

Development Driven by Data

City of Citrus Heights Resident/Non-Resident Analysis

Overview

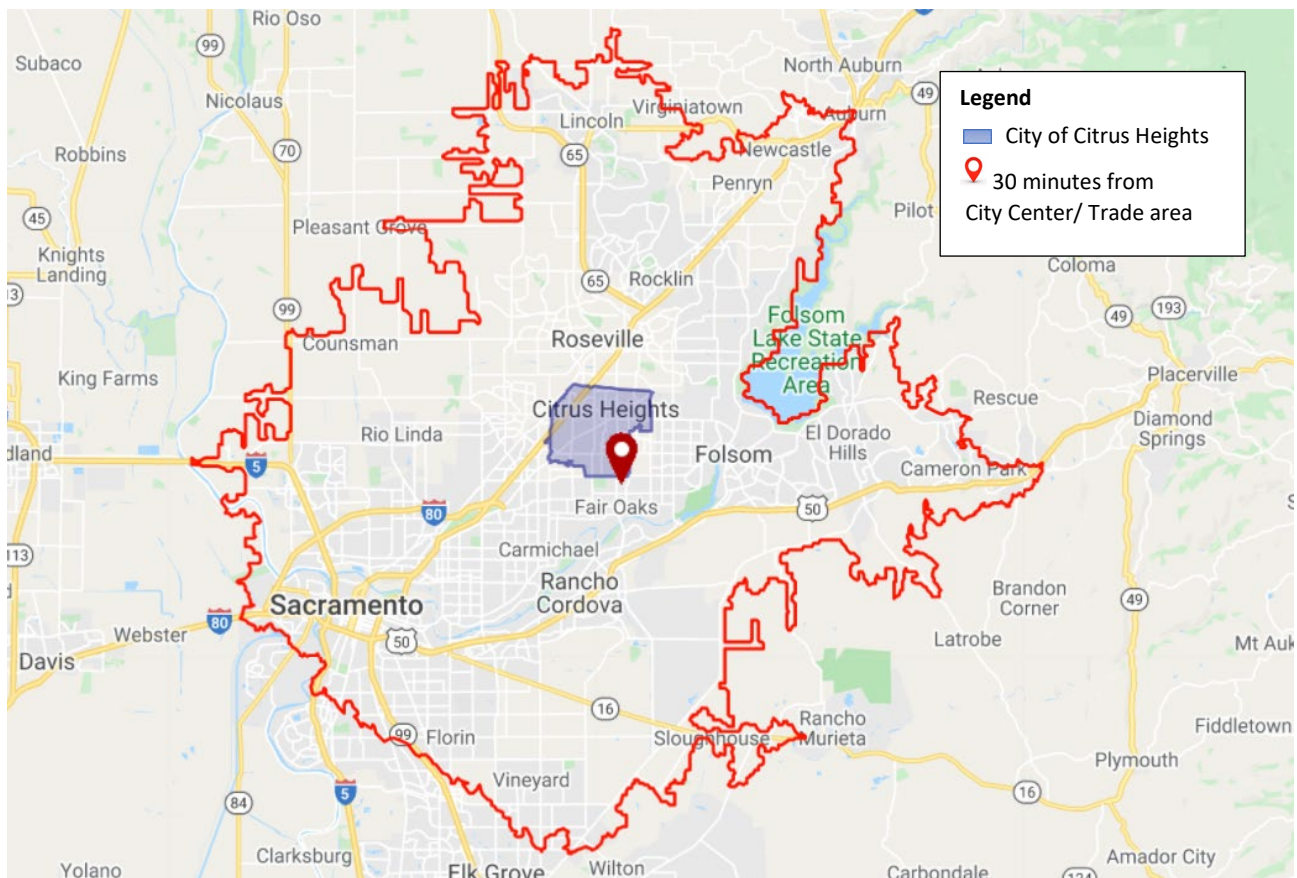
The City of Citrus Heights is located in Sacramento County in northern California. The City is easily accessible, via Interstate 80 and U.S Highway 50 and is adjacent to the neighboring cities of Rancho Cordova, Roseville, and Sacramento.

Citrus Heights is a rather new city as it was incorporated 23 years ago in 1997. However, despite being a younger city, it has a population of 87,441 with an increase to 325,097 from the trade area within a 10 minutes drivetime. Proximity to the Sacramento International Airport located just 23 miles away as well as Sacramento Downtown being 20 miles away from the city have fueled the economy of Citrus Heights. In addition, business development in industries including Retail, Service Stations and Restaurants have also benefited the growth of Citrus Heights.

