



APPLIED ECONOMICS

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**ECONOMIC AND REVENUE IMPACTS OF  
THE HILTON DUAL BRAND HOTELS ON STONE AVENUE  
ON THE RIO NUEVO DISTRICT  
AND THE CITY OF TUCSON**

**JUNE 2019**

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## 1.0 INTRODUCTION

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Applied Economics was retained by the Rio Nuevo Multipurpose Facilities District (the District) to perform an economic impact analysis of the Hilton Dual Brand Hotels project. The site for this project is located at 141 South Stone Avenue. Development plans include a 76-room Hampton Inn and a 123-room Home2 Suites hotel.

The District is considering paying the developer 100 percent of the TIF funds from the project up to a maximum amount of \$6.85 million by 2035. The District would also reimburse the developer for the cost of relocating TEP utility infrastructure estimated at \$125,000. In addition to the TIF reimbursement, the project would also be eligible for 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 based 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 dual concept Hilton-branded property would include 118,655 square feet and 199 total rooms including a breakfast room, fitness center, meeting rooms and approximately 1,470 square feet of leased retail space (Figure 1). Stabilized occupancy rates are projected at 77 for the Hampton Inn and 79 percent for the Home2 Suites by the second year of operations with an average daily room rate of \$148 to \$160. There would also be a 138-space parking structure for hotel guests.

The hotel could create an estimated 80 new jobs and \$8.6 million in net new annual taxable sales, including sales from the hotel, retail and parking. The total construction cost is estimated at \$47.73 million, including land and FF&E.

**FIGURE 1  
DEVELOPMENT ASSUMPTIONS**

	Total Square Feet	Estimated Jobs	Taxable Sales per SF	Lease Rate per SF	Room Rate	Occupancy
Hampton Inn (76 rooms)	45,315	30	na	na	\$160	77%
Home 2 Suites (123 rooms)	73,340	50	na	na	\$148	79%
Retail Space	1,468	3	\$250	\$30	na	100%
Parking Structure (138 spaces)	59,166	0	na	\$15	na	34%
<b>Total</b>	<b>177,821</b>	<b>83</b>				

Note: Parking "lease rate" represents per space per day parking cost.

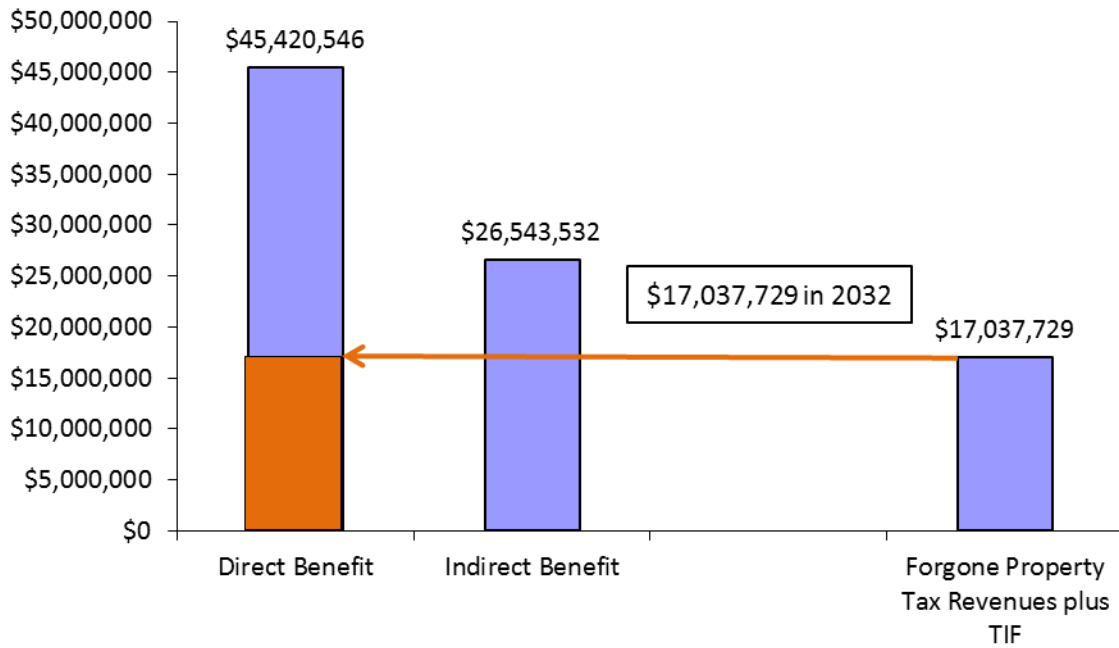
## 2.0 IMPACT SUMMARY

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The construction of this new Hilton Dual Brand Hotels project in the Rio Nuevo District would provide the following economic benefits to the city and the District.

