



APPLIED ECONOMICS

**ECONOMIC AND REVENUE IMPACTS
OF THE CALIBER HOSPITALITY PROJECT
ON THE RIO NUEVO DISTRICT
AND THE CITY OF TUCSON**

AUGUST 2018

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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 Caliber Hospitality project. The site is located on the Tucson Convention Center site and development plans include a 150-room hotel with a restaurant.

The project would be eligible for a TIF reimbursement through the District, and a Government Property Lease Excise Tax (GPLET) agreement that would result in the replacement of all real property taxes during the 25-year term of the agreement with a lease excise tax. The lease excise tax, which is based on a statutory rate per square foot depending on the type of use, would be less than the amount of property tax that would have been paid without the GPLET, resulting in an incentive to the lessee. 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 amount of incentives being offered.

1.1 Project Description

The proposed Convention Center Hotel will include 103,556 square feet and 150 rooms, plus a lobby bar, dining and buffet area (Figure 1). Stabilized occupancy rates are projected at 75 percent with an average daily room rate of \$125. Given the lack of competitive properties in the immediate vicinity of the Convention Center, it is likely that the hotel could reach stabilized levels by the second year of operations. It is anticipated that the hotel would open in July 2021.

The hotel could create an estimated 100 new jobs and \$8.0 million in annual taxable sales, including sales from the hotel and dining. The total construction cost is estimated at \$29.6 million, including soft costs and FF&E.

**FIGURE 1
DEVELOPMENT ASSUMPTIONS**

	Total Square Feet	Room Rate	Occupancy	F&B Sales
Convention Center Hotel (150 rooms)	103,556	\$125	75%	
Restaurant	3,690	na	100%	\$2,500,000

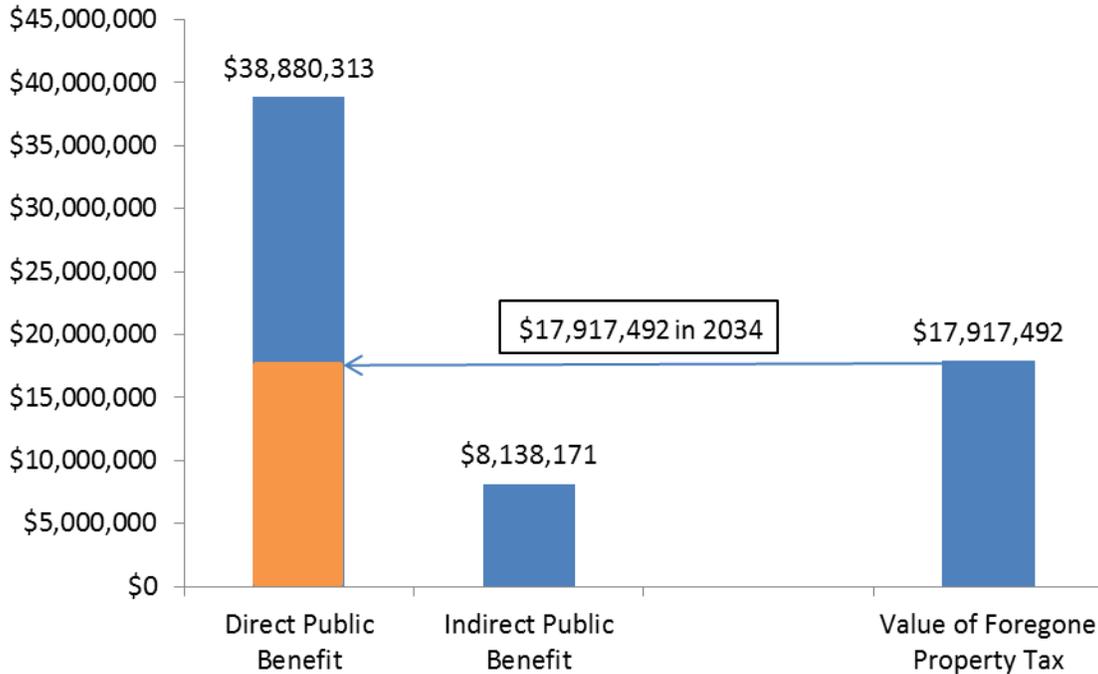
2.0 IMPACT SUMMARY

The construction of a new Convention Center Hotel in the Rio Nuevo District would provide significant economic benefits to the city and the District.

