Frequently Asked Questions
Solano360

1. Why is staff recommending approval of this project?

The Fairgrounds property lies at an important crossroads in the City of Vallejo, at one of the major gateways to the community and located next to the largest regional attraction in Vallejo, Six Flags Discovery Kingdom. The property is currently in poor condition, with older, obsolete structures and deteriorated infrastructure. At the same time, the Fairgrounds property serves as an important source of overflow parking for Six Flags Discovery Kingdom during peak season days.

The primary arguments in favor of the redevelopment of the Fairgrounds property, from the City's perspective, are these:

a. It will revitalize a highly visible, yet dilapidated and obsolete property at a key gateway in the City, improving the visual views of the site from I-80 and State Route 37.

b. Redevelopment of the site will ensure continued access to Six Flags Discovery Kingdom for overflow parking, a key part of Six Flags' economic success. As one of the largest generators of revenue to and jobs in the City of Vallejo, the continued success and growth of Six Flags is important, and we believe that the Solano360 project will enhance the economic prospects for Six Flags and encourage its continued investment in Vallejo.

c. Long-term, the redevelopment of the Fairgrounds property will result in significant new revenue to the City which is not currently being generated from the site, primarily in the form of property, sales, utility user, and transient occupancy taxes.

2. How will the City participate financially in the project?

The City's financial role in the project will be on two fronts: first, the City will share some of the revenues that are generated from the private development on the site with the County, and second, the City may authorize the creation of a Community Facilities District to provide bond funds for the Private Purpose Area's proportionate share of the project infrastructure. However, the City would not be liable for repayment of the bonds; only the leaseholders (those leasing the County's land) will be responsible for bond payments.

3. What service obligations is the City agreeing to assume in the project?

The City is agreeing, through the execution of a Development Agreement with the County, to provide municipal services to the private development areas of the project. These services include, but are not limited to, police and fire, stormwater and sanitary sewer facilities, water, and street operations and maintenance.

4. How will the municipal services provided to the site be funded?

As discussed in further detail below, the City will be sharing some of the revenues that are generated from the private development of the site with the County. The remaining revenues which are not shared with the County will be used to fund City services.

5. How will the revenue-sharing work?

There are a variety of revenues that will be generated from the redevelopment of the site and will flow to the City during the life of the project. These revenues include: Property Tax, Real Property Transfer Tax, Sales and Use Tax, Measure B Sales Tax, Public Safety Sales Tax, Utility User Tax, Franchise Revenues, Transient Occupancy Tax, Business License Tax, and other Miscellaneous Taxes and Revenues.

The City will share only four of these revenues with the County: Property Tax, Sales Tax (excluding Measure B and Public Safety), Utility User Tax and Business License Tax. These four revenues were selected because the City will be able to verify annually the exact amount of these revenues generated from the Fairgrounds property. Other revenues (like Transient Occupancy Tax) may be generated from activity on the Fairgrounds property, but it would be difficult to establish where the revenue "came from" without interviewing individual taxpayers, which is highly impractical. The other reason these four revenues were selected was because they are a good "proxy" for the amount of services that will ultimately be demanded by the users on the site (more discussion about this below).

The four revenues will be shared according to the following schedule:

Year	Percentage of Four Revenues to be Shared
0-3	63%
4-9	97%
10-30	55%
31-50	24%

The City will retain all of the remaining revenue from the four shared revenue sources, plus 100% of all of the other revenue sources. These revenues will fund the City services provided for the Solano360 project, and provide modest net revenue to the City. For example, the following chart identifies the amount of revenue projected to be retained by the City in the first 15 years of the project:

Year	Retained Revenue*
3	$264,821
4	343,640
5	337,967
6	472,282
7	485,966
8	756,562
9	672,066
10	611,838
11	642,028
12	630,513
13	648,906
14	635,291
15	705,480

*No revenue is expected to be generated in years 1 and 2, prior to construction of any improvements.

6. Why does this revenue-sharing formula make sense for Vallejo?

The proposed revenue-sharing formula protects the City of Vallejo in three ways: First, it requires the City to share only revenue that is actually received, rather than a fixed dollar amount. This means that if the project for some reason does not generate the revenue that was expected by the County, the City will not be required to make up the difference – removing any threat to existing City General Fund resources.

Second, because the City will retain a substantial amount of the revenue generated from the redevelopment of the site, there should always be sufficient revenue to pay for the required City services for the Solano360 project. In fact, over the first 30 years of the project, the City should retain about 47% (over $24 million projected) of the revenue generated from the project, and about 77% (over $42 million projected) during the remaining 20 years.

