

# V For Velocity: What the Kansas City Experience Means for Economic Impact in Sacramento

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# Kansas City's Success Can be Realized in Sacramento

## *Sacramento Demographics are Similar to That of Kansas City*

<b>Kansas City Area Statistics</b>	<b>Sacramento Area Statistics</b>
Population (2010 Census) – 459,787	Population (2010 Census)– 466,488
Median Household Income (2010) – \$44,436	Median Household Income (2010) – \$50,381
Housing Units (2010) – 221,860	Housing Units (2010) – 190,911
Number of Business Firms (2007) – 35,820	Number of Business Firms (2007) – 35,990
Land Area (sq. miles) – 314.95	Land Area (sq. miles) – 97.92

Based on 2010 census data, Kansas City and Sacramento have similar demographics related to population and household income. Sacramento's population exceeds Kansas City's by about 6,700 people, and has a slightly higher median household income, exceeding Kansas City's by almost \$6,000. Additionally, the two cities have a relatively similar number of housing units and business firms. For comparison purposes, Kansas City can act as a successful case study to demonstrate the economic development possibilities available in Sacramento under similar circumstances.

## *Kansas City Realized Over \$1.5 Billion in Capital Investments Over the Past 5 Years within 5 Blocks of the Sprint Center*

As indicated by the Downtown Council of Kansas City, Missouri, the construction of the Sprint Center was a key economic catalyst for capital investments of over \$1.5 billion over the past 5 years. As presented by Bill Dietrich, the President and CEO of the Downtown Council of Kansas City, within 5 block of the Sprint Center, the following capital investments were realized:

<b>Type of Capital Investment</b>	<b>Amount of Capital Investment</b>
<b>Arts &amp; Culture</b>	\$481,000,000
<b>Office</b>	\$434,000,000
<b>Retail &amp; Entertainment</b>	\$375,000,000
<b>Convention Center</b>	\$165,000,000
<b>Hotel</b>	\$74,000,000
<b>Total 5 Year Investment</b>	<b>\$1,529,000,000</b>

## The Construction of an Entertainment & Sports Complex Could Lead to Over \$2 Billion of Net Economic Impacts if Sacramento Were to Experience the Same Level of Capital Investment as Kansas City

Summary of Net Economic Impacts of Capital Investments Near an Entertainment and Sports Complex in Sacramento Based on Kansas City's Experience Over a 5 Year Period					
Type of Capital Investment	Amount of Capital Investment	Total Net Impact to Downtown Sacramento	Total Net Impact to the City of Sacramento	Total Net Impact to the County of Sacramento	Total Net Impact to the Greater Sacramento Region
<b>Entertainment &amp; Sports Complex Construction</b>	\$387,000,000	\$87,351,077	\$232,936,206	\$291,170,257	\$407,638,360
<b>Development of Arts, Culture, Office, Retail, Entertainment, Hotel and Other Facilities</b>	\$1,529,000,000	\$345,115,754	\$920,308,678	\$1,150,385,847	\$1,610,540,186
<b>Total</b>	<b>\$1,916,000,000</b>	<b>\$432,466,831</b>	<b>\$1,153,244,883</b>	<b>\$1,441,556,104</b>	<b>\$2,018,178,546</b>

Source: Capital Investment experienced in Downtown Kansas City from Downtown Council of Kansas City, Missouri. City of Sacramento economic impact determined based on IMPLAN multiplier with adjustments made by Capitol PFG for other areas.

