APPLIED ECONOMICS

# ECONOMIC AND REVENUE IMPACTS OF 117 N 6TH AVENUE ON THE RIO NUEVO DISTRICT AND THE CITY OF TUCSON

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# 1.0 INTRODUCTION

Applied Economics was retained by the Rio Nuevo Multipurpose Facilities District (the District) to perform an economic impact analysis of the proposed renovation of a single-story office building at 117 N. 6th Avenue into a bar. This building is located in Downtown Tucson adjacent to the Pennington Street Garage and is currently vacant.

The project could be eligible for a Government Property Lease Excise Tax (GPLET) agreement that would result in the replacement of all real property taxes during of the agreement with a lease excise tax. Since the project is located in a Central Business District and would result in at least a 100 percent increase in property value, the lease excise tax could be abated for 8 years. Alternatively, the GPLET agreement could be extended to 25 years with no lease excise tax abatement. *Since it is unclear at this time what the terms of the GPLET agreement will be, this analysis includes both an 8-year and a 25-year alternative.*

In addition to the GPLET, the District is considering paying the developer 100 percent of the TIF funds from the project during the term of the GPLET, up to the lesser of $275,000 or the actual construction cost. Based on the projected construction cost, it is assumed that the TIF reimbursement would be equal to $181,000. This analysis is intended to provide a framework for understanding the economic and revenue impacts that the project would have on the District and the City of Tucson relative to the value of incentives being offered.

### 1.1 Project Description

The proposed redevelopment project at 117 N. 6th Avenue would include a 1,723 square foot bar (Figure 1). A typical bar user could create an estimated 11 new jobs along with $928,000 in new annual taxable sales and leases. The total capital investment is estimated at $181,000 for hard construction costs.

**FIGURE 1**
**DEVELOPMENT ASSUMPTIONS**

| | Gross Square Feet | Occupancy | Estimated Jobs | Annual Lease Rate | Sales per Square Foot |
|---|---|---|---|---|---|
| Bar/Lounge | 1,723 | 100% | 11 | $30.00 | $508 |

## 2.0 IMPACT SUMMARY

The redevelopment of this vacant office building in the Rio Nuevo District would provide economic and revenue benefits to the city and the District.

- About 4 direct and indirect construction jobs would be supported in the City of Tucson during the construction period. The total direct and indirect construction impact is estimated at $263,000.

- Once completed, the new bar could generate an annual economic impact of $852,000.

- A restaurant tenant could directly support about 11 jobs, based on the assumptions used in this analysis. The project could also support an estimated 3 indirect jobs at *other local businesses* in Tucson. These indirect jobs are the result of business to business purchases made by the restaurant, as well as local spending by employees.

- An estimated $330,000 in direct personal income, or payroll, and about of $428,000 in total direct and indirect personal income would be generated by the project annually, creating the potential for additional local expenditures by employees and their families.

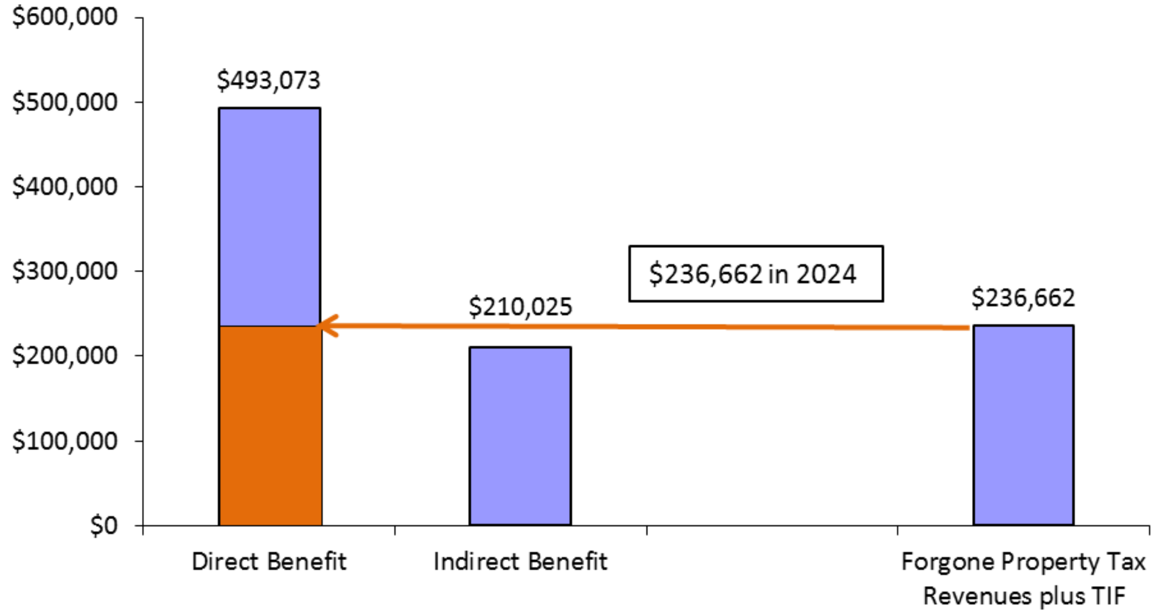
- In terms of local tax revenues, the project could directly generate approximately $210,000 in new TIF revenues to the District over the next 8 years before the $181,000 reimbursement, along with $464,000 to the city, county, school district and state. Direct employees supported by the project could generate an additional $210,000 in local and state revenues over 8 years.