Finally, as noted above, the City will have no responsibility for any of the debt issued for the Solano360 project, even though the City's revenue will be used to contribute towards the County's debt service costs. This means that if there is ever a shortfall in revenues needed to pay for the debt, the County will responsible for making up any deficiencies from its resources.

7. The financial arrangements for Solano360 don't seem fair – the City is sharing almost $39 million of its revenues, while the County will get the lion's share of the revenue from the project.

From the beginning of the Solano360 project, it has been recognized that extensive infrastructure (roads; water, sewer and storm drains; flood control facilities) would be required, as well as contributions towards off-site traffic improvements. It was further determined that redevelopment of the site would not occur if the entire cost of building this infrastructure was required of private developers. The Solano360 Plan calls for this infrastructure to be funded by bonds which will be issued by the County, with debt service on the bonds paid from County revenues, Fairground revenues and the City's revenue sharing payments.

Early in the negotiations with the County, the City established as a core principle that the amount of City revenue which would be shared would be proportional to the City's share of the overall revenue generated at the site, which is approximately 20% of the total projected revenue. This proportion is a function of the tax structure that exists and allocates taxes by State statutes, and the fact that the Fairgrounds generates its own revenues.

The amount that the City would commit to revenue sharing - approximately \$39 million – is 38% of the total revenue projected to be received by the City over the fifty-year period analyzed by City and County staff and the project consultants. It is approximately 60% of the City' net revenue after paying for City services for the project. By way of comparison, the County's expected debt service and investment in the project – approximately \$187 million – is 63% of the County/Fair total revenue projected to be received by the County over the same period, and 57% of the County/Fair net revenue after paying for County/Fair services for the project.

It is also important to note that all of the debt issued for the project will be issued by the County, and backed by the County's credit. The City will have no obligations with respect to any bonds issued for the project. As a result, in the event that there is insufficient revenue to pay debt service on the bonds, the County will be required to make these payments from other resources. All of the risk with respect to the bonds is assumed by the County.

In summary, while it is correct that the County/Fairgrounds will receive a larger share of the revenue generated from the project, this revenue is a function of the statutory tax and revenue allocations, the City revenue shared will be substantially less, proportionally, and the County will be bearing all of the risk for the debt service.

8. What risks does the revenue-sharing formula pose for the City of Vallejo?

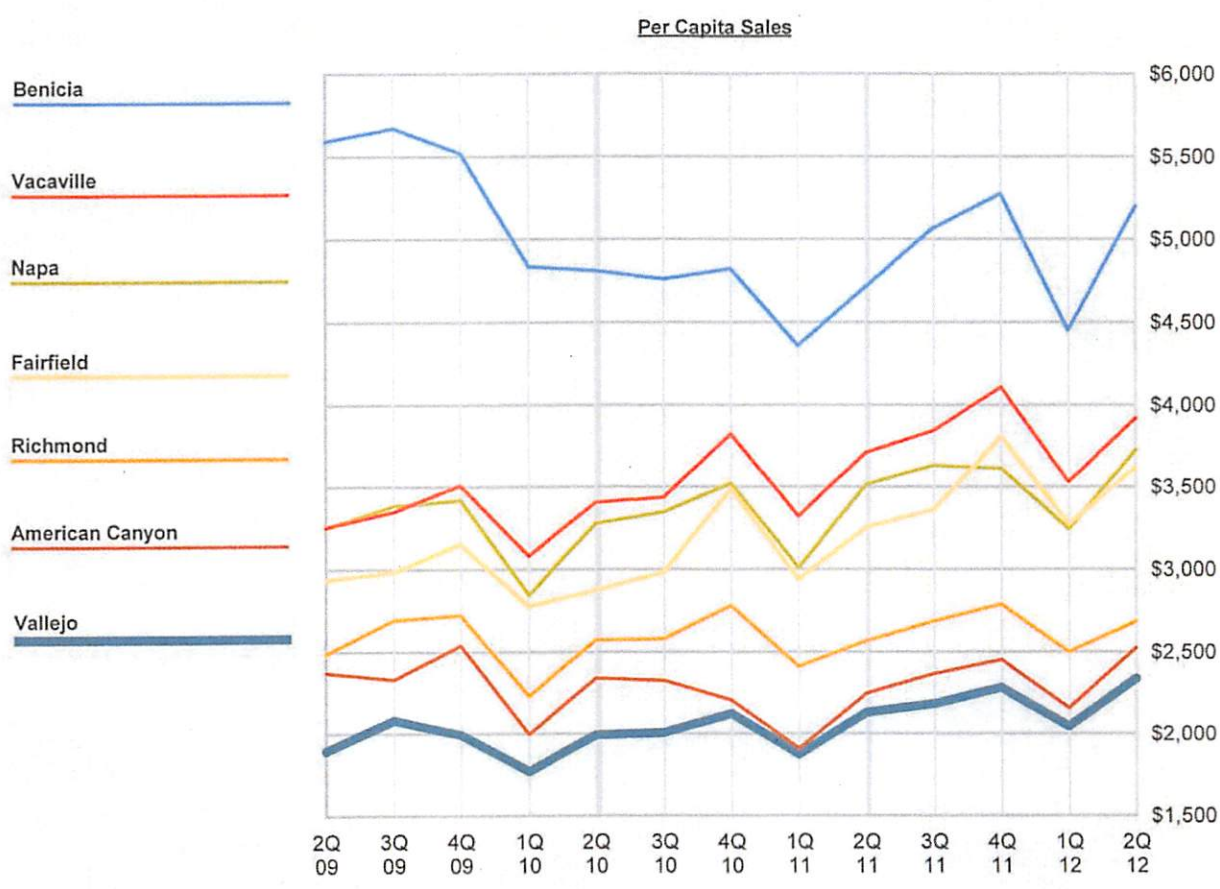
The only real risk to the City is that some of the projected revenue does not materialize, perhaps due to market conditions or delays in implementation. However, the City would still be protected, since the lower amount of shared revenue would be expected to correspond with lower demands for City services (e.g., lower sales, property and utility tax revenues would occur if business activity and visitors to the site were declining, leading to lower demands on City services).