- About 264 direct construction jobs and 119 additional indirect construction jobs would be supported in the City of Tucson during the construction period. The total construction impact is estimated at \$47.2 million.
- Once completed, the project could generate an annual economic impact of \$13.0 million, or a total of \$325.0 million over the next 25 years of operations through 2045, which represents the term of the GPLET.
- The hotel and associated retail would directly support about 83 jobs. The project could also support about 35 indirect jobs at *other local businesses* in Tucson. These indirect jobs are the result of supplier purchases made by the hotel, as well as local spending by employees.
- An estimated \$2.5 million in direct personal income, or payroll, and about of \$3.9 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, there would be additional impacts associated with visitor spending. Hotel guests could spend an estimated \$79 per day on retail, entertainment, restaurants, local transportation and parking at businesses outside the development. This level of visitor spending could generate an annual economic impact of \$16.9 million, directly and indirectly supporting about 249 additional jobs.
- In terms of local tax revenues, the hotel would directly generate approximately \$4.6 million in new TIF revenues to the District by 2035 before reimbursements, along with \$45.4 million to the city, county, school district and state from 2020 through 2045. There would be an additional \$21.6 million in estimated sales tax revenues to local and state jurisdictions during this time period from the off-site spending by hotel guests. Direct jobs supported by the project could generate an additional \$4.9 million in local and state revenues over 25 years.
- The proposed agreement with the District would provide for reimbursement of 100 percent of the TIF revenues directly from the hotel until 2035. The estimated TIF revenues associated with the project that would be available for reimbursement between 2020 and 2035 are estimated at \$4.6 million, based on the assumptions used in this analysis. Thus, the maximum TIF amount is not likely to be reached.
- The project could also qualify for a GPLET. The lease excise tax revenues associated with the GPLET are accounted for in the direct revenue impacts. Note that the time horizon for the GPLET would extend from 2021 to 2045. If granted, the benefit to the prime lessee from paying lease excise taxes instead of property taxes, plus the TIF reimbursement, is estimated at \$17.0 million over 25 years (Figure 2). During that period the project would generate direct sales and bed tax from on-going hotel and retail sales, as well as lease excise taxes, for a total benefit to the state and local governments of \$45.4 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**  
**VALUE OF GPLET AND TIF WITH A 25-YEAR TERM**



The proposed hotel project would generate new revenues for the District and the city, as well as creating approximately 83 new jobs. Existing local businesses could also benefit from off-site spending by hotel guests.

### 3.0 ECONOMIC IMPACT ANALYSIS

The economic impacts resulting from the Hilton Dual Brand Hotels 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 this hotel project are estimated at \$47.7 million, including land and FF&E (Figure 3). Of this total, \$31.57 million in hard and soft construction costs has the potential to create local economic impacts. Construction is expected to take approximately 18 months with occupancy in December 2020.

**FIGURE 3  
ESTIMATED CONSTRUCTION COSTS**

Land	\$3,824,000
Hotel Building	\$24,044,450
Parking Structure	\$3,325,110
FF&E	\$4,792,324
Soft Costs	\$4,203,557
Financing and Other Costs	\$7,535,559
<b>Total</b>	<b>\$47,725,000</b>

The project would result in direct construction expenditures, excluding land, of about \$31.6 million. The multiplier effects of this construction spending on the city would result in a total increase in economic activity of about \$47.2 million (Figure 4). These impacts are projected to occur during the construction period in 2019 and 2020. The approximately 264 direct jobs and 119 indirect and induced jobs would result in close to \$17.3 million in additional personal income in the City of Tucson during the construction period.

