenue facility parcel is located in unincorporated Sacramento County and has a Sacramento County General Plan land use designation as COMM/OFF, for commercial/office use, and a BP zoning designation, for Business and Professional Office uses.³⁰ The BP zone generally permits office building and related uses such as banks, libraries, doctor's offices, general business offices, and similar uses. In addition, multiple-family residential projects are permitted with a use permit.³¹ The following discussion addresses the potential economic consequences on complementary medical service providers in the vicinity of the Morse Avenue facility, and any related potential for urban decay.

Kaiser Permanente System

Kaiser Permanente (Kaiser) differs from the traditional hospital model in that it is both a medical insurer and medical care provider. As a medical insurer, Kaiser provides insurance coverage to members for medical services provided by Kaiser medical practitioners in Kaiser facilities, with a limited number of exceptions. As a medical care provider, Kaiser owns and operates medical centers that provide full hospital, inpatient and ambulatory surgical services, medical offices, emergency services, pharmacy, and other related healthcare services and administrative functions.

In general, Kaiser is a closed system. Kaiser facilities provide medical care to its members only, so individuals covered by other insurers do not seek medical services at these facilities. Except in special circumstances, Kaiser does not provide medical insurance coverage to its members for services acquired from non-Kaiser service providers if those services are otherwise available through the Kaiser network. Therefore, there is a financial disincentive to Kaiser members for acquiring these services outside of the Kaiser network because out-of-network services have to be paid for at full cost. Thus, there is little to no economic benefit for non-Kaiser medical care providers to be located in close proximity to a Kaiser medical center, unless (1) they provide a specialty service that is generally not provided by Kaiser and (2) that service is covered by Kaiser insurance.

³⁰ Sacramento County, 2015. Sacramento County General Plan Map Viewer. Available: http://generalmap.gis.saccounty.net/JSViewer/county_portal.html#. Accessed May 20, 2016.

³¹ Sacramento County, 2015. Sacramento County Zoning Code. Amended November 27, 2015.

Kaiser provides insurance coverage to its members for purchases at Kaiser-affiliated pharmacies. As such, Kaiser-affiliated pharmaceutical service providers could capture sales from Kaiser members if in close proximity to a Kaiser medical center. However, there are no Kaiser-affiliated pharmacy locations near the Morse Avenue facility or in the greater Sacramento area. Therefore, non-Kaiser operated pharmacies in the vicinity of the Morse Avenue facility would not be anticipated to provide services to Kaiser members, and thus would not incur economic impacts due to the transfer of services to the KP Medical Center site in the RSP Area.

In emergencies, medical care is provided by regional trauma centers. Trauma centers are licensed hospitals designated by a Local Emergency Medical Services Agency (LEMSA) as a trauma center. They include personnel, services, and equipment for the care of trauma patients. Within the Sacramento Region, designated trauma centers include UC Davis Medical Center and the Kaiser Permanente South Sacramento Medical Center in the City of Sacramento, Mercy San Juan Medical Center in Carmichael, and Sutter Roseville Medical Center in the City of Roseville. Emergency medical care is not subject to planned usage by Kaiser members, or those covered by other medical insurers. In medical emergencies, individuals are transported to the nearest trauma center, regardless of an individual's medical insurer.

Nearby Medical Services

As mentioned above, in general, Kaiser is a closed system. Medical centers and hospitals that are not part of a closed system typically attract proximate complementary medical and related uses that provide services not offered within the medical center or which can be provided at competitive rates. The provision of these nearby complementary services is typically supported by medical insurers that provide coverage to a network of care providers within a geographic area, allowing their members to seek a given category of medical care or medical products from a variety of service providers or retail establishments. As such, multiple care providers compete for patients or patrons within a specific geographic area, and some patient services, such as medical specialists, physical therapy, or laboratory services, are competitively offered at nearby private practices. An example is pharmacies. Many medical insurers provide financial coverage to their members for the purchase of pharmaceuticals at an array of pharmacies, which allows for multiple pharmacy service providers to compete for customers in the same geographic area. Examples in the Sacramento region include CVS, Walgreens, Rite Aid, numerous pharmacies located in grocery stores (Safeway, Raley's/Bel Air, etc.), and independent pharmacies. Medical centers attract patients, and thus it is not uncommon to find numerous pharmacies located in close proximity to a medical center. This phenomenon can be observed around the Sutter Medical Center on 28th Street, the Mercy Medical Center on J Street, and the UC Davis Medical Center on Stockton Boulevard.

A field survey in the vicinity of the Morse Avenue facility was conducted in May 2016 to identify the number and type of existing medical services that could potentially hold a complimentary relationship with the Morse Avenue facility. The survey area was intended to represent an approximately two-block radius around the Morse Avenue facility and was bound by El Camino

Avenue to the north, Fulton Avenue to the west, Watt Avenue to the east, and Arden Way to the south. Land uses in the immediate vicinity of the Morse Avenue facility are generally residential and government/public uses. The survey did not identify medical uses immediately adjacent to the medical center. The majority of existing medical services were identified approximately 0.5 miles to the east, grouped along Professional Drive between Arden Way and Alta Arden Expressway, including two small pharmacies, medical specialty offices, medical diagnostics laboratory, and private practice medical offices. The entire section of Professional Drive is developed for medical services, with the majority of services being dental offices. There were additional dental offices to the east and west of Professional Drive along or near Arden Way. Dental services are typically unrelated to medical services, and are not synergistically provided through the same medical insurance systems.

All other pharmacies were large retailers located along main thoroughfares, including Walmart, Target, and CVS, however, these would not be anticipated to provide substantial amounts of pharmaceutical services to Kaiser members for the reasons discussed above.