Additionally, the estimates for City service costs were developed in close consultation with the City of Vallejo staff, and are conservative estimates. For example, the estimates assume much higher levels of staffing for police and fire services than are currently contained in the City's budget. As a result, if revenue shortfalls occur, it is unlikely that there would be inadequate revenue to fund City services to Solano360.

9. Won't the Solano 360 project simply draw business away from other parts of the City (i.e., Downtown Vallejo and retail areas across the freeway), resulting in little or no net new revenue to the City?

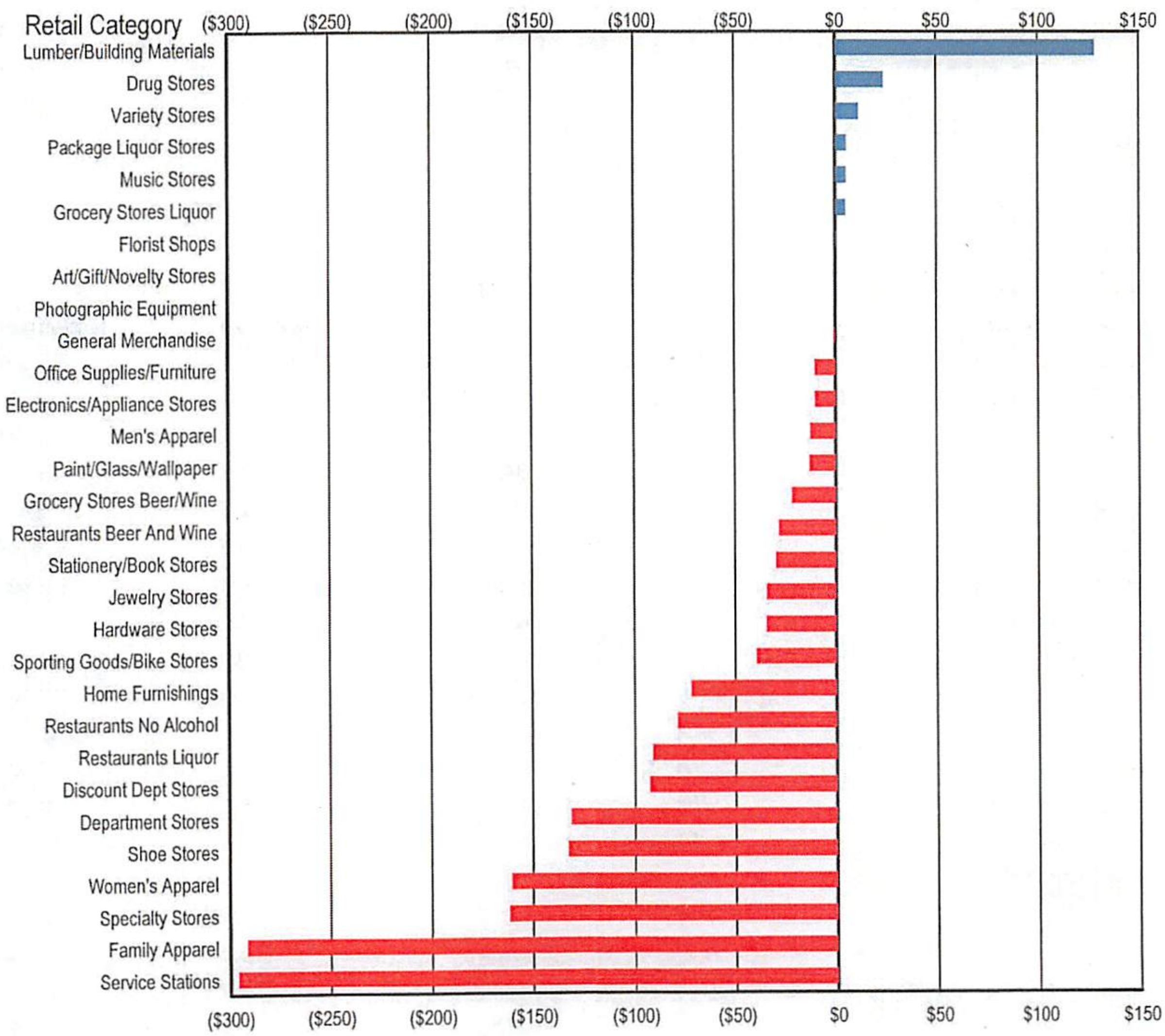
As an entertainment mixed-use project, this project is different from any other existing commercial area in the City of Vallejo. The types of retail which generate most of the City's sales tax revenues (big box retailers like Costco, Target, Best Buy, Kohl's, Home Depot and Lowes; auto dealerships like Toyota Vallejo and Team Chevrolet; and gas stations like Safeway Gas and Costco Gas) will not be permitted uses in the Solano360 project. In fact, in the latest quarter for which data was available, more than 50% of the City's sales tax revenues came from just 19 businesses, none of which would be permitted uses on the Solano 360 site. In contrast, restaurants – which are a permitted use in the plan – generate less than 6% of total sales tax revenue to the City.

Additionally, there is strong evidence that Vallejo is significantly "under-retailed" in the regional economy, meaning that a lot of the potential share of retail sales is spent in other communities nearby like Fairfield, American Canyon, Napa and Vacaville. Among the six nearest communities, Vallejo's ranks lowest in per capita retail sales, as illustrated in this chart:



