APPLIED ECONOMICS

ECONOMIC AND REVENUE IMPACTS OF LEWIS HOTEL LOFTS 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 Lewis Hotel Lofts. The proposed project would result in the redevelopment of a surface parking lot at 140 E. Broadway into a 5-story 36,900 square foot apartment building with street level retail.

The District is considering paying the developer 100 percent of the TIF funds from the project up to a maximum amount of $1.75 million by 2035. In addition to the TIF, 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 total capital investment for the project is estimated at $9.6 million, including hard and soft costs. This would include construction of 62 studio and one bedroom apartment units and 3,029 square feet of restaurant space. The restaurant space is anticipated to support about 15 new jobs. The space will lease for approximately $25 per square foot with estimated taxable sales of $430 per square foot. It is also anticipated that there could be approximately 5 property management employees associated with the apartment units.

FIGURE 1
DEVELOPMENT ASSUMPTIONS

	Square Feet	Total Units	Occupancy	Estimated Jobs	Lease Rate	Taxable Sales
Restaurant	3,029	na	100%	15	$25	$1,309,285
Rental Housing	33,881	62	95%	5	$1100-$1400	$0
Total	36,910	62	na	20	na	$1,309,285

2.0 IMPACT SUMMARY

The construction of this new mixed-use project in the Rio Nuevo District would provide economic benefits to both the city and the District.

- About 65 direct construction jobs and 53 additional indirect construction jobs could be supported in the City of Tucson during the construction period. The total construction impact is estimated at $15.7 million.

- Once completed, the project could generate an annual economic impact of $2.6 million, or a total of $64.5 million over the next 25 years of operations through 2045, which represents the term of the GPLET.

- The restaurant and apartments could directly support about 20 new jobs. The project could also support about 8 indirect jobs at other local businesses in Tucson. These indirect jobs are the result of business to business purchases made by the restaurant tenant, as well as local spending by employees.

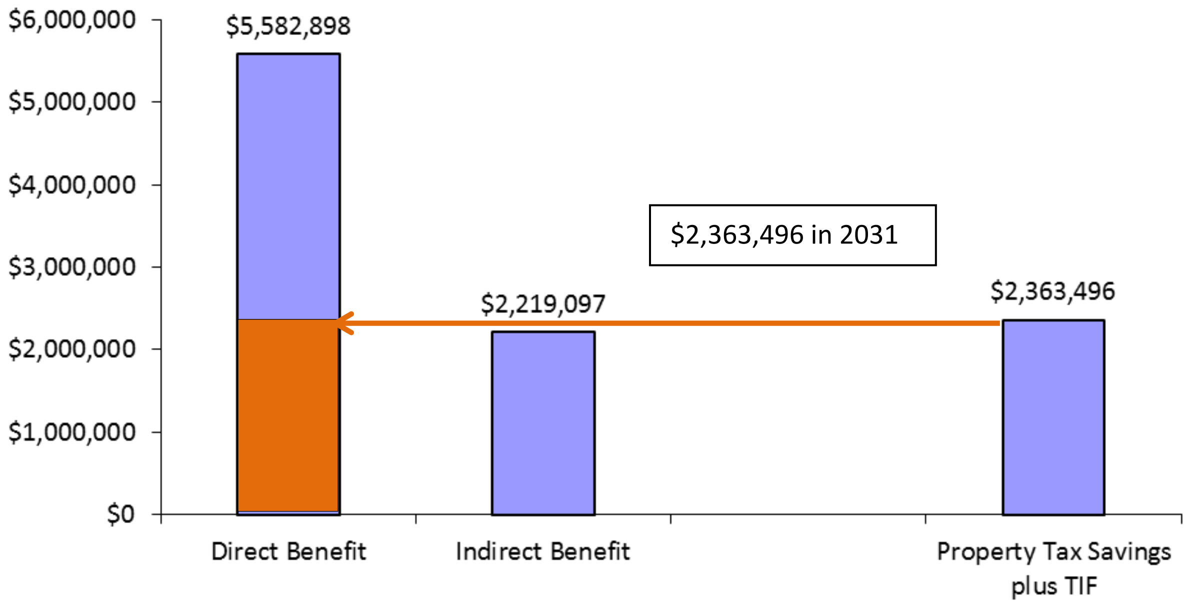
- An estimated $495,000 in direct labor income, or payroll, and about of $906,000 in total direct and indirect labor income could be generated by the project annually, creating the potential for additional local expenditures by employees and their families.