- About 130 direct construction jobs and 80 additional indirect construction jobs would be supported in the City of Tucson during the construction period. The local construction impact is estimated at \$26.9 million.
- Once completed, the project could generate an average annual economic impact of \$12.1 million, or a total of \$302.4 million over the next 25 years of operations through 2045, which represents the term of the GPLET.
 - The hotel and associated lobby bar/restaurant would directly support about 100 jobs. The project could also support an estimated 35 indirect jobs at *other local businesses* in Tucson. These indirect jobs are the result of business to business purchases made by the hotel, as well as local spending by employees.
 - An estimated \$2.9 million in direct personal income, or payroll, and about of \$4.0 million in total direct and indirect personal income would be generated by the hotel annually, creating the potential for additional local expenditures by employees and their families.
 - Since the development includes a hotel that would bring new visitors into downtown Tucson and to the Convention Center, there would be additional impacts associated with visitor spending. Hotel guests could spend an estimated \$59 per day on retail, entertainment, restaurants, local transportation and parking at businesses outside the development. This level of visitor spending would generate an annual economic impact of \$7.5 million, directly and indirectly supporting close to 90 additional jobs.
 - In terms of tax revenues, the hotel would directly generate approximately \$4.8 million in new TIF revenues to the District over the next 25 years before reimbursements, along with \$34.1 million to the city, county, school district and state from 2021 through 2045. There could also be an estimated \$2.6 million in additional revenues to the District and \$5.5 million to other local jurisdictions and the state during this time period from the off-site spending by hotel guests.
 - The proposed agreement with the District would provide for reimbursement of 100 percent of the TIF revenues directly from the hotel until 2025 as well as 100 percent of the increase in TIF revenues from activities in the Tucson Convention Center due to the existence of the hotel. After 2025, the reimbursement would drop to 50 percent until the \$2.5 million cap is reached. The estimated TIF revenues directly associated with the project that would be available for reimbursement between 2021 and 2025 would total \$1.4 million plus about \$125,000 per year after 2025, based on the assumptions used in this analysis. It is estimated that the \$2.5 million cap would be reached in 2034.
 - The project could also qualify for a GPLET. The lease excise tax revenues associated with the GPLET are accounted for in the revenue impacts above. Note that the time horizon for the GPLET would extend from 2021 to 2045 and is different from the TIF reimbursement term. If granted, the savings to the prime lessee from paying lease excise taxes instead of property taxes is estimated at \$17.9 million over 25 years (Figure 2). During that period the project would generate direct sales and lodging tax from on-going hotel and food and beverage sales as well as lease excise taxes, for a total benefit to the state and local

governments of \$38.9 million over 25 years (based on direct revenues only). Thus, the benefit to the city, county and state would significantly exceed the value of the GPLET.

**FIGURE 2
PUBLIC BENEFIT OF GPLET VERSUS BENEFIT TO PRIME LESSEE
2021 TO 2045**



The proposed hotel project will allow the Tucson Convention Center to be more competitive by providing lodging to support events and programs. It would also generate new revenues for the District and the city, as well as creating approximately 100 new jobs. Additionally, it could provide synergy for additional development within the District. Existing local businesses could also benefit from off-site spending by hotel guests.

3.0 ECONOMIC IMPACT ANALYSIS

The economic impacts resulting from the Convention Center hotel project 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 project. 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 new development.

3.1 Construction Impacts

The proposed construction costs for the hotel are estimated at \$29.6 million (Figure 3). Both hard and soft costs associated with the project create local economic impacts. Furniture, equipment, taxes and insurance are excluded from local economic impacts. Construction is expected to be complete in 2021 with occupancy in third quarter.

**FIGURE 3
CONSTRUCTION COSTS**

Hard Costs	\$11,744,814
FF&E	\$10,299,188
Soft Costs	\$5,720,132
Taxes and Insurance	\$1,839,603
Total	\$29,603,737

The total increase in economic activity from new construction expenditures is estimated at \$26.9 million, as shown in Figure 4. The project would result in direct construction expenditures, excluding FF&E, taxes and insurance, of about \$17.5 million. The multiplier effects of this construction spending on the city would result in a total increase in economic activity of about \$26.9 million. These impacts are projected to occur during the construction period in 2020 and 2021. The approximately 130 direct jobs and 80 indirect and induced jobs would result in more than \$10.1 million in additional personal income in the City of Tucson during the construction period.