**FIGURE 4  
CONSTRUCTION IMPACTS**

	Direct Impacts			Total Impacts		
	Expenditures	Jobs	Labor Income	Output	Jobs	Labor Income
Hard Costs	\$27,369,560	239	\$10,620,757	\$39,705,050	331	\$14,444,574
Soft Costs	\$4,203,557	25	\$1,725,530	\$7,530,966	52	\$2,826,181
<b>Total</b>	<b>\$31,573,117</b>	<b>264</b>	<b>\$12,346,287</b>	<b>\$47,236,017</b>	<b>383</b>	<b>\$17,270,755</b>

### 3.2 Operations Impacts

Once construction is completed, the proposed project will create about 83 permanent jobs associated with the hotel and retail. The total economic activity from on-going operations of the project is shown in Figure 5. The approximately 83 new jobs and \$2.5 million in direct personal income will generate an estimated \$8.6 million in increased direct output each year, which is approximately equal to projected hotel sales.

**FIGURE 5  
ECONOMIC IMPACTS OF THE HILTON DUAL BRAND HOTEL**

	Direct Impacts			Total Impacts		
	Output	Jobs	Labor Income	Output	Jobs	Labor Income
2021	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2022	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2023	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2024	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2025	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2026	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2027	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2028	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2029	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2030	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2031	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2032	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2033	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2034	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2035	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2036	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2037	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2038	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2039	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2040	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2041	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2042	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2043	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2044	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
2045	\$8,632,745	83	\$2,523,341	\$13,000,068	118	\$3,880,246
<b>25 Year Total</b>	<b>\$215,818,623</b>	<b>83</b>	<b>\$63,083,532</b>	<b>\$325,001,689</b>	<b>118</b>	<b>\$97,006,141</b>

The multiplier effect of this increase in business activity at the hotels will result in a total annual impact of \$13.0 million, or \$325.0 million over the next 25 years. The approximately 118 direct, indirect and induced jobs supported by the development will result in about \$3.9 million in annual personal income in Tucson, or a total of \$97.0 million over the next 25 years.

The direct and indirect jobs generated by this project would support a total local population of about 200 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 80 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 4.1 local jobs are supported at other local businesses outside the development. On average, the income from these indirect jobs is estimated at about \$38,000 per employee.

### **3.3 Visitor Impacts**

The new dual brand Hilton hotels will not only create economic impacts through their 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, or outside the development, that would generate additional impacts. Visitor expenditures are anticipated to include restaurants, retail, entertainment and local transportation. Based on expected occupancy rates of 77 to 79 percent, the hotels could attract approximately 127,100 guests per year, assuming an average of 2.2 persons per room.

According to survey data for Southern Arizona from the Arizona Office of Tourism, the average overnight visitor spends about \$125 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 \$148 to \$160 per night with 2.2 persons per room. Adjustments were also made for on-site retail spending based on projected on-site retail sales relative to total estimated retail expenditures by the hotel guests. This resulted in average per person, per day spending of \$70 on-site and \$79 off-site for hotel guests (Figure 6). In total, guests at the hotel would spend an estimated \$8.9 million per year on-site (or within the hotel and on-site retail), and \$10.0 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	\$8,648,958	97%	\$0	0%
Food & Beverage	\$0	0%	\$3,929,017	39%
Local Transportation	\$0	0%	\$2,426,746	24%
Entertainment	\$0	0%	\$1,675,610	17%
Retail	\$293,600	3%	\$2,017,587	20%
<b>Total</b>	<b>\$8,942,558</b>	<b>100%</b>	<b>\$10,048,960</b>	<b>100%</b>
Total Visitor Days*	127,115		127,115	
Average Spending per Day	\$70		\$79	

Source: Arizona Office of Tourism, Tucson and Southern Region 2017 Year-End Data Review; Applied Economics.

\*Hotel visitor estimates assume 2.2 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 \$10.0 million in new off-site visitor spending would result in a total economic impact of \$16.9 million per year in Tucson (Figure 7). This level of activity would support about 249 direct and indirect jobs and \$6.7 million in annual labor income at local retail, restaurant, local transportation and entertainment establishments. Over the next 25 years the total economic impact of off-site visitor spending is estimated at \$421.9 million.

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

	Direct Impacts			Total Impacts		
	Visitor Sending	Jobs	Labor Income	Output	Jobs	Labor Income
2021	\$9,916,160	191	\$4,567,359	\$16,206,969	239	\$6,384,807
2022	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2023	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2024	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2025	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2026	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2027	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2028	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2029	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2030	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2031	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2032	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2033	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2034	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2035	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2036	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2037	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2038	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2039	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2040	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2041	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2042	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2043	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2044	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
2045	\$10,342,560	199	\$4,763,758	\$16,903,877	249	\$6,659,357
<b>25 Year Total</b>	<b>\$258,137,605</b>	<b>199</b>	<b>\$118,897,549</b>	<b>\$421,900,024</b>	<b>249</b>	<b>\$166,209,383</b>

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 \$29.9 million in Tucson, or \$746.9 million total over the next 25 years. The project could directly and indirectly support about 368 local jobs and \$10.5 million in annual payroll in the city. This includes the Hilton hotels, local suppliers to the hotels, establishments where employees shop and establishments where visitors make expenditures.