- In terms of local tax revenues, the restaurant could directly generate approximately $751,000 in new TIF revenues to the District before reimbursements, along with $4.8 million in other tax revenues to the city, county, school district and state from 2020 through 2045. Direct and indirect jobs supported by the project could generate an additional $2.2 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 up to a maximum $1.75 million by 2035. It is not anticipated that this rebate cap will be reached by 2035 when the TIF sunsets.

- 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 $2.4 million over 25 years (Figure 2). During that period the project would generate direct sales taxes from leases and restaurant sales, as well as lease excise taxes, for a total benefit to the state and local governments of $5.6 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



3.0 ECONOMIC IMPACT ANALYSIS

The economic impacts resulting from the Lewis Hotel Lofts project include both the one-time construction impacts and on-going operations impacts. These impacts are quantified in terms of direct and indirect jobs, labor 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 development.

3.1 Construction Impacts

The estimated construction costs for this mixed use project would be $9.6 million, excluding property acquisition (Figure 3). Both hard and soft costs associated with the project create local economic impacts. Construction is anticipated to begin in 2020 and be completed in 2021.

The multiplier effects of this $9.6 million construction spending are estimated to result in a total increase in economic activity of about $15.6 million. The approximately 65 direct jobs and 53 indirect and induced jobs could result in more than $5.3 million in additional labor income in the City of Tucson during the construction period.

FIGURE 3
CONSTRUCTION IMPACTS OF LEWIS HOTEL LOFTS

	Direct Impacts			Total Impacts		
	Expenditures	Jobs	Personal Income	Output	Jobs	Personal Income
Hard Costs	$7,936,472	54	$2,512,022	$12,585,038	94	$4,007,452
Soft Costs	$1,712,359	12	$823,473	$3,067,811	24	$1,294,232
Total	$9,648,831	65	$3,335,494	$15,652,849	118	$5,301,684

3.2 Operations Impacts

Once construction is completed, the proposed project could create an estimated 20 permanent jobs associated with the restaurant and property management. The total economic activity from on-going operations of the project is shown in Figure 4. The estimated 20 new jobs and $495,000 in direct labor income could generate an estimated $1.6 million in direct output each year.

The multiplier effect of this increase in business activity could result in a total annual impact of $2.6 million, or $64.5 million over the next 25 years. The approximately 28 direct, indirect and induced jobs supported by the development could result in about $906,000 in annual labor income in Tucson, or a total of $22.7 million over the next 25 years.

FIGURE 4
ANNUAL ECONOMIC IMPACTS OF LEWIS HOTEL LOFTS

	Direct Impacts			Total Impacts		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income
2021	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2022	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2023	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2024	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2025	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2026	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2027	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2028	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2029	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2030	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2031	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2032	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2033	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2034	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2035	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2036	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2037	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2038	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2039	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2040	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2041	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2042	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2043	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2044	$1,592,950	20	$494,686	$2,579,413	28	$906,004
2045	$1,592,950	20	$494,686	$2,579,413	28	$906,004
25 Year Total	**$39,823,754**	**20**	**$12,367,146**	**$64,485,322**	**28**	**$22,650,103**

Note: Direct jobs include retail employees and property management staff.

The direct and indirect jobs generated by this project could support a total local population of about 50 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. In addition, there could be approximately 65 residents in the apartments.

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 labor 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 facility support services, restaurants and commercial construction. The average output multiplier for this development is 1.62. This means that for every $1 million of annual output created by the restaurant and property management, an additional $620,000 in economic activity and 5 local jobs are supported at other local businesses outside the development. On average, the income from these indirect jobs is estimated at about $50,000 per employee.

4.0 REVENUE IMPACTS

In addition to supporting jobs, income and output at related businesses in the city through multiplier effects, the Lewis Hotel Lofts would also generate new local sales tax revenues. Over 25 years, the project could generate approximately $2.1 million in direct and employee tax revenues to the city, and $4.9 million in additional revenues to the county, RTA, school district and state. There would be $751,000 in additional revenues to the District that would be reimbursed to the developer.

4.1 Direct Revenues

Direct revenues from the project, are estimated at $5.6 million from 2020 to 2045, including TIF revenues to the District, as well as lease excise and sales taxes to the city, county, school district, state and other local taxing districts (Figure 5).