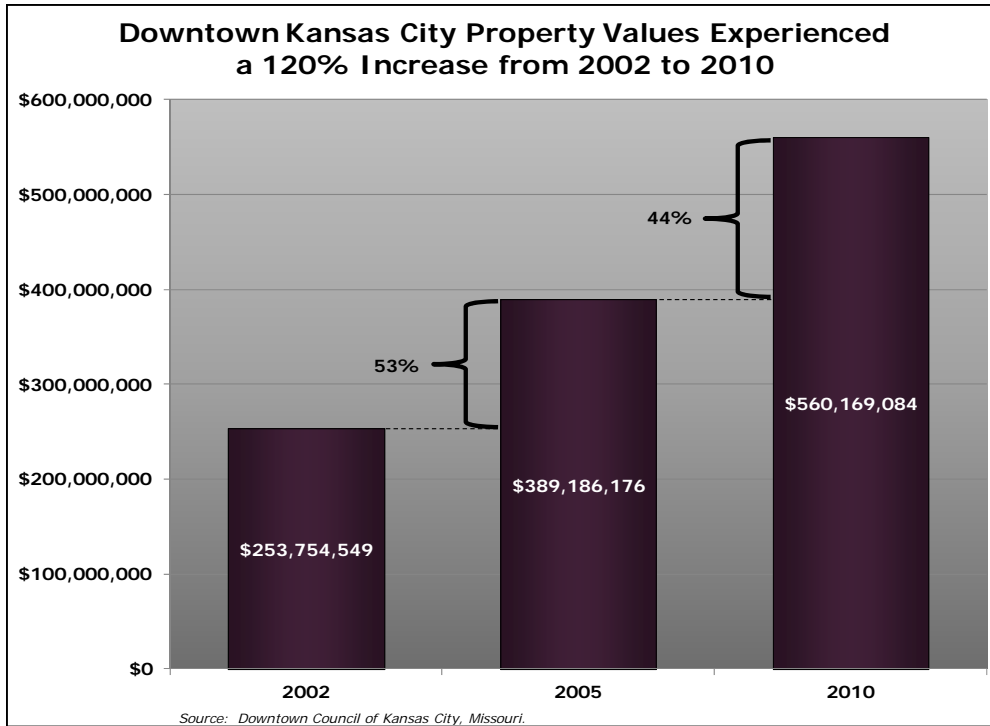
The construction of an entertainment and sports complex alone will lead to several rounds of spending in the local economy. With an estimated \$387 million of construction costs, Downtown Sacramento will realize approximately \$87 million of net direct, indirect and induced economic activity. This economic activity is further expanded into the greater Sacramento region, with an estimated net impact of approximately \$408 million.

If Sacramento were to realize the same level of capital investment that was experienced in Kansas City near the Sprint Center, net direct, indirect and induced economic impacts throughout the Greater Sacramento region could equate to over \$2 billion. Of which, approximately \$1.4 billion would occur in the County of Sacramento, \$1.15 billion in the City of Sacramento and \$430 million in Downtown Sacramento.

In Kansas City, this level of economic activity occurred over a 5 year period. Even more impressive is the fact that such activity occurred at a time when most of the Country was experiencing a significant economic downturn and loss of property values. In 2002, less than a decade ago, the same area of Kansas City was essentially a underdeveloped parking lot with undesirable businesses and run down buildings. The same area is now a vibrant downtown core generating significant economic impacts for the greater region.