As shown in the Table L-3 of Appendix L, ESA identified 41 medical service providers within the study area. Of those, 61 percent provide pharmaceutical, dental, acupuncture, or chiropractic services, which would not be considered to have synergistic relationships with the Morse Avenue facility. Of the remaining 16 medical service providers/uses, ESA identified the following:

- One medical diagnostics laboratory,
- Five private practice medical offices,
- One medical software provider,
- Two medical specialty offices (prosthetics and spinal care),
- One rehabilitation center,
- Three senior care facilities,
- One small technical school (Ultrasound), and
- Two general therapy offices.

The two small pharmacies are likely to derive an economic benefit from proximity to the variety of medical services along Professional Drive, including the many dental care providers; however, as previously discussed, they would be highly unlikely to provide service to Kaiser members. The offices along Professional Drive appear to provide favorable conditions for various types of medical services, which may or may not be influenced by proximity to the Morse Avenue facility. There may also be a synergistic quality to the location of many of these practices that is independent of their proximity to the Kaiser facility. There were no other substantial groupings of medical uses identified in the study.

Evaluation

There are 16 medical service providers identified as potentially synergistic with the Morse Avenue facility may potentially lose some business as a result of the closure of the Morse Avenue facility, however the extent to which there could be loss is unknown at this time. Quantification of the potential loss would be speculative. Because of the closed nature of the Kaiser system, though, the non-Kaiser medical specialty offices likely provide service to patients from other hospitals throughout the Sacramento area. Thus, it is reasonable to conclude that they would continue to serve non-Kaiser patients. As an example, the acute recovery center on Alta Arden Expressway and Watt Avenue provides all complementary services (e.g. pharmacy, laboratory, x-ray, etc.) internally, and would not suffer from a loss of services due to the proposed project. The center may lose some patrons who are patients discharged from the Morse Avenue facility, however it would continue to provide care for patients after discharge from other area hospitals. The geographic preference for rehabilitation centers can also be influenced by proximity to patient family and caretakers, which would be independent of the facility's proximity to a larger medical center such as Morse or the RSP KP Medical Center.

While some of the identified smaller medical service providers could potentially experience some degree of loss of business due to the movement of services from the closure of the Morse Avenue facility, it is unlikely that any of these businesses is highly dependent on the presence of the Morse Avenue facility given the closed nature of the Kaiser system. The high concentration of medical services that are largely unrelated to the Morse Avenue facility, such as dental care facilities, suggests that any vacancies caused in part due to the closure of the Morse Avenue facility site would likely be filled by these types of non-synergistic uses.

Conclusion

There is no evidence to suggest that the closure of the Morse Avenue facility as a result of the proposed KP Medical Center in the RSP Area would result in the types of extensive and extended vacancies that can lead to urban decay. Given that Kaiser is both a medical insurer and medical care provider, and that the Kaiser system is a closed one, there is little to no economic benefit for non-Kaiser medical care providers and/or pharmacies to be located in close proximity to a Kaiser medical center, unless (1) they provide a specialty service that is generally not provided by Kaiser, (2) that service is covered by Kaiser insurance, and (3) the pharmacy is affiliated with Kaiser. Based on the field survey conducted in May 2016 of medical service providers in the vicinity of the Morse facility, more than 60 percent of the identified providers had no synergistic relationship with the Morse Avenue facility. The closure of the Morse Avenue facility may have some impact on remaining providers, but such impact would likely be negligible, primarily since the closed nature of the Kaiser system makes it unlikely that any of these businesses is highly dependent on the presence of the Morse Avenue facility. The high number of largely unrelated medical uses in the vicinity also suggests that these type of medical services would replace any vacancies attributed to the closure of Morse.

Other, non-medical uses, such as retail establishments may also suffer an economic impact due to the change in services at the Morse Avenue facility. Kaiser employees, patients, and those accompanying patients are likely to contribute spending to retail establishments in the vicinity of Morse Avenue facility. However, spending generated by the Morse Avenue facility is likely to represent only a small portion of spending potential in the area. The Morse Avenue facility is part of a mature urban fabric that includes numerous employers, retail and service business, and residential neighborhoods. As an example, a large grouping of regional federal offices at 2800 Cottage Way, which include the U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Department of Labor, U.S. Indian Affairs Bureau, Reclamation Bureau, and U.S. Solicitor is located 0.2 miles east of the Morse facility. Employees in nearby businesses and offices, as well as residents from nearby neighborhoods would continue to provide a basis of patronage to area businesses.

Kaiser has indicated that until a future use is determined for the facility buildings and/or land at the Morse Avenue site, the property would be maintained and irrigated to ensure that the physical conditions remain essentially in their current state. Security fencing and security patrols would be used to protect the integrity of the property and minimize the potential for vandalism. Lighting of the buildings and parking lots would continue to be operated for security purposes.

In addition, the County of Sacramento has regulatory controls that can be implemented to avoid the onset of deterioration or decay. As an example, Article IV of Title 16 of the Sacramento County Code prohibits landscaping conditions that would be detrimental to aesthetic and property values in the neighborhood; dangerous, unsightly or blighted conditions that are detrimental to the health, safety or welfare of the public; and failure to maintain and monitor a vacant building so as to constitute a condition detrimental to property values in the neighborhood.³² Sacramento County Code provides identification and enforcement mechanisms for the prevention of urban decay that would be enforceable for the Morse Avenue facility or vacancies in the vicinity of the Morse Avenue facility. Based on the above analysis, the transfer of services from the Morse Avenue facility to the KP Medical Center in the RSP Area would not be anticipated to contribute to urban decay.

³² County of Sacramento, 2016. Sacramento County Code Website. Available: <http://qcode.us/codes/sacramentocounty/>. Accessed May 20, 2016.