## 4.0 REVENUE IMPACTS

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In addition to supporting jobs, income and output at related businesses in the city through multiplier effects, the Hilton Dual Brand Hotels project would also generate significant local tax revenues, primarily sales and lodging taxes. In total, the project could directly generate approximately \$45.4 million to state and local governments over the next 25 years, plus an estimated \$21.6 million in sales taxes from off-site visitor spending and \$4.9 million in revenues from employees.

### 4.1 Direct Revenues

Total direct revenues from the project, net of incentives, are estimated at \$45.4 million from 2020 to 2045, including lease excise, sales and bed taxes to the city, county, school district, state and other local taxing districts (Figure 8). The project would be eligible for a GPLET that would result in lease excise tax revenues instead 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 \$2.26 per square foot for the hotels and \$225.88 per space for the structured parking, the property would generate \$299,332 in annual excise tax revenues.<sup>1</sup> 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 \$8.9 million over 25 years.

Other 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 estimated at about \$498,000 to the District, \$551,000 to the city and RTA, and \$498,000 to the state in 2020. The construction sales tax to the District would be part of the TIF reimbursement to the developer and is not included in Figure 8.

On-going sales tax revenues associated with taxable retail sales and lease revenues are estimated at \$1.9 million to the city and RTA and \$12.1 million to the state over the 25 year period.<sup>2</sup> There would be a 6 percent bed tax on room rental revenues plus \$4 per day per room with bed tax revenues to the city estimated at \$22.0 million over 25 years. The RTA tax on hotel rooms is included with regular RTA sales tax.

The TIF portion of on-going sales tax would be reimbursed to the developer, up to a total of \$6.85 million. The District receives half of the 5.6 percent state sales tax on sales within the District above the base. Since all of the taxable activity associated with the project 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. If the reimbursement includes 100 percent of the TIF, it is estimated that only \$4.58 million could be reimbursed by 2035 when the TIF sunsets, based on the assumptions used in this analysis. *Note that the TIF funds used for reimbursement are not included in the direct revenues in Figure 8.*

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<sup>1</sup> 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.

<sup>2</sup> This analysis assumes that taxable sales increase by 2 percent per year.