- The proposed agreement with the District would provide for reimbursement of 100 percent of the TIF revenues directly from the building tenant, up to a maximum of $275,000 or the cost of construction, whichever is less. The cost of construction is estimated at $181,000, which is the estimated TIF value used in this analysis. It is likely that the maximum reimbursement level would be reached within the 8-year term.

- Over a 25-year term, the project could generate $440,000 in TIF revenues to the District before the $181,000 reimbursement, as well as $2.2 million to the city, county, school district and state from 2019 to 2044. Additional indirect revenues from employees are estimated at $656,000 over 25 years.

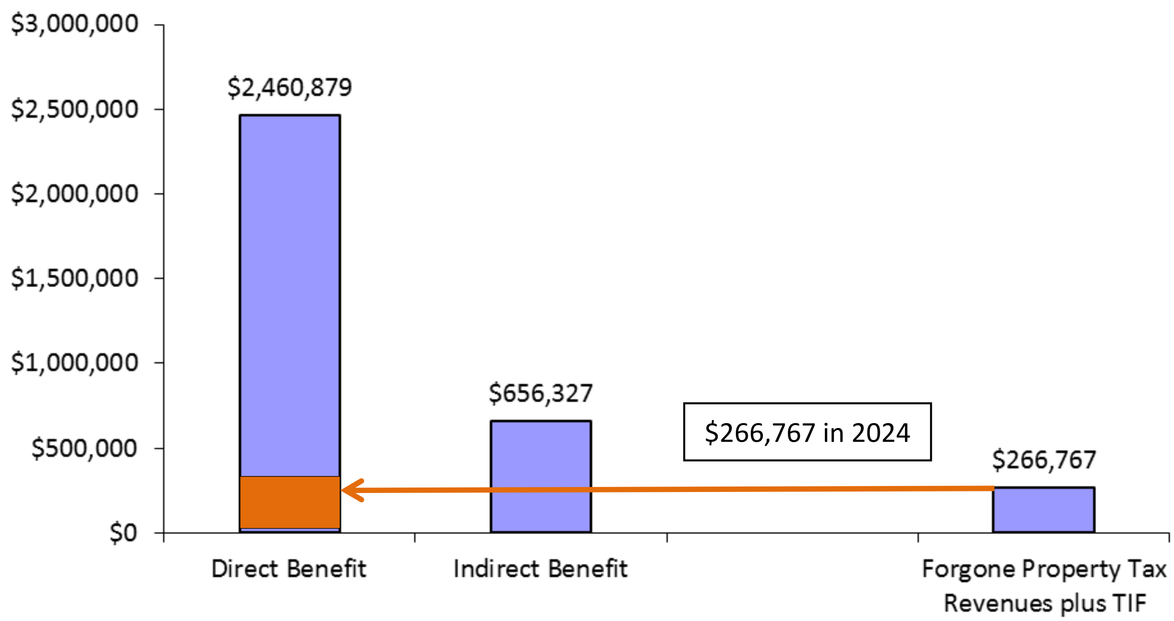
- The project could also qualify for a GPLET. The GPLET would include a property tax exemption, and potentially an abatement of lease excise taxes during an eight year term. If granted, the tax savings to the prime lessee plus the value of the TIF reimbursement is estimated at $237,000 over eight years (Figure 2A). During that period the project would generate direct sales tax from retail sales and leases resulting in a total benefit to state and local governments of $493,000 over eight years (based on direct revenues only). Thus, the benefit to the city, county and state would exceed the benefit to the prime lessee by $256,000.

**FIGURE 2**
**VALUE OF GPLET AND TIF WITH AN 8-YEAR TERM**
**WITH 2024 BREAKEVEN**




- If the GPLET was extended to a 25-year term with no abatement of lease excise taxes, the net property tax savings to the prime lessee (plus the value of the TIF reimbursement) is estimated at $267,000 (Figure 2B). During that period, the project could generate direct sales tax from retail sales and lease excise taxes, for a total benefit to the state and local governments of $2.5 million over 25 years. Thus, the benefit to local and state government would exceed the benefit to the prime lessee by $2.2 million.