An analysis by the City's sales tax consultant shows that Vallejo receives far less than its "expected" share of sales in a broad range of retail categories, some of which could locate within the Solano360 project, as illustrated here:

Per Capita Sales Tax Surplus/Gap – Fiscal Year 2011-12



In sum, approval of the Solano360 project may actually serve to improve and grow the City's overall revenue from sales tax, by capturing sales which are currently going to other communities in the region.

10. The County proposes to receive revenue from an Entertainment Tax/Park Operation Fee applied to the entertainment uses in Solano360. Why won't the City receive this revenue, as the City does now from Six Flags?

In 2005, the City and Six Flags Discovery Kingdom entered into an agreement under which Six Flags began paying a Park Operation Fee (mistakenly identified in the fiscal impact analysis as an Entertainment Tax) to the City, based on 2.5% of Six Flag's admission revenue. The current Park Operation Fee applies only to the existing Six Flags Discovery Kingdom project site, and was established at the same time that the City sold the land to Six Flags. The Six Flags Park Operation Fee expires in 2030.

The existing Park Operation Fee does not apply to any other site or entertainment business in Vallejo, and would not automatically apply to a new entertainment venue in the Solano360 plan area. As noted in responses #6 and #7 above, sufficient revenue is projected to flow to the City of Vallejo, without a Park Operation Fee or tax on new entertainment venues, to cover the City's costs to provide services to Solano360 and generate additional net income. However, there is nothing in the Development Agreement that would preclude the City of Vallejo from adopting a tax on new (and existing) entertainment venues, subject to voter approval, at a future date.