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 $2.83 per square foot for retail and $0.86 per square foot for residential units, the property would generate $37,710 in annual excise tax revenues.[1] 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 $1.1 million over 25 years.

Other direct revenues include construction and on-going sales taxes from the restaurant. The project would generate one-time sales taxes from new construction estimated at about $144,000 to the District, $160,000 to the city and RTA, and $144,000 to the state in 2020. The construction sales tax to the District would be part of the TIF reimbursement. On-going sales tax revenues associated with taxable restaurant sales and lease revenues are estimated at $1.4 million to the city and RTA, $607,000 to the District (before reimbursements), and $1.7 million to the state over the 25 year period.[2]

The TIF portion of on-going sales tax would be reimbursed to the developer, up to a maximum of $1.75 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 new restaurant 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 through 2035, it is estimated that the maximum reimbursement of $1.75 million would not be reached based on the assumptions used in this analysis. Note that the TIF funds used for reimbursement are included in the Rio Nuevo revenues shown in Figure 5.

In addition, the apartment residents that are new to the Tucson area would generate additional state shared revenues to the city and county including state shared sales and income taxes as well as auto lieu taxes. Based on current per capita average distributions for the City of Tucson and Pima County, the estimated 50 percent of residents that would be new to the area could generate $8,500 to the city and $3,700 to the county in annual state shared revenues.

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[1] *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 2022.*
[2] *This analysis assumes that taxable sales increase by 2 percent per year.*

FIGURE 5
STATE AND LOCAL REVENUE IMPACTS OF LEWIS HOTEL LOFTS

	City of Tucson				Rio Nuevo	County, RTA and Schools				State of Arizona		
	Lease Excise Tax	Sales	State Shared Revenues[1]	Total Benefit	TIF	Lease Excise Tax	Sales	State Shared Revenues[1]	Total Benefit	Sales	Total Benefit	Total Public Benefit
Direct Revenues	**$78,662**	**$1,281,870**	**$213,520**	**$1,574,052**	**$751,060**	**$1,045,075**	**$246,514**	**$92,133**	**$1,383,722**	**$1,874,064**	**$1,874,064**	**$5,582,898**
2020	$0	$134,126	$0	$134,126	$144,444	$0	$25,794	$0	$25,794	$144,444	$144,444	$448,807
2021	$2,640	$35,833	$8,541	$47,014	$36,469	$35,070	$6,891	$3,685	$45,646	$36,469	$36,469	$165,598
2022	$2,677	$36,550	$8,541	$47,768	$37,199	$35,572	$7,029	$3,685	$46,286	$37,199	$37,199	$168,451
2023	$2,716	$37,281	$8,541	$48,537	$37,943	$36,080	$7,169	$3,685	$46,935	$37,943	$37,943	$171,357
2024	$2,755	$38,026	$8,541	$49,322	$38,701	$36,596	$7,313	$3,685	$47,594	$38,701	$38,701	$174,319
2025	$2,794	$38,787	$8,541	$50,122	$39,475	$37,119	$7,459	$3,685	$48,264	$39,475	$39,475	$177,336
2026	$2,834	$39,563	$8,541	$50,937	$40,265	$37,650	$7,608	$3,685	$48,944	$40,265	$40,265	$180,411
2027	$2,874	$40,354	$8,541	$51,769	$41,070	$38,189	$7,760	$3,685	$49,634	$41,070	$41,070	$183,544
2028	$2,916	$41,161	$8,541	$52,617	$41,892	$38,735	$7,916	$3,685	$50,336	$41,892	$41,892	$186,736
2029	$2,957	$41,984	$8,541	$53,482	$42,729	$39,289	$8,074	$3,685	$51,048	$42,729	$42,729	$189,989
2030	$3,000	$42,824	$8,541	$54,364	$43,584	$39,851	$8,235	$3,685	$51,771	$43,584	$43,584	$193,303
2031	$3,042	$43,680	$8,541	$55,264	$44,456	$40,420	$8,400	$3,685	$52,506	$44,456	$44,456	$196,681
2032	$3,086	$44,554	$8,541	$56,181	$45,345	$40,998	$8,568	$3,685	$53,252	$45,345	$45,345	$200,122
2033	$3,130	$45,445	$8,541	$57,116	$46,252	$41,585	$8,739	$3,685	$54,009	$46,252	$46,252	$203,629
2034	$3,175	$46,354	$8,541	$58,069	$47,177	$42,179	$8,914	$3,685	$54,779	$47,177	$47,177	$207,202
2035	$3,220	$47,281	$8,541	$59,042	$24,060	$42,783	$9,092	$3,685	$55,560	$72,180	$72,180	$210,843
2036	$3,266	$48,227	$8,541	$60,034	$0	$43,394	$9,274	$3,685	$56,354	$98,165	$98,165	$214,553
2037	$3,313	$49,191	$8,541	$61,045	$0	$44,015	$9,460	$3,685	$57,160	$100,129	$100,129	$218,334
2038	$3,360	$50,175	$8,541	$62,076	$0	$44,644	$9,649	$3,685	$57,979	$102,131	$102,131	$222,186
2039	$3,408	$51,178	$8,541	$63,128	$0	$45,283	$9,842	$3,685	$58,810	$104,174	$104,174	$226,112
2040	$3,457	$52,202	$8,541	$64,200	$0	$45,930	$10,039	$3,685	$59,654	$106,257	$106,257	$230,112
2041	$3,507	$53,246	$8,541	$65,293	$0	$46,587	$10,240	$3,685	$60,512	$108,383	$108,383	$234,188
2042	$3,557	$54,311	$8,541	$66,408	$0	$47,253	$10,444	$3,685	$61,383	$110,550	$110,550	$238,342
2043	$3,608	$55,397	$8,541	$67,546	$0	$47,929	$10,653	$3,685	$62,268	$112,761	$112,761	$242,574
2044	$3,659	$56,505	$8,541	$68,705	$0	$48,614	$10,866	$3,685	$63,166	$115,016	$115,016	$246,887
2045	$3,711	$57,635	$8,541	$69,888	$0	$49,309	$11,084	$3,685	$64,079	$117,317	$117,317	$251,283