**FIGURE 3**
**VALUE OF GPLET AND TIF WITH A 25-YEAR TERM**
**WITH 2024 BREAKEVEN**



## 3.0 ECONOMIC IMPACT ANALYSIS

The economic impacts resulting from the renovation of 117 N. 6th Avenue include both the one-time construction impacts and on-going operations impacts. These impacts are quantified in terms of direct and indirect jobs, personal income and output that would be generated by the tenants. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses in the District and the City of Tucson that would benefit from the project.

### 3.1 Construction Impacts

The proposed construction/renovation costs for this project are estimated at $181,000. Construction is expected to be completed in 2019. The multiplier effects of this construction spending on the city would result in a total increase in economic activity of about $263,000 (Figure 3). The approximately 4 direct, indirect and induced jobs would result in an estimated $96,000 in additional personal income in the City of Tucson during the construction period.

**FIGURE 3**
**CONSTRUCTION IMPACTS OF 117 N. 6th AVENUE**

| | Direct Impacts | | | Total Impacts | | |
|---|---|---|---|---|---|---|
| Year | Construction Expenditures | Jobs | Labor Income | Output | Jobs | Labor Income |
| 2019 | $181,000 | 2 | $70,237 | $262,577 | 2 | $95,525 |

### 3.2 Operations Impacts

Once construction is completed, the proposed project could create about 11 permanent jobs. The economic impact from on-going operations of the bar tenant in this project is shown in Figure 4. The approximately 11 new jobs and $330,000 in direct labor income will generate an estimated $516,000 in increased direct output each year.

The multiplier effect of this increase in business activity could result in a total annual impact of $852,000, with a total impact of $6.8 million over the next eight years and $21.3 million over the next 25 years. The approximately 14 direct, indirect and induced jobs supported by the development would result in about $428,000 in annual personal income in Tucson.

**FIGURE 4**
**OPERATIONS IMPACTS OF 117 N. 6th AVENUE**

| | Direct Impacts | | | Total Impacts | | |
|---|---|---|---|---|---|---|
| | Output | Jobs | Labor Income | Output | Jobs | Labor Income |
| 2020 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2021 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2022 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2023 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2024 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2025 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2026 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2027 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2028 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2029 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2030 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2031 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2032 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2033 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2034 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2035 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2036 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2037 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2038 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2039 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2040 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2041 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2042 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2043 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| 2044 | $516,188 | 11 | $329,688 | $852,090 | 14 | $428,103 |
| **8 Year Total** | $4,129,503 | 11 | $2,637,504 | $6,816,718 | 14 | $3,424,827 |
| **25 Year Total** | $12,904,697 | 11 | $8,242,200 | $21,302,243 | 14 | $10,702,585 |

The direct and indirect jobs generated by this project would support a total local population of about 20 people in the City of Tucson, based on local commuting patterns. Supported population includes families of direct employees, as well as families of employees at related supplier and consumer businesses. This estimate assumes that about 79 percent of the employees will live and work in Tucson, based on local commuting data from the American Community Survey.

The differences between direct and total economic impacts are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output into a corresponding increase in jobs and personal income. The total increase in output includes the impacts on other local supplier and consumer businesses. In essence, the multiplier effect represents the recycling of local spending. This process creates new business opportunities.

The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to the City of Tucson. Industry specific multipliers were used for food and drinking places and commercial construction. The average output multiplier for this project is 1.65. This means that for every $1 million of annual output created by the building tenant, an additional $650,000 in economic activity and 5 local jobs are supported at other local businesses outside the development.

# 4.0 REVENUE IMPACTS – EIGHT YEAR TERM

In addition to supporting jobs, income and output at related businesses in the city, the 117 N. 6th Avenue project would also generate local tax revenues, primarily sales taxes. In total, the new bar could generate an estimated $235,000 in direct and employee revenues to the city, and $468,000 in additional revenues to the District, county, RTA, school district and state from 2019 to 2027.

### 4.1 Direct Revenues

Total direct revenues from the project, net of incentives, are estimated at $493,000 from 2019 to 2027, including sales taxes to the District, city, RTA and state (Figure 5A). The project would be eligible for a GPLET agreement that would exempt it from real property taxes. Normally, there would be a lease excise tax in lieu of property taxes, but since the project is located in a central business district and it would result in more than a 100 percent increase in property value, the lease excise taxes could also be abated during the eight year term.