In developing the financing strategy for Solano360, it was understood by the City and the County that the County could established and collect a similar fee as part of a lease of the County-owned land in the Solano360 plan area, just as the City established the Park Operation Fee when it sold its land to Six Flags. The fiscal analysis assumes that the County would collect the fee through an agreement with a lessee of the County-owned property as one of the logical revenue sources that could be generated from an entertainment land use on the site. This revenue source would be just one of many revenues used to fund the implementation and debt service for Solano360.

11. Isn't the Solano 360 Project inconsistent with the City's Economic Development Strategy?

The September 2012 Economic Development Strategic Plan ("ED Plan") addressed Vallejo's economic development problems and established a set of 10 goals designed to increase growth in the tax base, to increase sales tax revenues at businesses and retail locations and to improve the overall economic vitality of the city. The following are goals most applicable to Solano360:

- *Grow a family tourism sector in Vallejo by strengthening Six Flags Discovery Kingdom as a driver of demand, building Vallejo's total tourism product, increasing overnight visitor stays and increasing visitor spending.*
    - As an objective to meet this goal, the ED Plan further encourages establishment of an entertainment district near Six Flags to cluster hotel, dining and entertainment venues in close proximity to one another. Clearly, the land use scenarios outlined in the Solano360 project are designed to meet this objective, from the upgraded and modernized "Fair of the Future", through the provision of a "Main Street" entertainment/mixed-use district and an entertainment commercial component. The project contemplates visitor-serving uses, including hotels, restaurants and retail uses compatible with an entertainment or specialty niche.
- *Attract new businesses and investment to Vallejo.*

  - While the objectives of the ED Plan are directed towards short-term activities, the Solano360 project provides a level of surety to the development community through the identification of specific permit processes, land uses, the provision of infrastructure, and a clear path for establishment of new businesses. The project is distinctly geared towards new investment, development and businesses.
- *Increase the availability and visibility of investment-ready land and attract new development.*
  - As noted above, the ability to attract high-quality development potential is heightened through the presence of a solid, practical "recipe book" for the future of the project. The Solano360 project provides this specific guidance that is necessary to increase the project's viability to the development community. The importance of surety in a Plan's focus, policies and procedures and its level of specificity is critical to the project's success.

In summary, we believe the Solano360 project is fully consistent with the City's recently adopted Economic Development Strategic Plan.

12. Residents have raised questions about the validity of the revenue and cost projections, suggesting that the numbers have been manipulated to produce the County's desired result. Why does the City trust these projections?

The revenue and cost projections for Solano360 were prepared by a consultant approved by both the City and the County, Goodwin Consulting Group ("Goodwin"). Although Goodwin's contract is paid through the County, the City will be reimbursing the County for ½ of the costs of this and other consultant contracts for Solano 360. While this is the first contract that Goodwin has entered into with the County of Solano, Goodwin has represented the City of Vallejo for more than 20 years on a variety of projects, and is a trusted consultant to the City.

City staff reviewed the analyses prepared by Goodwin multiple times, providing input at several points. In fact, the City retained its own consultant to, among other things; work with City staff to conduct a comprehensive review of Goodwin's analyses. The City provided numerous comments to Goodwin during that process, and Goodwin addressed each of these prior to issuance of final reports this past November. At the time of the issuance of these reports, both County and City staffs supported the assumptions, methodologies, and results of the analyses.

Attached is a memo from Goodwin that was prepared at the request of the City, responding specifically to the comments made regarding the revenue and cost projections at the Planning Commission meeting.

13. The City has just embarked on a comprehensive update of its General Plan. Why shouldn't we wait until that process is completed before approving this project?

Preparation of, and community engagement in, the Solano360 Specific Plan and its associated Environmental Impact Report began many years before the City Council approved the consultant contracts for the General Plan and Zoning Code update (in April 2013). The intensive visioning and background work on Solano360 that predates commencement of the General Plan update have provided ample opportunities for the community to review and comment on all aspects of the project. While the General Plan update consultant teams have been provided the draft Specific Plan and background documents for incorporation in the larger City-wide policy effort, the projected land uses, design guidelines or policies from the Specific Plan will be incorporated in the updated General Plan. All realistic land use scenarios on the Solano360 site have been vetted through the Specific Plan process; therefore, no changes would be anticipated if further discussion were delayed for the General Plan update.

In addition, if the effort to establish long-term land use and infrastructure policies on the Solano360 site is delayed for the larger, city-wide General Plan update, the City would be responsible for a significant increase in costs associated with an expanded scope of work to include the Solano360 property.