**FIGURE 4
CONSTRUCTION IMPACTS**

	Direct Impacts			Total Impacts		
	Expenditures	Jobs	Personal Income	Output	Jobs	Personal Income
Hard Costs	\$11,744,814	78	\$3,841,483	\$16,573,914	117	\$5,192,923
Soft Costs	\$5,720,132	52	\$3,292,316	\$10,353,540	96	\$4,945,159
Total	\$17,464,946	130	\$7,133,798	\$26,927,453	213	\$10,138,082

3.2 Operations Impacts

Once construction is completed, the proposed hotel will create about 100 permanent jobs. The total economic activity from on-going operations of the project is shown in Figure 5. The approximately 100 new jobs and \$2.9 million in annual direct personal income will generate an estimated \$8.0 million in increased direct output each year.

**FIGURE 5
ECONOMIC IMPACTS OF CONVENTION CENTER HOTEL**

	Direct Impacts			Total Impacts		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income
2021	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2022	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2023	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2024	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2025	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2026	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2027	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2028	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2029	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2030	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2031	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2032	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2033	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2034	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2035	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2036	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2037	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2038	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2039	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2040	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2041	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2042	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2043	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2044	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
2045	\$8,032,813	100	\$2,928,598	\$12,094,500	135	\$4,021,390
25 Year Total	\$200,820,313	100	\$73,214,958	\$302,362,503	135	\$100,534,739

The multiplier effect of this increase in business activity will result in a total annual impact of \$12.1 million, or \$302.4 million over the next 25 years. The approximately 135 direct, indirect and induced jobs supported by the development will result in about \$4.0 million in annual personal income in Tucson, or a total of \$100.5 million over the next 25 years.

The direct and indirect jobs generated by this project would support a total local population of about 240 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 hotels and commercial construction. The average output multiplier for this development is 1.51. This means that for every \$1 million of annual output created by the hotel, an additional \$510,000 in economic activity and 4.3 local jobs are supported at other local businesses outside the development. On average, the income from these indirect jobs is estimated at about \$32,000 per employee.

3.3 Visitor Impacts

The new hotel at the Tucson Convention Center will not only create economic impacts through its operations, but will bring additional visitors to downtown Tucson who will spend money in the community. These guests would make purchases of goods and services off-site that would generate additional impacts. Visitor expenditures are anticipated to include restaurants, retail, entertainment and local transportation and parking. Based on expected occupancy rates of 75 percent, the hotel could attract approximately 73,900 guests per year, assuming 1.8 persons per room.

According to survey data for Southern Arizona from the Arizona Office of Tourism and Dean Runyan Associates, the average overnight visitor spends about \$131 per day on lodging, retail, restaurants, entertainment and local transportation. These spending levels were adjusted to account for actual lodging expenditures based on projected room rates of \$125 per night with 1.8 persons per room. Adjustments were also made for on-site food and beverage spending at based on projected sales relative to total estimated food and beverage expenditures by the hotel guests. This resulted in average per person, per day spending of \$109 on-site and \$59 off-site for hotel guests (Figure 6). In total, guests at the hotel would spend an estimated \$8.0 million per year on-site (or within the hotel and on-site bar/restaurant), and \$4.3 million off-site (outside the development) at other local businesses. The off-site spending forms the basis for the visitor impacts.

**FIGURE 6
ANNUAL VISITOR EXPENDITURES**

Type of Expenditure	On-Site		Off-Site	
	Expenditures	Distribution	Expenditures	Distribution
Lodging	\$5,132,813	64%	\$0	0%
Food & Beverage	\$2,500,000	31%	\$833,333	19%
Local Transportation	\$0	0%	\$1,642,288	38%
Entertainment	\$0	0%	\$1,013,327	23%
Retail	\$400,000	5%	\$857,923	20%
Total	\$8,032,813	100%	\$4,346,871	100%
Total Visitor Days*	73,913		73,913	
Average Spending per Day	\$109		\$59	

Source: Arizona Office of Tourism, Longwoods International, 2016; Applied Economics.

*Hotel visitor estimates assume 1.8 persons per room.