**FIGURE 5A**
**DIRECT STATE AND LOCAL REVENUE IMPACTS OF 117 N. 6th AVENUE**

| | City of Tucson | | | Rio Nuevo | County, RTA and Schools | | | State of Arizona | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Property | Sales | Total Benefit | TIF | Property | Sales | Total Benefit | Sales | Total Benefit | Total Public Benefit |
| **Direct Impacts** | **$0** | **$209,856** | **$209,856** | **$29,283** | **$0** | **$40,357** | **$40,357** | **$213,577** | **$213,577** | **$493,073** |
| 2019 | $0 | $3,059 | $3,059 | $0 | $0 | $588 | $588 | $3,294 | $3,294 | $6,941 |
| 2020 | $0 | $24,094 | $24,094 | $0 | $0 | $4,633 | $4,633 | $24,500 | $24,500 | $53,227 |
| 2021 | $0 | $24,576 | $24,576 | $0 | $0 | $4,726 | $4,726 | $24,990 | $24,990 | $54,292 |
| 2022 | $0 | $25,067 | $25,067 | $0 | $0 | $4,821 | $4,821 | $25,490 | $25,490 | $55,378 |
| 2023 | $0 | $25,569 | $25,569 | $0 | $0 | $4,917 | $4,917 | $26,000 | $26,000 | $56,485 |
| 2024 | $0 | $26,080 | $26,080 | $0 | $0 | $5,015 | $5,015 | $26,520 | $26,520 | $57,615 |
| 2025 | $0 | $26,602 | $26,602 | $0 | $0 | $5,116 | $5,116 | $27,050 | $27,050 | $58,767 |
| 2026 | $0 | $27,134 | $27,134 | $1,140 | $0 | $5,218 | $5,218 | $27,591 | $27,591 | $61,083 |
| 2027 | $0 | $27,676 | $27,676 | $28,143 | $0 | $5,322 | $5,322 | $28,143 | $28,143 | $89,284 |

Direct revenues include construction and on-going sales taxes from the bar tenant. The project would generate one-time sales taxes from new construction estimated at about $3,300 to the District, $3,600 to the city and RTA, and $3,300 to the state in 2019. The construction sales tax to the District would be part of the reimbursement to the developer and is not included in Figure 5A.

There would be on-going sales tax revenues associated with taxable sales and leases estimated at $250,000 to the city and RTA, and $214,000 to the state over the eight year period.[1] There would be an estimated $29,000 in TIF revenues to the District after the $181,000 reimbursement to the developer. The TIF portion of sales tax would be reimbursed to the developer through 2026. The District receives half of the 5.6 percent state sales tax on sales within the District above the base. Since all of the activity associated with the 117 N. 6th Avenue project would be new, it is assumed that the full 50 percent of the state 5.6 percent tax would be returned to the TIF district. Total TIF revenues generated by the project are estimated at $210,000 between 2019 and 2027, of which an estimated $181,000 would be reimbursed to the

[1] *This analysis assumes that taxable sales increase by 2 percent per year.*

developer. Note that the TIF funds used for reimbursement are not included in the direct revenues in Figure 5A.

### 4.2 Employee Revenues

Along with the direct taxes generated by the bar tenant, there would also be $210,000 in taxes generated by employees over eight years. Using the results from the economic impact analysis, it is possible to estimate employee tax impacts from the 11 new jobs that could be created by the tenant.

The employees could generate about $89,000 in property tax revenues to all jurisdictions combined from 2020 to 2027, based on the assumptions used in this analysis (Figure 5B). Employee property tax revenues, which represent property taxes on employee housing, were based on average residential assessed per capita in Tucson, times the annual supported population, times an average citywide property tax rate. Employee property taxes are estimated at about $1,100 per year to the city, and an additional $11,000 per year to the school district, community college and county.

**FIGURE 5B**
**EMPLOYEE STATE AND LOCAL REVENUE IMPACTS OF 117 N. 6th AVENUE**

| | City of Tucson | | | County and Schools | | | State of Arizona | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Property[1] | Sales | Total Benefit | Property | Sales | Total Benefit | Sales | Personal Income | Total Benefit | Total Public Benefit |
| **Employee Impacts** | **$8,510** | **$16,794** | **$25,304** | **$80,888** | **$4,088** | **$84,976** | **$45,787** | **$53,958** | **$99,745** | **$210,025** |
| 2020 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2021 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2022 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2023 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2024 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2025 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2026 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2027 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |

Employee sales taxes to the city and RTA are estimated at $21,000 over eight years. Additional sales taxes generated to the state are estimated at $46,000 over eight years. Since it is not clear what share of employee spending would occur in the District, no District sales taxes are shown in Figure 5B. Employee sales tax revenues include sales taxes paid by tenant employees. Sales taxes are estimated by multiplying direct personal income from the economic impact times 31 percent (share of taxable expenditures), times the Tucson live-work ratio of 79 percent, times the sales tax rate.[2] No residency ratio is used for RTA or state indirect sales tax.

In terms of state personal income tax, tenant employees could generate approximately $54,000 in revenues from 2020 to 2027. State income taxes are calculated using average income per employee and current tax schedules from the Arizona Department of Revenue.

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[2] *According to the Census Bureau Consumer Expenditure Survey persons in the median income range for this project spend about 31 percent of their income on taxable goods.*

### 4.3 GPLET Impacts

In addition to calculating revenue impacts to local and state government, this analysis also considers the property tax impacts of the GPLET relative to the amount of benefit to the prime lessee. A.R.S. 42-6209 requires that the economic and fiscal benefit to the state, county and city in which the government property improvement is located will exceed the benefits received by the prime lessee. If the project is approved for an eight year GPLET, the lessee would pay no lease excise tax or real property tax during this term since the project is located in a Central Business District and would increase the value of the property by at least 100 percent. After that time, the property owner would pay real property taxes to the city and other taxing jurisdictions at the normal rate.