**FIGURE 8  
DIRECT REVENUE IMPACTS OF HOTEL OPERATIONS**

	City of Tucson				County, RTA and Schools			Rio Nuevo	State	Total Public Benefit
	Lease Excise	Sales	Lodging	Total	Lease Excise	Sales	Total	TIF	Sales	
<b>Total</b>	<b>\$624,399</b>	<b>\$992,284</b>	<b>\$21,954,493</b>	<b>\$23,571,176</b>	<b>\$8,295,582</b>	<b>\$1,411,978</b>	<b>\$9,707,561</b>	<b>\$0</b>	<b>\$12,141,809</b>	<b>\$45,420,546</b>
2020	\$0	\$462,546	\$0	\$462,546	\$0	\$88,951	\$88,951	\$0	\$498,126	\$1,049,623
2021	\$20,953	\$15,191	\$712,071	\$748,215	\$278,379	\$40,047	\$318,426	\$0	\$239,227	\$1,305,868
2022	\$21,253	\$16,117	\$746,245	\$783,615	\$282,359	\$42,020	\$324,379	\$0	\$250,556	\$1,358,550
2023	\$21,557	\$16,744	\$756,624	\$794,924	\$286,397	\$42,919	\$329,316	\$0	\$255,567	\$1,379,807
2024	\$21,865	\$17,374	\$767,210	\$806,449	\$290,493	\$43,834	\$334,326	\$0	\$260,679	\$1,401,454
2025	\$22,178	\$18,008	\$778,008	\$818,194	\$294,647	\$44,766	\$339,412	\$0	\$265,892	\$1,423,498
2026	\$22,495	\$18,368	\$789,022	\$829,885	\$298,860	\$45,661	\$344,521	\$0	\$271,210	\$1,445,616
2027	\$22,817	\$18,736	\$800,256	\$841,809	\$303,134	\$46,574	\$349,708	\$0	\$276,634	\$1,468,151
2028	\$23,143	\$19,110	\$811,715	\$853,969	\$307,469	\$47,506	\$354,974	\$0	\$282,167	\$1,491,110
2029	\$23,474	\$19,493	\$823,403	\$866,370	\$311,865	\$48,456	\$360,321	\$0	\$287,810	\$1,514,501
2030	\$23,809	\$19,883	\$835,325	\$879,017	\$316,325	\$49,425	\$365,750	\$0	\$293,566	\$1,538,334
2031	\$24,150	\$20,280	\$847,486	\$891,916	\$320,848	\$50,413	\$371,262	\$0	\$299,438	\$1,562,615
2032	\$24,495	\$20,686	\$859,889	\$905,070	\$325,437	\$51,422	\$376,858	\$0	\$305,426	\$1,587,355
2033	\$24,846	\$21,100	\$872,541	\$918,486	\$330,090	\$52,450	\$382,540	\$0	\$311,535	\$1,612,561
2034	\$25,201	\$21,522	\$885,446	\$932,168	\$334,811	\$53,499	\$388,310	\$0	\$317,766	\$1,638,243
2035	\$25,561	\$21,952	\$898,608	\$946,121	\$339,598	\$54,569	\$394,168	\$0	\$486,181	\$1,826,470
2036	\$25,927	\$22,391	\$912,034	\$960,352	\$344,455	\$55,660	\$400,115	\$0	\$661,207	\$2,021,674
2037	\$26,297	\$22,839	\$925,729	\$974,865	\$349,380	\$56,774	\$406,154	\$0	\$674,431	\$2,055,450
2038	\$26,674	\$23,296	\$939,697	\$989,666	\$354,377	\$57,909	\$412,286	\$0	\$687,919	\$2,089,872
2039	\$27,055	\$23,761	\$953,945	\$1,004,762	\$359,444	\$59,067	\$418,511	\$0	\$701,678	\$2,124,951
2040	\$27,442	\$24,237	\$968,478	\$1,020,156	\$364,584	\$60,249	\$424,833	\$0	\$715,711	\$2,160,701
2041	\$27,834	\$24,721	\$983,301	\$1,035,857	\$369,798	\$61,454	\$431,251	\$0	\$730,026	\$2,197,134
2042	\$28,232	\$25,216	\$998,421	\$1,051,869	\$375,086	\$62,683	\$437,769	\$0	\$744,626	\$2,234,264
2043	\$28,636	\$25,720	\$1,013,843	\$1,068,200	\$380,450	\$63,936	\$444,386	\$0	\$759,519	\$2,272,104
2044	\$29,045	\$26,235	\$1,029,574	\$1,084,854	\$385,890	\$65,215	\$451,105	\$0	\$774,709	\$2,310,668
2045	\$29,461	\$26,759	\$1,045,620	\$1,101,840	\$391,408	\$66,519	\$457,928	\$0	\$790,203	\$2,349,971

#### 4.2 Visitor Revenues

Along with the direct taxes generated by the project, there would also be 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 local transportation. This off-site visitor spending could generate an estimated \$7.7 million in sales taxes to the city and RTA and \$13.9 million to the state between 2021 and 2045 (Figure 9). Depending on where the spending occurs, it is possible that a portion of the state sales tax shown in Figure 9 could go to the District through the TIF. The total visitor revenues represent an on-going secondary public benefit as a result of the new hotel development.