In summary, to postpone consideration of long-range planning of the existing Fairgrounds property would cost the City a considerable amount more than the current Solano360 Specific Plan effort, and would likely result in a similar outcome.

GCG

GOODWIN CONSULTING GROUP

MEMORANDUM

May 3, 2013

To: Dan Keen
Tom Sinclair

From: Dave Freudenberger

Re: Public Comments on Fiscal Impact Analysis for Solano360

Over the past few months, several members of the public have expressed various concerns about the fiscal impact and public facilities financing analyses Goodwin Consulting Group ("GCG") prepared for the Solano360 project. Unfortunately, these comments reflect a fundamental misunderstanding of the purpose and methodology of the analyses. The purpose of this memo is to address what appear to be some overarching issues expressed in some of the comments, but also to address specific technical comments that have been made about our analyses.

GCG's Role on Consultant Team

GCG, as well as most of the other consultants, has repeatedly been characterized as the "County's consultant." While it is true that we are a subconsultant to a lead consultant whose contract is with the County, my understanding is that the main purpose for this administrative structure is that the County is the project sponsor and is financially responsible for the planning and entitlement of the Project. However, GCG has worked closely with both County and City staff throughout what can only be described as a collaborative, inclusive process to complete our work. As you know, we have reviewed our analyses multiple times with City staff and sought their input along the way. In fact, the City retained its own consultant to, among other things, work with City staff to conduct a comprehensive review of our analyses. We received numerous comments from City staff during that process, and we addressed them prior to issuing our final reports this past November. At the time we issued those reports, both County and City staffs supported the assumptions, methodologies, and results of our analyses; to my knowledge, that support has not wavered.

Furthermore, my firm's partners and I have been providing services to the City for approximately 20 years on a variety of projects, while this is our first engagement with

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Solano County. We would never do anything to jeopardize our relationship with the City of Vallejo, and I believe one of the reasons our firm was selected for this assignment was that the City felt equally as comfortable hiring us as the County did. Both public agencies are also aware of our strong reputation for producing independent, objective, and accurate analyses, which is what I believe we again produced with the reports for this project.

I think it's also important to note that, if the apparent premise held by some in the public that we harbor a bias toward the County had any basis in fact whatsoever, our analysis would have concluded that the City's projected net fiscal impacts are much less than what is actually shown in our report. Why? Because if the City's actual net fiscal impacts turn out to be considerably less than what is currently being projected, the County will be obligated to cover a much larger share of the debt service on the COPs issued to fund Fairground improvements and other infrastructure.

Finally, some in the public have suggested that the positive results in our analyses are inflated in part so that our firm will have a new CFD to work on related to this project. This couldn't be further from the truth. First and foremost, we have conducted a set of analyses based on facts and sound assumptions. To achieve a level of project feasibility that works for both the County and the City, the entire team worked together to re-engineer, re-phase, and in all other ways reconsider every project detail, including land uses, Fair improvements, infrastructure, parking, project financing, the abolishment of redevelopment, etc. That's why the project works, because of a team effort to figure it out, not because the numbers were somehow rigged. The last point is that, while as a private firm, we are always interested in securing new work, preparing anything other than a fair and balanced analysis simply for the opportunity to possibly (only if selected) work on just as single CFD that isn't planned to occur for another five or six years wouldn't seem to make a lot of sense.

I believe our meetings to walk City Council and Planning Commission members, as well as County Board of Supervisor members, through our analyses has helped each of them understand how the models work and that the results make sense. Whether these members are for or against the project, or whether they even have a philosophical difference with the strategy or approach in our analyses, is another matter, but at least they can be confident that the analyses are independent and objective illustrations of how this project could perform in the future. If you feel that such a meeting with a few particular Vallejo citizens would help in that regard, I would be happy to participate in that.

PURPOSE AND APPROACH TO ANALYSES

The fiscal impact and public facilities financing analyses are forward looking estimates based on many assumptions, but the assumptions are grounded in historical fact and based on decades of experience that my partners and I have doing this type of work. Actual results may vary from the estimates in our analyses, but the analyses are good illustrations of what is likely to happen.

The City projections in the fiscal analysis are estimates of the annual revenue that will be generated by new development in the project and estimates of the annual expenses that will be incurred to provide municipal services to the new development in the project. Two methodologies are employed in estimating recurring revenues and expenses. The first method applies defined service standards, existing tax and fee rates, and suggested operating and maintenance costs to the various land uses as those land uses are developed within the project. The second method, referred to as the multiplier approach, applies the average cost per resident or person served inside the City to the new development.