In order to meet the statutory requirements, it is necessary to show that total revenues to the state, county and city would exceed the benefit to the prime lessee (in the absence of a GPLET) during the term of the agreement. Revenues from the project include direct sales tax revenues from construction, and on-going retail sales and leases. Over the eight-year term, the direct revenues to state and local jurisdictions total an estimated $493,000 (Figure 6). In comparison, the property tax savings to the developer plus the TIF reimbursement are estimated at $237,000 over the eight year term. Of the total property tax savings, $5,000 would have gone to the City of Tucson. The value of revenues generated by the project exceeds the benefit to the prime lessee from the GPLET by $256,000 over eight years. The hard construction costs are estimated to be approximately equal to the current full cash value of the building, thereby meeting the statutory requirement for a 100 percent increase in value.

**FIGURE 6**
**EIGHT YEAR VALUE OF INCENTIVES**

| | Benefit to Local and State Governments | | | | | Benefit to Prime Lessee | | |
|---|---|---|---|---|---|---|---|---|
| | City of Tucson | Rio Nuevo District | County and Schools | State | Total | Property Tax Savings[1] | TIF | Total |
| **Total** | **$209,856** | **$29,283** | **$40,357** | **$213,577** | **$493,073** | **$55,662** | **$181,000** | **$236,662** |
| 2019 | $3,059 | $0 | $588 | $3,294 | $6,941 | $0 | $0 | $0 |
| 2020 | $24,094 | $0 | $4,633 | $24,500 | $53,227 | $5,829 | $24,500 | $30,329 |
| 2021 | $24,576 | $0 | $4,726 | $24,990 | $54,292 | $6,120 | $24,990 | $31,110 |
| 2022 | $25,067 | $0 | $4,821 | $25,490 | $55,378 | $6,426 | $25,490 | $31,916 |
| 2023 | $25,569 | $0 | $4,917 | $26,000 | $56,485 | $6,748 | $26,000 | $32,747 |
| 2024 | $26,080 | $0 | $5,015 | $26,520 | $57,615 | $7,085 | $26,520 | $33,605 |
| 2025 | $26,602 | $0 | $5,116 | $27,050 | $58,767 | $7,439 | $27,050 | $34,489 |
| 2026 | $27,134 | $1,140 | $5,218 | $27,591 | $61,083 | $7,811 | $26,451 | $34,262 |
| 2027 | $27,676 | $28,143 | $5,322 | $28,143 | $89,284 | $8,202 | $0 | $8,202 |

[1] Based on a property tax rate of 15.7522% in tax rate area 0163. Property tax savings assumes a 5 percent annual increase in limited property value.

The foregone property tax revenues were estimated based on limited property value (LPV) per square foot for comparable bars in the downtown area, primarily in other GPLET projects. Based on these comparable developments, an average limited property value per square foot of $119.32 was used, resulting in a total LPV estimate of $206,000. It is assumed that the value would increase by 5 percent per year, based on recent increases in LPV for the comparable properties and statutory guidelines.

## 5.0 REVENUE IMPACTS – TWENTY FIVE YEAR TERM

Over the next 25 years, 117 N. 6th Avenue could generate approximately $864,000 in direct and employee revenues to the city, and $2.0 million in additional revenues to the county, RTA, school district and state. There would be $259,000 in additional revenues to the District after the estimated $181,000 TIF reimbursement.

### 5.1 Direct Revenues

Total direct revenues from the project, net of incentives, are estimated at $2.5 million from 2019 to 2044, including sales and lease excise taxes to the city, District, RTA and state (Figure 7A). The project would be eligible for a GPLET agreement that would exempt it from real property taxes during the term of the lease, although there would be a lease excise tax in lieu of property taxes. Under the state statute an excise tax is established for the building based on the type of use and is calculated on the gross square footage of building. The GPLET requires that the land and improvements are conveyed to a government entity (such as the District) and then leased back for private use. At a current excise rate of $2.83 per square foot for the restaurants, the property would generate $4,876 in annual excise tax revenues.[3] Seven percent of the lease excise tax is allocated to the city, 13 percent to the county, 7 percent to the community college and 73 percent to the Tucson Unified District. Total lease excise tax revenues are estimated at $145,000 over 25 years.