As of Q2 2020, the Commercial Vacancy Rate for Citrus Height was 12.9%. Below is a summary of the market analytics, for the city and trade areas within a 30-minute drivetime.

	City of Citrus Heights	10-Minute Drive Time	30-Minute Drive Time
Population	87,441	325,097	1,566,137
Households	34,342	123,665	583,531
Average HH Income	\$73,966	\$86,907	\$94,007
Area Employees	68,842	258,203	1,237,173
Daytime Population	68,286	324,661	1,896,931

The economy of Citrus Heights employs approximately 24,868 (Source: SiteSeer Demographics) people in specialized industries such as Independent Small businesses, Retail Trade, Health Care & Social Assistance and Accommodation & Food Services. The largest industry category in the City of Citrus Heights is Retail Trade, providing employment to approximately 22% of the total workforce in Citrus Heights.



Non-Resident Spending Summary

The City of Citrus Heights has requested an estimate of the approximate amount of sales and use tax revenue generated by non-residents. Hereafter, individuals and businesses residing and located within the city will collectively be referred to as residents. While individuals and businesses residing and located outside of the city will collectively be referred to as non-residents.

The table below summarizes the results of the analysis based on revenue estimates in 2019 calendar year, showing 40.2% of the 1% Bradley Burns Sales Tax is estimated to be paid by non-residents. Such a tax is based on where the sale is negotiated or the place where the order is taken. Below is the percentage of sales tax estimated from non-residents.

Economic Segment	Bradley Burns 1% Sales & Use Tax
Autos & Transportation	11.8%
Building & Construction	32.0%
Business & Industry	54.6%
Food & Drugs	30.8%
Fuel & Service Stations	27.4%
General Consumer Goods	46.0%
Restaurants & Hotels	48.1%
Estimated Average Non-Resident Generated Revenue	40.2%

Estimated % of Sales Tax Revenue Generated from Non-Residents

The figures shown above were obtained utilizing a variety of methodologies customized to each economic segment. These methodologies consider the mix of businesses located in the City, per-capita-sales within the City verses the per-capita-sales across Sacramento County, as well as factoring average income population and trade area daytime- population for the designated trade areas previously described as a percentage of those categories within the City. The findings for each economic segment that led to the conclusions are listed below.

Note: It should be noted that retail performance has been estimated based upon market information and sales tax data gathered and analyzed prior to any market impacts as a result of COVID-19. The impact of the current global pandemic has not yet been fully realized or documented in the commercial marketplace as it relates to revenue generation and the impact to resident and non-resident contributions. While some short-term adjustments might be warranted, long-term impacts will likely be tempered through the experiences gained from the 2008 economic downturn.

Autos & Transportation

The Autos & Transportation sector makes up 8.9% of the Bradley Burns Sales Tax revenue for the City of Citrus Heights. Per-capita-sales between Citrus Heights and Sacramento County shows a large advantage of average sales made within the County suggesting that Citrus Heights is not necessarily attracting large numbers of non-residents to shop at retail establishments within this sector. To that end, 11.8% of the total 1% Bradley Burns Sales Tax is generated by non-residents.

Building & Construction (B&C)/ Business & Industry (B&I)

The Building & Construction and Business & Industry sectors together generated 11.2% of the city's total 1% Bradley Burns Sales Tax in calendar year 2019. Most sales within these sectors rely on Business to Business transactions. The methodology used to estimate revenue from non-residents relies on adjustments to both segments' Top 10 sales tax producers, which were used as a relative sampling of sales tax generation within these industry groups. The top 10 businesses in the Building & Construction(B&C) industry group accounted for 99% of the revenue generated in calendar year 2019, while 74% of the total revenue generated in the Business & Industry group(B&I) was attributed to its top 10 sales tax producers.

Analysis indicates that the per-capita-sales in both sectors in the City of Citrus Heights are lower than Sacramento countywide per-capita-sales level with B&C group being -61% lower and B&I group being -72% lower. Meanwhile, it is worth to mention that both sectors supplied more than the demands from residents. This is supported by reviewing the Consumer Demand & Market Supply Assessment, B&C segment reflects a \$6.3 million or 25% supply surplus, while B&I segment reflects a \$3.1 million or 6% supply surplus. The combined information suggests that the retailers in these business sectors are focused to meet the demands from both residents and non-residents. To conclude, 32% of the Building & Construction and 55% of the Business & Industry groups 1% Bradley Burns Sales Tax is generated by non-residents.