Sometimes, the two methodologies are combined. For instance, the cost to provide public safety services (fire and police, which are the two most expensive services to provide) to the project is based on the multiplier method, but that cost is increased well above current budget levels to approximate a higher desired service standard. It is important to understand that the multiplier approach applies cost factors to development as it occurs, which means that costs estimated using this method will increase as more and more development is completed and will be highest when the project is built out.

SPECIFIC COMMENTS

The major areas of recent public comment on the fiscal analysis are addressed below.

Summary of Results

Some have stated that the chart on page vi of the executive summary is misleading and "implies an annual amount (average) but actually shows numbers for the final year of each phase. This exaggerates the return for Vallejo and hides a slight lost in Phase 1a." Actually, the chart itself indicates annual revenues and expenses at buildout of each phase, and the text on page v describing that chart says the same thing. The text also points out that there is a modest deficit in the first year of Phase 1a. Detailed tables in the appendix also show the annual amounts.

Measure B

It was suggested that Measure B revenues should not be included in the analysis and that including them "allowed even more revenue to flow out of the Solano360 project." Measure B revenue will be generated by retail and other sales-tax producing developments both inside and outside the project. To exclude Measure B revenue from our analysis would not reflect actual City revenues generated by the project. More importantly, Measure B revenue is one of many revenue sources that are not shared with the County, so that revenue is not flowing anywhere except to the City's general fund.

Sales Tax Revenue

New sales tax revenue compared to existing sales tax revenue was the subject of numerous comments. As I understood the argument, the point being made was that GCG did not include an 80% factor to adjust new sales tax revenue down to account for some overlap that could occur with existing sales tax revenue, as was used by ERA/AECOM in its January 2010 study of the project. The comments also contended that the fiscal impacts would be reduced had an 80% factor been applied, and that "this may be why Goodwin Consulting Group left it out" and that we "may have seriously misled your planning dept."

The accusation that we did not adjust new sales tax revenue down to account for some overlap with existing sales tax revenue is not correct. In fact, we included two adjustment factors in our sales tax calculations. Please refer to the Solano360 Sales Tax Projection table attached to the end of this memo. We applied a 90% retail sales overlap factor as well as a 5% vacancy rate to new development inside the project; combined, these two adjustments amount to an 85% sales tax adjustment. Although slightly higher than the 80% factor used by ERA, we feel the 85% factor is actually conservative for the following reasons:

1. The ERA analysis included twice as much retail as the GCG analysis. Less project retail will result in less overlap with existing retail.

2. The ERA analysis assumed that the project retail would build out in approximately eight years (only one year for the entertainment retail), while the GCG analysis assumes 24 years for retail buildout (and 20 years for the entertainment commercial parcel). Tripling the absorption period allows for residential growth to occur, which creates additional demand for retail above and beyond what exists today. ABAG forecasts that Vallejo will add approximately 40,000 residents by 2030 (well before the project builds out), which means even more that 40,000 additional residents are likely to be living in Vallejo by the time the project is fully absorbed. Solano County will add approximately 115,000 residents by 2030. Significant additional growth is anticipated in other nearby Bay Area and Sacramento area jurisdictions. All of this population growth, combined with increasing visitors and synergies with Six Flags, suggests that project retail can easily co-exist with existing retail.

3. It is our understanding that latent demand already exists within the City for a variety of retail categories, and that significant amounts of retail sales are leaking

outside the City. The project will help to meet the current demand that is escaping to other areas.

4. The project is anticipated to include a restaurant row, entertainment uses, family centers, activity centers, and other forms of retail that represent much different retail offerings than can be found in other parts of Vallejo.

5. GCG is projecting total annual basic 1% sales tax revenue to the City at buildout of the project of approximately $1.2 million, while ERA was projecting approximately $2.6 million.

For these reasons, I believe we could have justified no adjustment at all. However, in an effort to keep our analysis reasonable and even conservative in some instances, we applied the net 85% factor.

Revenue and Expense Projections

Comments on the projections range from "unusual jumps in revenue and correlations between unrelated revenue streams," to "'irregularities' in the consultant's work," to questions about the costs of providing specific services and whether those costs have been vetted with City staff. Several spreadsheets and graphics were prepared by commenters to demonstrate points being made in the comments.

The key areas of public concern appear to be the following, and I respond to each concern below as well.