Industry-specific multipliers were applied to each category of visitor expenditures. As a result of the multiplier effect, the indirect impacts of this spending are spread to local suppliers. All total, the \$4.3 million in new off-site visitor spending would result in a total economic impact of \$7.5 million per year in Tucson (Figure 7). This level of activity would support about 90 direct and indirect jobs and \$2.2 million in annual employee compensation, or personal income, at local retail, restaurant and entertainment establishments. Over the next 25 years the total economic impact of off-site visitor spending is estimated at \$180.9 million.

**FIGURE 7
OFF-SITE VISITOR SPENDING IMPACTS**

	Direct Impacts			Total Impacts		
	Visitor Sending	Jobs	Personal Income	Output	Jobs	Personal Income
2021	\$1,255,546	19	\$428,079	\$1,965,021	25	\$608,968
2022	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2023	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2024	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2025	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2026	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2027	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2028	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2029	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2030	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2031	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2032	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2033	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2034	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2035	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2036	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2037	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2038	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2039	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2040	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2041	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2042	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2043	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2044	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
2045	\$4,746,871	68	\$1,558,745	\$7,456,089	91	\$2,246,912
25 Year Total	\$115,180,456	68	\$37,837,956	\$180,911,146	91	\$54,534,853

The operations and visitor impacts can be combined to estimate the total on-going economic impacts resulting from the proposed development. All total, the project could create an annual economic impact of \$19.6 million in Tucson, or \$483.3 million total over the next 25 years. The project could directly and indirectly support about 225 local jobs and \$6.3 million in annual payroll in the city. This includes the Convention Center hotel, local suppliers to the hotel, establishments where employees shop and establishments where visitors make expenditures.

4.0 REVENUE IMPACTS

In addition to supporting jobs, income and output at related businesses in the city through multiplier effects, the Convention Center hotel would also generate significant local tax revenues, primarily sales and lodging taxes. In total, the project could generate approximately \$4.8 million in direct revenues to the District over 25 years (after the \$2.5 million TIF reimbursement), \$20.4 million in revenues to the city, and \$13.7 million in additional revenues to the county, RTA, school district and state from 2018 to 2042.

4.1 Direct Revenues

Direct revenues from the project, net of TIF reimbursements to the developer, are estimated at \$38.9 million through 2045, including lease excise, sales and lodging taxes to the city, county, school district, Rio Nuevo and the state (Figure 8). The project would be eligible for a GPLET that would result in lease excise tax revenues instead of property taxes.

Direct revenues include sales and lodging taxes that would be generated on an on-going basis. The project would generate one-time sales taxes from new construction and equipment purchases estimated at about \$486,000 to the District, \$538,000 to the city and RTA, and \$486,000 to the state in 2020 and 2021. The construction sales tax to the District would be part of the reimbursement to the developer and is not included in Figure 8.

There would be on-going sales and lodging tax revenues associated with taxable room sales as well as food and beverage sales estimated at \$20.8 million to the city and RTA, \$4.8 million to the District (net of TIF reimbursements), and \$6.8 million to the state over the 25 year period.¹

The TIF portion of on-going sales tax would be reimbursed to the developer, up to \$2,500,000 during the term of the agreement. The TIF reimbursement includes not only revenues generated directly by the hotel, but also the incremental increase in revenues from the Tucson Convention Center due to the presence of the hotel. The District receives half of the 5.6 percent state sales tax on sales within the District above the base. Since all of the retail activity associated with the Convention Center Hotel would be new to the District, it is assumed that the full 50 percent of the state 5.6 percent tax would be returned to the TIF district. It is not possible to project the increase in revenues from the Convention Center that are due to the hotel, and therefore this analysis only includes TIF revenues that are directly associated with the hotel. However, since it is likely that there will be additional TIF revenues from the Convention Center, the reimbursement may occur faster than what is represented in this analysis. Based on revenues from the hotel only, it is estimated that the full \$2.5 million could be reimbursed by 2034, assuming that the reimbursement was equal to 100 percent of the TIF through 2025 and 50 percent thereafter.