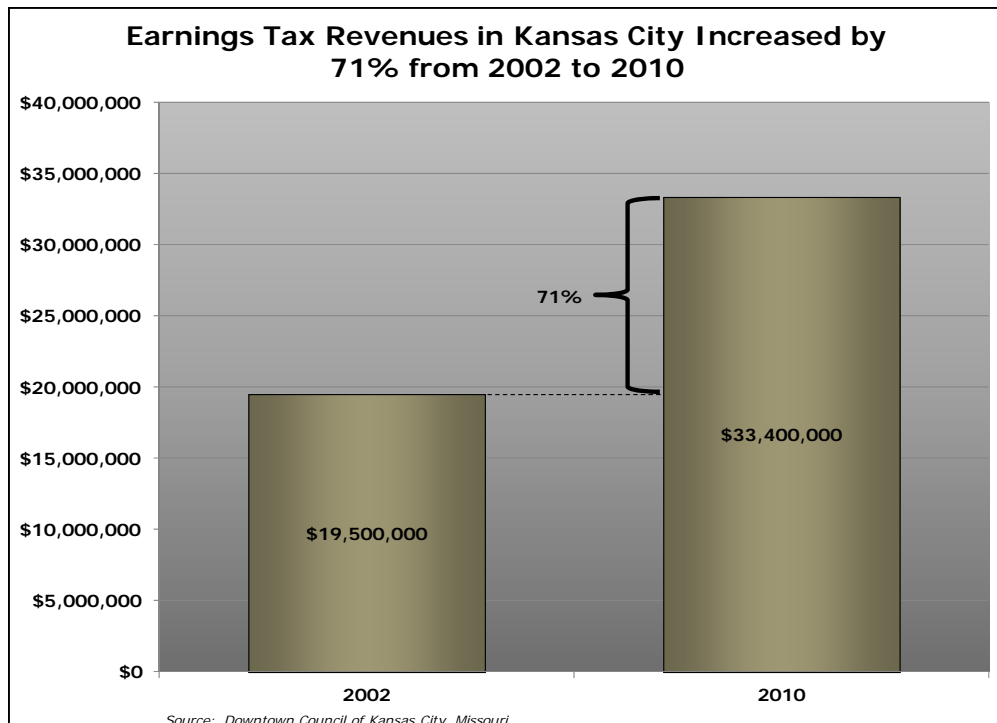


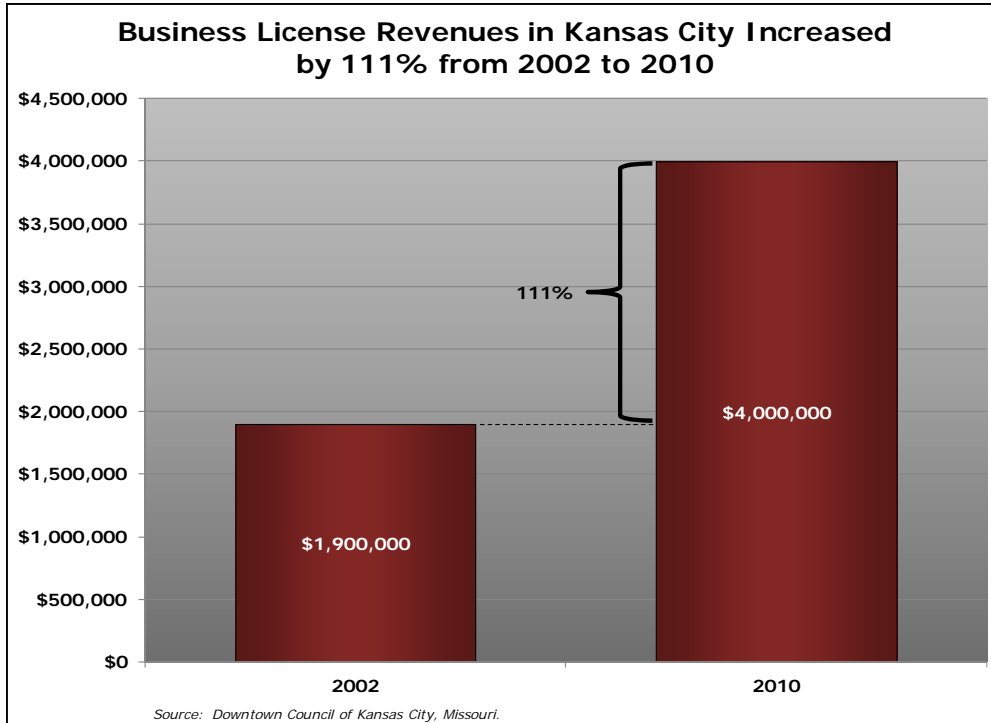
## Kansas City Saw Rapid Increases in Downtown Property Values Along With Several Other Substantial Fiscal Benefits



An increase in property values directly translates into increased property tax revenue in California. If Downtown Sacramento were to experience a similar property value increase as experienced in Kansas City, the numerous taxing agencies serving Downtown Sacramento would see an increase in their annual property tax revenues, which are used to pay for public services and fund general operations.

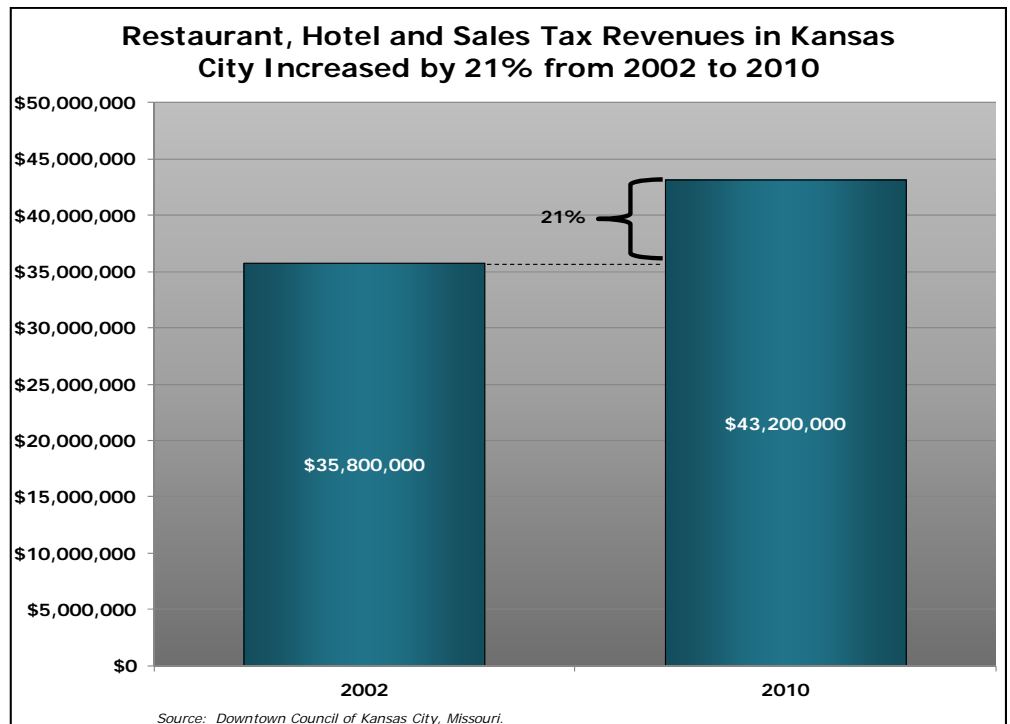
An earnings tax can be compared to an income tax in California. Income taxes increase the revenue available to the State for general operations. If the State has more tax revenue available, local government also benefits as it will reduce the strategies employed to shift funds from local government to pay for State services.