4.2 Employee Revenues

Along with the direct taxes generated by the project, there are also taxes generated by employees. Using the results from the economic impact analysis, it is possible to estimate employee tax impacts.

Employee property taxes are estimated at about $2,500 per year to the city, and an additional $26,000 per year to the school district, community college and county. All total, the project could generate about $703,000 in employee property tax revenues to all jurisdictions combined from 2021 to 2045, based on the assumptions used in this analysis (Figure 6). 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 a property tax rate of 15.34 percent.

Employee sales taxes to the city and RTA are estimated at $191,000 over 25 years. Additional sales taxes generated to the state are estimated at $419,000 over 25 years. Sales tax revenues include sales taxes paid by direct employees at the Lewis Hotel Lofts and employees at other supported local businesses. Employee sales taxes are estimated by multiplying total labor income from the economic impact times 33 percent (share of taxable expenditures), times 79 percent, times the sales tax rate.[3] No residency ratio is used for RTA or state sales tax.

[3] *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. Based on Census Bureau estimates, 79 percent of people who work in Tucson also live in the city.*

In terms of state personal income tax, direct and indirect employees could generate approximately $455,000 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 6
EMPLOYEE REVENUES FROM LEWIS HOTEL LOFTS

	City of Tucson				County and Schools				State of Arizona			
	Property	Sales	State Shared Revenues	Total Benefit	Property	Sales	State Shared Revenues	Total Benefit	Sales	Personal Income	Total Benefit	Total Public Benefit
Employee Revenues	**$63,266**	**$153,527**	**$316,032**	**$532,825**	**$639,380**	**$37,373**	**$136,366**	**$813,119**	**$418,574**	**$454,579**	**$873,153**	**$2,219,097**
2021	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2022	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2023	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2024	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2025	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2026	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2027	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2028	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2029	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2030	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2031	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2032	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2033	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2034	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2035	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2036	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2037	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2038	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2039	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2040	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2041	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2042	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2043	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2044	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764
2045	$2,531	$6,141	$12,641	$21,313	$25,575	$1,495	$5,455	$32,525	$16,743	$18,183	$34,926	$88,764

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 property owner. During the 25-year GPLET term, the lessee would pay lease excise tax instead of real property tax. The prime lessee would also receive an estimated $751,000 in TIF reimbursements 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. Revenues from the project include direct sales tax revenues from construction, on-going sales taxes and lease excise taxes.

Over the 25-year term, the direct public benefit to state and local jurisdictions is estimated at $5.6 million (Figure 7). In comparison, the benefit to the prime lessee is estimated at $2.4 million over the GPLET term, including the value of the 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 $3.2 million over 25 years.