Direct revenues include construction and on-going sales taxes from the bar tenant. The project would generate one-time sales taxes from new construction estimated at about $3,300 to the District, $3,600 to the city and RTA, and $3,300 to the state in 2019. The construction sales tax to the District would be part of the reimbursement to the developer and is not included in Figure 7A. There would be on-going sales tax revenues associated with taxable sales and leases estimated at $924,000 to the city and RTA, $259,000 to the District and $1.1 million to the state over the 25-year period.[4]

The TIF portion of on-going sales tax would be reimbursed to the developer, up to an estimated total of $181,000 by June 30, 2035. The District receives half of the 5.6 percent state sales tax on sales within the District above the base during this time period. The reimbursement would include 100 percent of the TIF through 2035, up to the maximum amount. It is estimated that $181,000 could be reimbursed by 2026, and an additional $259,000 in TIF revenues would be retained by the District from 2026 through 2035. Note that the TIF funds used for reimbursement are not included in the direct revenues in Figure 7A.

[3] *Lease excise tax rates are adjusted annually based on the percent change in the two most recent years of producer price indices for new construction. For the purpose of this analysis, a 1.0143 percent increase is applied annually beginning in 2020.*
[4] *This analysis assumes that taxable sales increase by 2 percent per year.*

**FIGURE 7A**
**DIRECT STATE AND LOCAL REVENUE IMPACTS OF 117 N 6TH AVENUE**
**TWENTY FIVE YEAR TERM**

| | City of Tucson | | | Rio Nuevo | County, RTA and Schools | | | State of Arizona | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lease Excise | Sales | Total Benefit | TIF | Lease Excise | Sales | Total Benefit | Sales | Total Benefit | Total Public Benefit |
| **Direct Impacts** | **$10,171** | **$774,795** | **$784,966** | **$259,176** | **$135,134** | **$148,999** | **$284,133** | **$1,132,603** | **$1,132,603** | **$2,460,879** |
| 2019 | $0 | $3,059 | $3,059 | $0 | $0 | $588 | $588 | $3,294 | $3,294 | $6,941 |
| 2020 | $341 | $24,094 | $24,435 | $0 | $4,535 | $4,633 | $9,168 | $24,500 | $24,500 | $58,103 |
| 2021 | $346 | $24,576 | $24,922 | $0 | $4,600 | $4,726 | $9,326 | $24,990 | $24,990 | $59,238 |
| 2022 | $351 | $25,067 | $25,418 | $0 | $4,665 | $4,821 | $9,486 | $25,490 | $25,490 | $60,394 |
| 2023 | $356 | $25,569 | $25,925 | $0 | $4,732 | $4,917 | $9,649 | $26,000 | $26,000 | $61,574 |
| 2024 | $361 | $26,080 | $26,441 | $0 | $4,800 | $5,015 | $9,815 | $26,520 | $26,520 | $62,776 |
| 2025 | $366 | $26,602 | $26,968 | $0 | $4,868 | $5,116 | $9,984 | $27,050 | $27,050 | $64,002 |
| 2026 | $372 | $27,134 | $27,505 | $1,140 | $4,938 | $5,218 | $10,156 | $27,591 | $27,591 | $66,392 |
| 2027 | $377 | $27,676 | $28,053 | $28,143 | $5,009 | $5,322 | $10,331 | $28,143 | $28,143 | $94,670 |
| 2028 | $382 | $28,230 | $28,612 | $28,706 | $5,080 | $5,429 | $10,509 | $28,706 | $28,706 | $96,533 |
| 2029 | $388 | $28,794 | $29,182 | $29,280 | $5,153 | $5,537 | $10,690 | $29,280 | $29,280 | $98,432 |
| 2030 | $393 | $29,370 | $29,764 | $29,865 | $5,227 | $5,648 | $10,875 | $29,865 | $29,865 | $100,369 |
| 2031 | $399 | $29,958 | $30,357 | $30,463 | $5,301 | $5,761 | $11,062 | $30,463 | $30,463 | $102,345 |
| 2032 | $405 | $30,557 | $30,962 | $31,072 | $5,377 | $5,876 | $11,253 | $31,072 | $31,072 | $104,359 |
| 2033 | $411 | $31,168 | $31,579 | $31,693 | $5,454 | $5,994 | $11,448 | $31,693 | $31,693 | $106,413 |
| 2034 | $416 | $31,791 | $32,208 | $32,327 | $5,532 | $6,114 | $11,646 | $32,327 | $32,327 | $108,508 |
| 2035 | $422 | $32,427 | $32,850 | $16,487 | $5,611 | $6,236 | $11,847 | $49,461 | $49,461 | $110,644 |
| 2036 | $428 | $33,076 | $33,504 | $0 | $5,691 | $6,361 | $12,052 | $67,266 | $67,266 | $112,823 |
| 2037 | $435 | $33,737 | $34,172 | $0 | $5,773 | $6,488 | $12,261 | $68,612 | $68,612 | $115,044 |
| 2038 | $441 | $34,412 | $34,853 | $0 | $5,855 | $6,618 | $12,473 | $69,984 | $69,984 | $117,310 |
| 2039 | $447 | $35,100 | $35,547 | $0 | $5,939 | $6,750 | $12,689 | $71,384 | $71,384 | $119,620 |
| 2040 | $453 | $35,802 | $36,256 | $0 | $6,024 | $6,885 | $12,909 | $72,811 | $72,811 | $121,976 |
| 2041 | $460 | $36,518 | $36,978 | $0 | $6,110 | $7,023 | $13,133 | $74,268 | $74,268 | $124,379 |
| 2042 | $466 | $37,249 | $37,715 | $0 | $6,197 | $7,163 | $13,361 | $75,753 | $75,753 | $126,829 |
| 2043 | $473 | $37,994 | $38,467 | $0 | $6,286 | $7,306 | $13,593 | $77,268 | $77,268 | $129,328 |
| 2044 | $480 | $38,754 | $39,234 | $0 | $6,376 | $7,453 | $13,829 | $78,813 | $78,813 | $131,876 |