**FIGURE 9  
OFF-SITE VISITOR SPENDING IMPACTS**

	Tucson	RTA	State	
	Sales	Sales	Sales	Total
<b>Total</b>	<b>\$6,458,485</b>	<b>\$1,242,016</b>	<b>\$13,910,583</b>	<b>\$21,611,085</b>
2021	\$197,326	\$37,947	\$425,010	\$660,283
2022	\$205,811	\$39,579	\$443,286	\$688,676
2023	\$209,927	\$40,371	\$452,151	\$702,449
2024	\$214,126	\$41,178	\$461,194	\$716,498
2025	\$218,408	\$42,002	\$470,418	\$730,828
2026	\$222,777	\$42,842	\$479,827	\$745,445
2027	\$227,232	\$43,698	\$489,423	\$760,354
2028	\$231,777	\$44,572	\$499,212	\$775,561
2029	\$236,412	\$45,464	\$509,196	\$791,072
2030	\$241,141	\$46,373	\$519,380	\$806,894
2031	\$245,963	\$47,301	\$529,767	\$823,031
2032	\$250,883	\$48,247	\$540,363	\$839,492
2033	\$255,900	\$49,212	\$551,170	\$856,282
2034	\$261,018	\$50,196	\$562,193	\$873,407
2035	\$266,239	\$51,200	\$573,437	\$890,876
2036	\$271,563	\$52,224	\$584,906	\$908,693
2037	\$276,995	\$53,268	\$596,604	\$926,867
2038	\$282,535	\$54,334	\$608,536	\$945,404
2039	\$288,185	\$55,420	\$620,707	\$964,312
2040	\$293,949	\$56,529	\$633,121	\$983,599
2041	\$299,828	\$57,659	\$645,783	\$1,003,271
2042	\$305,825	\$58,812	\$658,699	\$1,023,336
2043	\$311,941	\$59,989	\$671,873	\$1,043,803
2044	\$318,180	\$61,188	\$685,311	\$1,064,679
2045	\$324,543	\$62,412	\$699,017	\$1,085,972

### 4.3 Employee Revenues

Along with the direct and visitor taxes generated by the project, there would also be taxes generated by employees. Using the results from the economic impact analysis, it is possible to estimate indirect tax impacts.

Indirect 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 of 15.75 percent. Indirect property taxes are estimated at about \$8,000 per year to the city, and an additional \$73,000 per year to the school district, community college and county. All total, the project could generate about \$2.0 million in indirect property tax revenues to all jurisdictions combined from 2021 to 2045, based on the assumptions used in this analysis.

Indirect sales tax revenues include sales taxes paid by direct employees at the hotels. Indirect 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 80 percent, times the sales tax rate.<sup>3</sup> No residency ratio is used for RTA or state indirect sales tax. Indirect sales taxes to the city and RTA are estimated at \$507,000 over 25 years (Figure 10). Additional sales taxes generated to the state are estimated at \$1.1 million over 25 years. Since it is not clear what share of employee spending would occur in the District, no employee-generated District sales taxes are shown in Figure 10.

In terms of state personal income tax, hotel employees could generate approximately \$1.3 million in revenues from 2021 to 2045. State income taxes are calculated using average income per employee and current tax schedules from the Arizona Department of Revenue.

**FIGURE 10  
EMPLOYEE REVENUE IMPACTS**

	City of Tucson			County, RTA and Schools			State		
	Property	Sales	Total	Property	Sales	Total	Personal Income	Sales	Total
<b>Total</b>	<b>\$190,688</b>	<b>\$408,927</b>	<b>\$599,614</b>	<b>\$1,836,274</b>	<b>\$97,779</b>	<b>\$1,934,053</b>	<b>\$1,303,649</b>	<b>\$1,095,130</b>	<b>\$4,932,447</b>
2021	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2022	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2023	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2024	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2025	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2026	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2027	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2028	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2029	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2030	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2031	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2032	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2033	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2034	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2035	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2036	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2037	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2038	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2039	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2040	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2041	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2042	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2043	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2044	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298
2045	\$7,628	\$16,357	\$23,985	\$73,451	\$3,911	\$77,362	\$52,146	\$43,805	\$197,298

<sup>3</sup> 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.

#### 4.4 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. During the 25-year GPLET term, the lessee would pay lease excise tax instead of real property tax, resulting in a savings of \$12.3 million. The prime lessee would also receive an estimated \$4.58 million in TIF incentives from the District and \$125,000 in utility relocation reimbursement.

Over the 25-year term, the direct public benefit to state and local jurisdictions is estimated at \$45.4 million (Figure 7). In comparison, the benefit to the prime lessee is estimated at \$17.0 million over the GPLET term, including TIF and other 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 public benefit includes direct sales tax revenues from construction, on-going sales and lodging taxes and lease excise taxes. 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 \$28.4 million over 25 years.