The project would also generate lease excise taxes to the city, county and school districts. Based on statute, 7 percent of the revenues would go to the city, 13 percent to the county and the remaining 80 percent to TUSD and Pima Community College. 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

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

excise rate of \$2.18 per square foot for the hotel the property would generate \$225,752 in annual excise tax revenues, or \$5.5 million over 25 years.²

**FIGURE 8
LOCAL REVENUE IMPACTS OF THE CONVENTION CENTER HOTEL
NET OF TIF REIMBURSEMENTS**

	City of Tucson			County, RTA and Schools		Rio Nuevo	State	Total Public Benefit
	Lease Excise	Sales	Lodging	Lease Excise	Sales	Sales	Sales	
Direct								
Revenues	\$387,165	\$6,746,834	\$13,273,442	\$5,143,761	\$1,297,468	\$4,765,821	\$7,265,821	\$38,880,313
2020/21	\$7,901	\$538,977	\$198,640	\$104,975	\$103,649	\$0	\$580,436	\$1,534,578
2022	\$15,803	\$183,497	\$413,705	\$209,949	\$35,288	\$0	\$197,612	\$1,055,854
2023	\$15,803	\$208,853	\$472,219	\$209,949	\$40,164	\$0	\$224,919	\$1,171,907
2024	\$15,803	\$213,030	\$478,378	\$209,949	\$40,967	\$0	\$229,417	\$1,187,545
2025	\$15,803	\$217,291	\$484,661	\$209,949	\$41,787	\$48,751	\$234,005	\$1,252,247
2026	\$15,803	\$221,637	\$491,069	\$209,949	\$42,622	\$119,343	\$238,686	\$1,339,108
2027	\$15,803	\$226,069	\$497,605	\$209,949	\$43,475	\$121,730	\$243,459	\$1,358,091
2028	\$15,803	\$230,591	\$504,272	\$209,949	\$44,344	\$124,164	\$248,328	\$1,377,452
2029	\$15,803	\$235,203	\$511,073	\$209,949	\$45,231	\$126,648	\$253,295	\$1,397,201
2030	\$15,803	\$239,907	\$518,009	\$209,949	\$46,136	\$129,180	\$258,361	\$1,417,345
2031	\$15,803	\$244,705	\$525,084	\$209,949	\$47,059	\$131,764	\$263,528	\$1,437,892
2032	\$15,803	\$249,599	\$532,301	\$209,949	\$48,000	\$134,399	\$268,799	\$1,458,850
2033	\$15,803	\$254,591	\$539,662	\$209,949	\$48,960	\$137,087	\$274,175	\$1,480,227
2034	\$15,803	\$259,683	\$547,170	\$209,949	\$49,939	\$221,612	\$279,658	\$1,583,815
2035	\$15,803	\$264,876	\$554,829	\$209,949	\$50,938	\$285,251	\$285,251	\$1,666,898
2036	\$15,803	\$270,174	\$562,640	\$209,949	\$51,956	\$290,956	\$290,956	\$1,692,436
2037	\$15,803	\$275,577	\$570,608	\$209,949	\$52,996	\$296,776	\$296,776	\$1,718,484
2038	\$15,803	\$281,089	\$578,735	\$209,949	\$54,056	\$302,711	\$302,711	\$1,745,054
2039	\$15,803	\$286,711	\$587,025	\$209,949	\$55,137	\$308,765	\$308,765	\$1,772,155
2040	\$15,803	\$292,445	\$595,481	\$209,949	\$56,239	\$314,941	\$314,941	\$1,799,798
2041	\$15,803	\$298,294	\$604,105	\$209,949	\$57,364	\$321,239	\$321,239	\$1,827,994
2042	\$15,803	\$304,260	\$612,902	\$209,949	\$58,511	\$327,664	\$327,664	\$1,856,754
2043	\$15,803	\$310,345	\$621,875	\$209,949	\$59,682	\$334,217	\$334,217	\$1,886,089
2044	\$15,803	\$316,552	\$631,028	\$209,949	\$60,875	\$340,902	\$340,902	\$1,916,010
2045	\$15,803	\$322,883	\$640,363	\$209,949	\$62,093	\$347,720	\$347,720	\$1,946,531

4.2 Visitor Revenues

In addition to the direct taxes generated by the project, there are also taxes generated by off-site visitor spending. Using the visitor spending estimates from the economic impact analysis, it is possible to estimate visitor tax impacts. Sales taxes could be generated by off-site visitor spending at retail, entertainment, restaurants and parking. It is assumed that 75 percent of the food and beverage spending by guests would be captured in the hotel based on projected food & beverage sales for the property. The remaining 25 percent would most likely be spent near the Convention Center, but at other local businesses. This off-site visitor spending could

² 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 hotels and motels specifically, the lease excise tax rate has declined 3 percent since 2014, but for the purpose of this analysis it is held constant.

generate an estimated \$2.9 million in sales taxes to the city and RTA, \$2.6 million to the District and \$2.6 million to the state between 2021 and 2045 (Figure 9). The visitor-related sales tax would not be part of the reimbursement, and represents an on-going benefit to the District as a result of the new hotel development.