1. *There are numerous years in the analysis where revenues increase substantially.*

   As you know, the generation of revenue (as well as the amount of expenses incurred) to the City correlates very closely with the amount of new development. There are years where a significant amount of development is expected to occur, there are years where a smaller amount of development is anticipated, and there are years where no development happens. The jumps in revenue track the timing and amount of new development. The percentage increases in revenue may go down, though, over time even when a large block of development happens if a significant amount of development has already occurred. In other words, the percentage increase in revenue in one year compared to the prior year related to 40,000 square feet, for example, of new entertainment retail will be less if that new development is occurring near the end of the project (when 250,000 square feet, for example, has been developed) compared to near the beginning of the project (when, say, only 50,000 square feet has already been developed).

2. *There are numerous years in the analysis where certain revenues and expenses increase by the same percentage.*

   Again, revenues and expenses are tied very closely to the pace and amount of new development. In the case of revenues and expenses that are projected based on the multiplier method, as described above, an average revenue or expense per resident or person served in the entire City is applied to residents and persons served inside the project. Those revenues and expenses will all increase at the same rate based on the amount of development occurring at the time. The thrust of a comment, and of a spreadsheet handed out at the Planning Commission hearing, that it seems unreasonable for certain revenues and expenses, on both the City and County sides, to increase at the same rate reflects a fundamental misunderstanding of how the multiplier method works. This particular speaker presented his own spreadsheet indicating all of the revenues and expenses were projected to increase at the same rate as a basis of suspicion of our numbers when, in fact, that spreadsheet actually demonstrates that our model is doing exactly what it's supposed to do – multiply a static cost factor by the amount of new development as that development occurs.

3. *Some expenses appear too low and may not have been vetted by City staff.*

   Some of the City's projected expenses are based on the first method described above where actual unit costs are applied to actual facilities that need to be maintained. For example, road maintenance costs are based on the City's cost to maintain a mile of roadway (and just like police and fire, road maintenance costs reflect a much higher cost per mile than the amount shown in the current City budget). Road, landscape, bridge, and traffic signal maintenance are all calculated this way. The actual amounts of road miles, landscaped square feet, bridge square feet, and number of traffic signals are included in the analysis, provided to us by the project engineers. The unit costs are applied to these amounts to estimate the costs to the City. While there may be other areas of the City where some costs might be higher because there are more roads or greater amount landscaping, etc., the costs reflected in our analysis account for actual costs and actual facility quantities to be maintained. The unit costs and facility quantities have been reviewed and approved by City staff. Note that road and landscaping costs that relate to facilities inside the Fairgrounds are covered by the Fair's budget and included in the projection of Fair operations net revenue; only facilities inside the project but outside the Fairgrounds are included in the costs to the City.

4. *One of the graphics prepared by a commenter suggests that $1 million of spending in the City produces $100,000 in sales tax revenue, and that $200,000 in spending produces $20,000 in sales tax revenue.*

Those sales tax estimates are off by an order of magnitude, of course, because the City's basic sales tax receipts (excluding Measure B) are equal to 1%, not 10%, of taxable retail sales. Therefore, the correct projection would be that for every $1 million spent in the City, $10,000 is generated in sales tax revenue and that $200,000 produces $2,000 in sales tax; both numbers, of course, exclude Measure B.

I hope this helps to address a lot of the issues that have been raised about our analyses. Please let me know if you want to discuss any of this.

Solano360
Sales Tax Projection

	ERA/AECOM Analysis				GCG Analysis			
	Traditional Restaurant	Traditional Retail	Entertainment Retail (17.5 Ac)	Total SF	EMU Restaurant	EMU Retail	Entertainment Commercial	Total SF
Buildout (Yrs)	8	8	1		24	24	20	
Total SF or Ac	85,000	438,000	150,000	673,000	115,000	213,000	30 Ac	328,000
Gross Sales Rate (per SF or per Ac)	$500	$350	$800		$500	$350	$162,500 / Ac	
Total Gross Sales	$42,500,000	$153,300,000	$120,000,000	$315,800,000	$57,500,000	$74,550,000	$4,875,000	$136,925,000
Vacancy Rate	0%	0%	0%		5%	5%	0%	
Retail Overlap	80%	80%	90%		90%	90%	90%	
Net New to City	80%	80%	90%		85%	85%	90%	
Total Net Sales	$34,000,000	$122,640,000	$108,000,000	$264,640,000	$49,076,250	$63,628,425	$4,387,500	$117,092,175
Sales Tax @ 1%	$340,000	$1,226,400	$1,080,000	$2,646,400	$490,763	$636,284	$43,875	$1,170,922