FIGURE 7
25-YEAR VALUE OF GPLET AND TIF

	Benefit to State and Local Governments					Benefit to Lessee		
	City of Tucson	Rio Nuevo District	County and Schools	State	Total	Property Tax Less Lease Excise Tax	TIF	Total
Total	**$1,574,052**	**$751,060**	**$1,383,722**	**$1,874,064**	**$5,582,898**	**$1,612,436**	**$751,060**	**$2,363,496**
2020	$134,126	$144,444	$25,794	$144,444	$448,807	$0	$144,444	$144,444
2021	$47,014	$36,469	$45,646	$36,469	$165,598	$31,313	$36,469	$67,782
2022	$47,768	$37,199	$46,286	$37,199	$168,451	$34,224	$37,199	$71,423
2023	$48,537	$37,943	$46,935	$37,943	$171,357	$37,301	$37,943	$75,244
2024	$49,322	$38,701	$47,594	$38,701	$174,319	$40,551	$38,701	$79,253
2025	$50,122	$39,475	$48,264	$39,475	$177,336	$43,984	$39,475	$83,459
2026	$50,937	$40,265	$48,944	$40,265	$180,411	$47,608	$40,265	$87,873
2027	$51,769	$41,070	$49,634	$41,070	$183,544	$51,433	$41,070	$92,504
2028	$52,617	$41,892	$50,336	$41,892	$186,736	$55,471	$41,892	$97,363
2029	$53,482	$42,729	$51,048	$42,729	$189,989	$57,303	$42,729	$100,033
2030	$54,364	$43,584	$51,771	$43,584	$193,303	$59,188	$43,584	$102,772
2031	$55,264	$44,456	$52,506	$44,456	$196,681	$61,126	$44,456	$105,582
2032	$56,181	$45,345	$53,252	$45,345	$200,122	$63,119	$45,345	$108,464
2033	$57,116	$46,252	$54,009	$46,252	$203,629	$65,169	$46,252	$111,421
2034	$58,069	$47,177	$54,779	$47,177	$207,202	$67,277	$47,177	$114,454
2035	$59,042	$24,060	$55,560	$72,180	$210,843	$69,444	$24,060	$93,504
2036	$60,034	$0	$56,354	$98,165	$214,553	$71,672	$0	$71,672
2037	$61,045	$0	$57,160	$100,129	$218,334	$73,963	$0	$73,963
2038	$62,076	$0	$57,979	$102,131	$222,186	$76,319	$0	$76,319
2039	$63,128	$0	$58,810	$104,174	$226,112	$78,741	$0	$78,741
2040	$64,200	$0	$59,654	$106,257	$230,112	$81,230	$0	$81,230
2041	$65,293	$0	$60,512	$108,383	$234,188	$83,789	$0	$83,789
2042	$66,408	$0	$61,383	$110,550	$238,342	$86,420	$0	$86,420
2043	$67,546	$0	$62,268	$112,761	$242,574	$89,124	$0	$89,124
2044	$68,705	$0	$63,166	$115,016	$246,887	$91,904	$0	$91,904
2045	$69,888	$0	$64,079	$117,317	$251,283	$94,761	$0	$94,761

[1] Based on a property tax rate of 15.34% in tax rate area 0163.

The foregone property tax revenues were estimated based on limited property value (LPV) per square foot for comparable apartment and restaurant developments in the downtown area. Average limited property values per square foot of $90 for restaurant and $118 for the apartments were applied, resulting in a total LPV estimate of $4.3 million. It is assumed that the value would increase by 5 percent per year over the next 8 years, and an average of 2.5 percent per year over the remainder of the 25-year term.

4.4 Summary

The Lewis Hotel Lofts project described in this analysis could create both economic and revenue benefits for the Rio Nuevo District and the City of Tucson. The development would support new jobs and payroll, and create additional tax revenues for the District and the city on a long-term basis. The apartments would create market rate housing options downtown, and generate demand for groceries and other retail in the surrounding neighborhoods.

Over the 2021 to 2045 period, the project could generate an estimated $751,000 in TIF revenues that would be reimbursed to the developer. The benefit to local and state governments in the form of new sales and lease excise taxes over the next 25 years is $3.2 million greater than the benefit to the prime lessee of the TIF reimbursement and the GPLET.