**FIGURE 9
VISITOR REVENUES FROM THE CONVENTION CENTER HOTEL**

	City Sales Tax	RTA Sales Tax	Rio Nuevo Sales Tax	State Sales Tax	Total Public Benefit
Visitor					
Revenues	\$2,432,097	\$467,711	\$2,619,182	\$2,619,182	\$8,138,171
2021	\$23,037	\$4,430	\$24,809	\$24,809	\$77,085
2022	\$80,719	\$15,523	\$86,928	\$86,928	\$270,099
2023	\$80,719	\$15,523	\$86,928	\$86,928	\$270,099
2024	\$82,334	\$15,833	\$88,667	\$88,667	\$275,501
2025	\$83,980	\$16,150	\$90,440	\$90,440	\$281,011
2026	\$85,660	\$16,473	\$92,249	\$92,249	\$286,631
2027	\$87,373	\$16,803	\$94,094	\$94,094	\$292,364
2028	\$89,120	\$17,139	\$95,976	\$95,976	\$298,211
2029	\$90,903	\$17,481	\$97,895	\$97,895	\$304,175
2030	\$92,721	\$17,831	\$99,853	\$99,853	\$310,259
2031	\$94,575	\$18,188	\$101,850	\$101,850	\$316,464
2032	\$96,467	\$18,551	\$103,887	\$103,887	\$322,793
2033	\$98,396	\$18,922	\$105,965	\$105,965	\$329,249
2034	\$100,364	\$19,301	\$108,084	\$108,084	\$335,834
2035	\$102,371	\$19,687	\$110,246	\$110,246	\$342,550
2036	\$104,419	\$20,081	\$112,451	\$112,451	\$349,401
2037	\$106,507	\$20,482	\$114,700	\$114,700	\$356,390
2038	\$108,637	\$20,892	\$116,994	\$116,994	\$363,517
2039	\$110,810	\$21,310	\$119,334	\$119,334	\$370,788
2040	\$113,026	\$21,736	\$121,721	\$121,721	\$378,203
2041	\$115,287	\$22,171	\$124,155	\$124,155	\$385,767
2042	\$117,593	\$22,614	\$126,638	\$126,638	\$393,483
2043	\$119,944	\$23,066	\$129,171	\$129,171	\$401,352
2044	\$122,343	\$23,528	\$131,754	\$131,754	\$409,380
2045	\$124,790	\$23,998	\$134,389	\$134,389	\$417,567

4.3 GPLET Impacts

In addition to calculating revenue impacts to local and state governments, this analysis also considers the GPLET impacts in terms of the revenues generated by the project relative to the amount of benefit to the property owner (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. The District is proposing a 25-year term for the GPLET, during which the prime lessee would pay lease excise

tax instead of real property tax. The prime lessee would also receive an estimated \$2.5 million in additional incentives from the District.

In order to meet the statutory requirements, it is necessary to show that total revenues to the state, county and city would exceed the value of property taxes (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 lodging taxes as well as lease excise taxes.

Over the 25-year term, the public benefit to state and local jurisdictions total \$38.9 million (Figure 10). In comparison, the benefit to the prime lessee is estimated at \$20.4 million over the GPLET term, including incentives 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 value of other tax revenues generated by the project, exceeds the property tax savings from the GPLET plus other incentives to the prime lessee by \$18.5 million over 25 years, thereby exceeding the requirements of the statute.