Food & Drugs

The Food & Drugs sectors makes up 6.6% of the Bradley Burns Sales Tax revenue for the City of Citrus Heights and the city's per-capita-sales level is in-line with Sacramento countywide per-capita-sales levels at grocery and drug stores sector. Analysis of the Food & Drug segment shows that the businesses in this sector provide more than the market's demands from residents. The combined information suggests that non-residents are purchasing some food and drugs in Citrus Heights but the retailers are not fulfilling all of their shopping needs in the food & drug sector. This is supported when reviewing the Consumer Demand & Market Supply Assessment, the grocery segment reflects a 20% or approximately \$27.7 million in supply surplus. In addition, given that the daytime population (324,661) of the trade area within a 10 minutes drivetime from the city is almost 5 times the city's daytime population (68,286), suggesting that business establishments in this sector are providing for both residents and some of the non-residents around the trade areas within a 10-20 minutes drivetime. To conclude, an estimated 30.8% of the sectors revenue is generated from non-residents for the Bradley Burns Sales Tax. Additionally, please note that only 20% to 30% of grocery store sales are taxable.

Fuel & Service Stations

The Fuel & Service Station sector brings in 8.5% of the Bradley Burns Sales Tax revenue for the City of Citrus Heights. Analysis of the Fuel & Service Station sector shows that the city's per-capita-sales from service stations are lower than Sacramento countywide levels suggesting that non-residents are not necessarily purchasing auto fuel in Citrus Heights. However, reviewing the Consumer Demand & Market Supply Assessment, it shows that gasoline sales supply is approximately 50% higher than what is demanded in the City, leading to assume that the additional sales supply is being supported by non-residents passing through Citrus Heights. Many of the commuters in this region have super commutes (classified by commutes of at least 90 minutes or more). To conclude, the estimated percentage of non-resident sales for the 1% Bradley Burns Sales Tax is 27.4%

General Consumer Goods

The General Consumer Goods sector makes up 49.7% of the Bradley Burns Sales Tax revenue for the City of Citrus Heights, which is the highest among all sectors. Analysis of the General Consumer Goods sector shows that the city's average per-capita-sales is significantly higher, almost doubling Sacramento countywide per-capita-sales level, suggesting that non-residents are purchasing goods inside City of Citrus Heights. This is supported by a review of the Consumer Demand & Market Supply Assessment, the General Business segment indicates an average-supply surplus of \$30.3 million in those establishments that cater to businesses within the economic sector in Citrus Heights. The combined information also suggests that retailers are focused on supplying for non-residents as well as residents in Citrus Heights. To conclude, an estimate 46% of the sectors 1% Bradley Burns Sales Tax revenue is generated from non-residents.

Restaurants & Hotels

The Restaurants & Hotels sector brings in 15.1% of the Bradley Burns Sales Tax revenue for the City of Citrus Heights and the city's per-capita-sales is in-line with Sacramento countywide average-per-capita-sales levels. Analysis of the Restaurants & Hotels sector shows the establishments that cater to businesses within this economic sector are providing more than market's demands from residents. This is supported by a review of the Consumer Demand & Market Supply Assessment, Restaurant segment indicates a 46% or \$11.4 million of supply surplus, suggesting that the retailers are focused to meet the demands from both residents and non-residents. Thus, the spendings from visitors and commuting employees are helping to boost up sales levels and sales tax revenue. To conclude, the estimated 1% Bradley Burns Sales Tax revenue generated by non-residents in this segment is 48.1%.

Conclusion

Local tax is the general term for sales and use taxes imposed under the Bradley Burns Uniform Sales and Use Tax Law. With that said, the City of Citrus Heights has a 22% population drop during the daytime and lower per-capita-sales in sectors including Auto & Transportation, Building & Construction, and Business & Industry. Moreover, Citrus Heights' population only accounted for 5.6% of the county's population. Keep in mind that Sacramento County's per capita includes cities with higher sales tax revenues and population; thus, yielding a higher per-capita sales. In conclusion, the estimated amount of sales tax generated by non-residents for Citrus Heights is 40.2%.