### 5.2 Employee Revenues

Along with the direct taxes generated by the tenant, there would also be an estimated $656,000 in taxes generated by employees over 25 years. Using the results from the economic impact analysis, it is possible to estimate employee tax impacts from the 11 new jobs that could be created by the tenants.

The employees could generate about $279,000 in property tax revenues to all jurisdictions combined from 2020 to 2044, based on the assumptions used in this analysis (Figure 7B). Employee property tax revenues represent property taxes on employee housing. Employee property taxes are estimated at about $1,100 per year to the city, and an additional $11,000 per year to the school district, community college and county.

Employee sales taxes to the city and RTA are estimated at $65,000 over 25 years. Additional employee sales taxes generated to the state are estimated at $143,000 over 25 years. Since it is not clear what share of employee spending would occur in the District, no District sales taxes are included in Figure 7B.

In terms of state personal income tax, tenant employees could generate approximately $169,000 in revenues from 2020 to 2044. State income taxes are calculated using average income per employee and current tax schedules from the Arizona Department of Revenue.

**FIGURE 7B**
**EMPLOYEE STATE AND LOCAL REVENUE IMPACTS OF 117 N 6TH AVENUE**
**TWENTY FIVE YEAR TERM**

| | City of Tucson | | | County and Schools | | | State of Arizona | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Property[1] | Sales | Total Benefit | Property | Sales | Total Benefit | Sales | Personal Income | Total Benefit | Total Public Benefit |
| **Employee Impacts** | **$26,592** | **$52,481** | **$79,074** | **$252,774** | **$12,775** | **$265,550** | **$143,085** | **$168,619** | **$311,704** | **$656,327** |
| 2020 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2021 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2022 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2023 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2024 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2025 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2026 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2027 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2028 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2029 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2030 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2031 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2032 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2033 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2034 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2035 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2036 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2037 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2038 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2039 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2040 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2041 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2042 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2043 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |
| 2044 | $1,064 | $2,099 | $3,163 | $10,111 | $511 | $10,622 | $5,723 | $6,745 | $12,468 | $26,253 |

### 5.3 GPLET Impacts

In addition to calculating revenue impacts to local and state government, this analysis also considers the property tax impacts of the GPLET relative to the amount of benefit to the property owner. This alternative reflects a 25 year term for the GPLET, during which time the developer would pay lease excise tax instead of real property tax resulting in a savings of $86,000. The prime lessee would also receive an estimated $181,000 in additional TIF incentives from the District.

Total revenues to the state, county and city would exceed the value of property tax savings (in the absence of a GPLET) during the term of the agreement. Over the 25-year term, the direct public benefit to state and local jurisdictions is estimated at $2.5 million (Figure 8). In comparison, the benefit to the prime lessee is estimated at $267,000 over the GPLET term, including TIF reimbursements from the Rio Nuevo District. The benefit to the prime lessee includes the amount of property tax that would have been paid without the GPLET, minus the amount of lease excise taxes paid. The estimated public benefit, or net value of other tax revenues generated by the project, exceeds the property tax savings from the GPLET and TIF incentives to the prime lessee by $2.2 million over 25 years.