**FIGURE 10
25-YEAR PUBLIC BENEFIT VERSUS VALUE TO PRIME LESSEE**

Year	Benefit to Local and State Governments					Total Public Benefit	Benefit to Lessee (Prop Tax Savings) ¹		Total Benefit to Prime Lessee
	City of Tucson	Rio Nuevo District	County and Schools	State				TIF	
Total	\$20,407,441	\$4,765,821	\$6,441,229	\$7,265,821	\$38,880,313	\$17,917,492	\$2,500,000	\$20,417,492	
2021	\$745,518	\$0	\$208,624	\$580,436	\$1,534,578	\$0	\$580,436	\$580,436	
2022	\$613,004	\$0	\$245,237	\$197,612	\$1,055,854	\$477,790	\$197,612	\$675,402	
2023	\$696,875	\$0	\$250,113	\$224,919	\$1,171,907	\$501,679	\$224,919	\$726,598	
2024	\$707,211	\$0	\$250,917	\$229,417	\$1,187,545	\$526,763	\$229,417	\$756,180	
2025	\$717,754	\$48,751	\$251,736	\$234,005	\$1,252,247	\$553,101	\$185,254	\$738,356	
2026	\$728,508	\$119,343	\$252,572	\$238,686	\$1,339,108	\$580,757	\$119,343	\$700,099	
2027	\$739,477	\$121,730	\$253,424	\$243,459	\$1,358,091	\$609,794	\$121,730	\$731,524	
2028	\$750,666	\$124,164	\$254,294	\$248,328	\$1,377,452	\$640,284	\$124,164	\$764,448	
2029	\$762,078	\$126,648	\$255,181	\$253,295	\$1,397,201	\$672,298	\$126,648	\$798,946	
2030	\$773,719	\$129,180	\$256,085	\$258,361	\$1,417,345	\$689,106	\$129,180	\$818,286	
2031	\$785,592	\$131,764	\$257,008	\$263,528	\$1,437,892	\$706,333	\$131,764	\$838,098	
2032	\$797,703	\$134,399	\$257,949	\$268,799	\$1,458,850	\$723,992	\$134,399	\$858,391	
2033	\$810,056	\$137,087	\$258,909	\$274,175	\$1,480,227	\$742,092	\$137,087	\$879,179	
2034	\$822,656	\$221,612	\$259,888	\$279,658	\$1,583,815	\$760,644	\$58,046	\$818,690	
2035	\$835,508	\$285,251	\$260,887	\$285,251	\$1,666,898	\$779,660	\$0	\$779,660	
2036	\$848,617	\$290,956	\$261,906	\$290,956	\$1,692,436	\$799,151	\$0	\$799,151	
2037	\$861,988	\$296,776	\$262,945	\$296,776	\$1,718,484	\$819,130	\$0	\$819,130	
2038	\$875,627	\$302,711	\$264,005	\$302,711	\$1,745,054	\$839,608	\$0	\$839,608	
2039	\$889,538	\$308,765	\$265,086	\$308,765	\$1,772,155	\$860,599	\$0	\$860,599	
2040	\$903,728	\$314,941	\$266,189	\$314,941	\$1,799,798	\$882,114	\$0	\$882,114	
2041	\$918,202	\$321,239	\$267,314	\$321,239	\$1,827,994	\$904,166	\$0	\$904,166	
2042	\$932,965	\$327,664	\$268,461	\$327,664	\$1,856,754	\$926,771	\$0	\$926,771	
2043	\$948,023	\$334,217	\$269,631	\$334,217	\$1,886,089	\$949,940	\$0	\$949,940	
2044	\$963,382	\$340,902	\$270,825	\$340,902	\$1,916,010	\$973,688	\$0	\$973,688	
2045	\$979,049	\$347,720	\$272,042	\$347,720	\$1,946,531	\$998,031	\$0	\$998,031	

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 hotel developments in the downtown area, which include other recent GPLET projects. Based on these comparable developments, an average limited property value per square foot of \$155.85 was used for the hotel resulting in a total LPV estimate of \$16.1 million. For the purpose of this analysis, it is assumed that the value would increase by 5 percent per year for the first eight years, based on recent increases in LPV for the comparable properties and statutory guidelines, and an average of 2.5 percent per year for the remainder of the term.

4.4 Summary

The proposed Convention Center Hotel described in this analysis could create both economic and revenue benefits for the Rio Nuevo District and the City of Tucson. The hotel will provide additional hotel rooms to support major events at the Tucson Convention Center, and at the University. The development would support a new jobs and payroll, and create additional tax revenues for the District and the city on a long-term basis.

Over the 2021 to 2045 period, the project could generate an estimated \$7.3 million in TIF revenues, of which \$2.5 million would be reimbursed to the developer. In addition, other local governments would receive an estimated \$34.1 million in direct property, sales and lodging taxes during the GPLET term. There may be additional revenues to both the District and other local governments from visitor spending outside the hotel.