



Sarah Kirchgessner  
City of Elk Grove  
Development Services – Planning  
8401 Laguna Palms Way  
Elk Grove, California 95758

RE: California Northstate University Medical Center Project – Economic Report Submittal

Dear Ms. Kirchgessner:

Attached for submittal please find an economic report, *The Impact of California Northstate University Medical Center*, prepared by Varshney and Associates for the CNU Medical Center Project. The economic report was prepared in December, 2018 to provide CNU with a better understanding of the economic benefits of the Medical Center Project on the City of Elk Grove, and the Sacramento region.

As outlined in the methodology, the economic report provides a benefit analysis from an economic stand point based on construction and operation of the Medical Center. It considers direct, indirect, induced, and total effects of the project and estimates \$4.04 billion in economic output. As shown in the report, Project construction and operations will add to economic output of the region and the City, act as a catalyst for new economic activity, create new jobs, add to labor income, produce net new indirect business taxes, and in general add to the gross state product of the region.

Note that the study does not take into consideration any offsetting costs of the Project; the intent of the economic report was to estimate the economic output associated with the project on the Sacramento region and the City on the basis of Project construction and operation. Note also that the study was prepared in 2018 based on an understanding that the Project would operate as a for-profit institution. A final decision on whether the Project will operate as a for-profit or non-profit has not been made at this time; however, it should be noted that health care services, whether provided by a non-profit or for-profit provider, are all tax exempt.

The preparers of the report, Dr. Sanjay Varshney and Andrey Mikhailitchenko, are highly respected and well known within the financial and economic community, and each has over thirty years of experience with economic modeling. The report relies on modeling and data methods that are the industry standards for generating this particular impact report. We hope this report will be helpful to the City of Elk Grove in reviewing the economic benefits from the construction and operation of the project will generate not only for the City of Elk Grove but for the Region.

Please also find attached report prepared by the Association of American Medical Colleges, *The Economic Impact of AAMC-Member Medical Schools and Teaching Hospitals*, which provides nationwide data on the economic benefits of teaching hospitals. The report estimates that California teaching hospitals provide over \$49 billion in economic impact to the State.

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