**FIGURE 8**
**TWENTY FIVE YEAR VALUE OF INCENTIVES**

| | Benefit to Local and State Governments | | | | | Benefit to Prime Lessee | | |
|---|---|---|---|---|---|---|---|---|
| | City of Tucson | Rio Nuevo District | County and Schools | State | Total | Property Tax less Lease Excise Tax[1] | TIF | Total |
| **Total Direct** | **$784,966** | **$259,176** | **$284,133** | **$1,132,603** | **$2,460,879** | **$85,767** | **$181,000** | **$266,767** |
| 2019 | $3,059 | $0 | $588 | $3,294 | $6,941 | $0 | $0 | $0 |
| 2020 | $24,435 | $0 | $9,168 | $24,500 | $58,103 | $953 | $24,500 | $25,453 |
| 2021 | $24,922 | $0 | $9,326 | $24,990 | $59,238 | $1,175 | $24,990 | $26,165 |
| 2022 | $25,418 | $0 | $9,486 | $25,490 | $60,394 | $1,410 | $25,490 | $26,900 |
| 2023 | $25,925 | $0 | $9,649 | $26,000 | $61,574 | $1,660 | $26,000 | $27,659 |
| 2024 | $26,441 | $0 | $9,815 | $26,520 | $62,776 | $1,924 | $26,520 | $28,444 |
| 2025 | $26,968 | $0 | $9,984 | $27,050 | $64,002 | $2,205 | $27,050 | $29,255 |
| 2026 | $27,505 | $1,140 | $10,156 | $27,591 | $66,392 | $2,502 | $26,451 | $28,953 |
| 2027 | $28,053 | $28,143 | $10,331 | $28,143 | $94,670 | $2,816 | $0 | $2,816 |
| 2028 | $28,612 | $28,706 | $10,509 | $28,706 | $96,533 | $2,944 | $0 | $2,944 |
| 2029 | $29,182 | $29,280 | $10,690 | $29,280 | $98,432 | $3,076 | $0 | $3,076 |
| 2030 | $29,764 | $29,865 | $10,875 | $29,865 | $100,369 | $3,213 | $0 | $3,213 |
| 2031 | $30,357 | $30,463 | $11,062 | $30,463 | $102,345 | $3,353 | $0 | $3,353 |
| 2032 | $30,962 | $31,072 | $11,253 | $31,072 | $104,359 | $3,498 | $0 | $3,498 |
| 2033 | $31,579 | $31,693 | $11,448 | $31,693 | $106,413 | $3,647 | $0 | $3,647 |
| 2034 | $32,208 | $32,327 | $11,646 | $32,327 | $108,508 | $3,801 | $0 | $3,801 |
| 2035 | $32,850 | $16,487 | $11,847 | $49,461 | $110,644 | $3,960 | $0 | $3,960 |
| 2036 | $33,504 | $0 | $12,052 | $67,266 | $112,823 | $4,123 | $0 | $4,123 |
| 2037 | $34,172 | $0 | $12,261 | $68,612 | $115,044 | $4,292 | $0 | $4,292 |
| 2038 | $34,853 | $0 | $12,473 | $69,984 | $117,310 | $4,466 | $0 | $4,466 |
| 2039 | $35,547 | $0 | $12,689 | $71,384 | $119,620 | $4,645 | $0 | $4,645 |
| 2040 | $36,256 | $0 | $12,909 | $72,811 | $121,976 | $4,829 | $0 | $4,829 |
| 2041 | $36,978 | $0 | $13,133 | $74,268 | $124,379 | $5,019 | $0 | $5,019 |
| 2042 | $37,715 | $0 | $13,361 | $75,753 | $126,829 | $5,215 | $0 | $5,215 |
| 2043 | $38,467 | $0 | $13,593 | $77,268 | $129,328 | $5,417 | $0 | $5,417 |
| 2044 | $39,234 | $0 | $13,829 | $78,813 | $131,876 | $5,624 | $0 | $5,624 |

[1] Includes normal property tax less lease excise tax paid. Property tax savings assumes a 5 percent annual increase in limited property value for the first 8 years and a 2.5 percent annual increase thereafter.

The foregone property tax revenues were estimated based on limited property value (LPV) per square foot for comparable bars in the downtown area, mostly in other GPLET projects. Based on these comparable developments, an average limited property value per square foot of $119.32 was used, resulting in a total LPV estimate of $206,000. It is assumed that the value would increase by 5 percent per year over the next 8 years, based on recent increases in LPV for the comparable properties and statutory guidelines, and an average of 2.5 percent per year over the remainder of the 25-year term.

### 5.4 Summary

The proposed renovation of 117 N. 6th Avenue described in this analysis would create both economic and revenue impacts to the Rio Nuevo District and the City of Tucson. The development would support a new jobs and payroll, and create modest additional tax revenues for the District and the city on a long-term basis.

Over the 2019 to 2027 period, the project could generate an estimated $210,000 in TIF revenues, of which $181,000 would be reimbursed to the developer. The property tax savings to the prime lessee is estimated at $56,000 over the eight year term with no lease excise taxes, compared to a tax savings of $86,000 over the 25-year term because the tax savings over this longer term is offset by lease excise taxes. The net benefit to state and local governments exceeds the benefit to the prime lessee within the 8-year term. The District would receive an estimated $28,000 in annual TIF revenues from the project beginning in 2027, and other local governments would receive an estimated $42,000 in direct annual property and sales taxes upon expiration of the GPLET term in the ninth year. Over the 25-year term, which does not include an abatement of lease excise taxes, the net benefit to state and local governments exceeds the benefit to the prime lessee by $2.2 million and local governments could receive an estimated $141,000 in annual sales and property taxes beginning in 2045.