**FIGURE 11  
25-YEAR VALUE OF INCENTIVES**

	Benefit to Local and State Governments				Benefit to Prime Lessee			
	City of Tucson	County and Schools	State	Total	Property Tax Less Lease Excise Tax	TIF	Utility Relocation	Total
<b>Total Direct</b>	<b>\$23,571,176</b>	<b>\$9,707,561</b>	<b>\$12,141,809</b>	<b>\$45,420,546</b>	<b>\$12,335,071</b>	<b>\$4,577,659</b>	<b>\$125,000</b>	<b>\$17,037,729</b>
2020	\$462,546	\$88,951	\$498,126	\$1,049,623	\$0	\$498,126	\$125,000	\$623,126
2021	\$748,215	\$318,426	\$239,227	\$1,305,868	\$236,845	\$239,227	\$0	\$476,072
2022	\$783,615	\$324,379	\$250,556	\$1,358,550	\$259,374	\$250,556	\$0	\$509,930
2023	\$794,924	\$329,316	\$255,567	\$1,379,807	\$283,181	\$255,567	\$0	\$538,749
2024	\$806,449	\$334,326	\$260,679	\$1,401,454	\$308,334	\$260,679	\$0	\$569,013
2025	\$818,194	\$339,412	\$265,892	\$1,423,498	\$334,902	\$265,892	\$0	\$600,794
2026	\$829,885	\$344,521	\$271,210	\$1,445,616	\$362,958	\$271,210	\$0	\$634,168
2027	\$841,809	\$349,708	\$276,634	\$1,468,151	\$392,578	\$276,634	\$0	\$669,212
2028	\$853,969	\$354,974	\$282,167	\$1,491,110	\$423,844	\$282,167	\$0	\$706,010
2029	\$866,370	\$360,321	\$287,810	\$1,514,501	\$437,977	\$287,810	\$0	\$725,787
2030	\$879,017	\$365,750	\$293,566	\$1,538,334	\$452,515	\$293,566	\$0	\$746,081
2031	\$891,916	\$371,262	\$299,438	\$1,562,615	\$467,467	\$299,438	\$0	\$766,905
2032	\$905,070	\$376,858	\$305,426	\$1,587,355	\$482,845	\$305,426	\$0	\$788,272
2033	\$918,486	\$382,540	\$311,535	\$1,612,561	\$498,661	\$311,535	\$0	\$810,196
2034	\$932,168	\$388,310	\$317,766	\$1,638,243	\$514,925	\$317,766	\$0	\$832,691
2035	\$946,121	\$394,168	\$486,181	\$1,826,470	\$531,650	\$162,060	\$0	\$693,711
2036	\$960,352	\$400,115	\$661,207	\$2,021,674	\$548,849	\$0	\$0	\$548,849
2037	\$974,865	\$406,154	\$674,431	\$2,055,450	\$566,533	\$0	\$0	\$566,533
2038	\$989,666	\$412,286	\$687,919	\$2,089,872	\$584,716	\$0	\$0	\$584,716
2039	\$1,004,762	\$418,511	\$701,678	\$2,124,951	\$603,411	\$0	\$0	\$603,411
2040	\$1,020,156	\$424,833	\$715,711	\$2,160,701	\$622,632	\$0	\$0	\$622,632
2041	\$1,035,857	\$431,251	\$730,026	\$2,197,134	\$642,393	\$0	\$0	\$642,393
2042	\$1,051,869	\$437,769	\$744,626	\$2,234,264	\$662,707	\$0	\$0	\$662,707
2043	\$1,068,200	\$444,386	\$759,519	\$2,272,104	\$683,590	\$0	\$0	\$683,590
2044	\$1,084,854	\$451,105	\$774,709	\$2,310,668	\$705,057	\$0	\$0	\$705,057
2045	\$1,101,840	\$457,928	\$790,203	\$2,349,971	\$727,123	\$0	\$0	\$727,123

<sup>1</sup> Includes normal property tax. 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 \$136.95 was used for the hotel and \$44.96 for the structured parking, resulting in a total LPV estimate of \$18.9 million. It is assumed that the value would increase by 5 percent per year for the first eight years and 2.5 percent thereafter, based on recent increases in LPV for the comparable properties and statutory guidelines.

#### **4.5 Summary**

The proposed Hilton Duel Brand Hotels project described in this analysis could create both economic and revenue benefits for the Rio Nuevo District and the City of Tucson. The hotels will provide additional rooms to support major events at the University of Arizona, and at the convention center. The development would also support a new jobs and payroll, and create additional tax revenues for the District and the city on a long-term basis.

Over the 2020 to 2045 period, the project could generate an estimated \$4.58 million in TIF revenues that would be reimbursed to the developer. The total benefit to the public of the net new tax revenues from the project over the 25 year term is \$28.4 million more than the estimated benefit to the prime lessee of the TIF and GPLET combined.