In California, Business Licenses Taxes are imposed annually by City and County government on businesses that operate in their jurisdiction. This revenue is available to provide public services and fund general operations.

In California, Sales Taxes are collected for every taxable transaction, including transactions at restaurants, hotels and retail establishments. This revenue source is available to cities, counties and the State itself for providing public services and general operations.



The profitability of the Sprint Center has contributed more than \$2 million annually to the City's General Fund through a revenue sharing agreement. Through an agreement with the operator of the Sprint Center, the City receives a percentage of any upside in arena profits. This money is available to the City in its General Fund.

**Capital Investments Near an Entertainment & Sports Complex Will Lead to a Larger Property Tax Base Resulting in Higher Property Tax Revenues. Such Revenues Could Initially Equal Almost \$9 Million Per Year, Then Increase Over Time**

<b>Potential Property Taxes Generated from Capital Investments Near an Entertainment and Sports Complex in Sacramento</b>				
<b>Amount of Capital Investment</b>	<b>Estimated Increase in Taxable Property Values</b>	<b>Annual 1% General Property Taxes Generated from Investment</b>	<b>Property Taxes Generated Over 30 Years</b>	<b>NPV Property Taxes Generated Over 30 Years</b>
<b>\$1,916,000,000</b>	<b>\$883,000,000</b>	<b>\$8,830,000</b>	<b>\$358,216,139</b>	<b>\$259,705,882</b>

*Note: Estimated percentage of a taxable investment is based on the estimated share of each type of development that is privately owned and, thus, would be required to pay annual property taxes.*

New development and capital investments will help to increase the assessed value of property. An increase in assessed value will in turn generate higher property tax revenue that is then distributed to various public agencies, including city government, schools, community colleges, police and fire services, among others. Over time, the assessed value of a particular property increases based on the lesser of the change in California Consumer Price Index or 2%. Therefore, over time, as assessed value increases, additional property tax revenue is generated from each individual property.

To estimate the property tax revenue that could be generated from capital investment near an Entertainment and Sports complex, it is important to estimate the portion of the investment that is made from public sources, as publicly owned property is not subject to property taxes. However, privately owned property is subject to taxation. Therefore, with an example \$1.9 billion in capital investments, only a portion will be subject to taxation. Then, under Proposition 13, established in 1978, 1% of the assessed value of taxable property is paid in general property taxes. These general property taxes are then distributed to public agencies in that particular jurisdiction for general operating purposes.

Over time, as assessed values increase (in this analysis by an estimated 2% per year), additional property tax revenue is generated from the same parcels. On a net present value basis, over 30 years, a taxable capital investment of approximately \$883 million will generate approximately \$260 million in tax revenue for the public agencies serving Downtown Sacramento.

## **The Kansas City Experience Demonstrates the Potential Economic and Fiscal Benefits that Can Be Realized in Sacramento with a New Entertainment and Sports Complex**

- *Kansas City has comparable demographics to Sacramento*
- *The Sprint Center in Kansas City was an economic catalyst and overall success*
  - *Spurred capital investment of over \$1.5 billion*
  - *Raised property values by 120% since 2002*
  - *Generated revenues for the General Fund*



- *Comparable results in Sacramento would:*
  - *Create over \$2 billion in net economic impacts to the Greater Sacramento Region*
  - *Increase property values by almost \$900 million*
  - *Generate almost \$9 million in annual property tax revenue*
    - *Equating to approximately \$260 million on a net present value basis, over 30 years*