APPLIED ECONOMICS

ECONOMIC AND REVENUE IMPACTS OF VFW ADAPTIVE REUSE 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 VFW Adaptive Reuse project. The proposed project would result in the renovation of a vacant building at 124 E Broadway and construction of a new building in an adjacent surface parking lot at 114 E. Broadway.

The District is considering paying the developer $1.75 million in TIF funds in two increments: $1.25 million at the later of the completion of the renovation or at 12 months, and the remaining $500,000 six months later. 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 $6.9 million, including hard and soft costs, of which $2.0 million has already been expended. The project includes renovation of the 3-story building at 124 E. Broadway to include 4,914 square feet of ground floor restaurant space, 9 studio and one bedroom apartment units on the second floor and 5,845 square feet of subterranean office space. In addition, there would be 1,345 square feet of new retail space constructed on the surface parking lot at 114 E. Broadway. The retail, restaurant and office space is anticipated to support about 67 new jobs, plus 2 property management jobs associated with the building.

FIGURE 1
DEVELOPMENT ASSUMPTIONS

	Square Feet	Occupancy	Estimated Jobs	Lease Rate	Taxable Sales
Restaurant	4,914	100%	35	$24	$2,550,130
Retail	1,345	90%	9	$24	$302,625
Office	5,845	90%	23	$24	$0
Rental Housing (9 units)	6,648	95%	2	$960-$2050	$0
Mechanical/Common Area	3,173	0%	0	$0	$0
Total	21,925	na	69	na	$2,852,755

2.0 IMPACT SUMMARY

This mixed-use adaptive reuse project in the Rio Nuevo District would provide economic benefits to both the city and the District.

- About 33 direct construction jobs and 26 additional indirect construction jobs could be supported in the City of Tucson during the construction period. The total construction impact is estimated at $7.8 million.

- Once completed, the project could generate an annual economic impact of $7.5 million, or a total of $186.6 million over the next 25 years of operations through 2045, which represents the term of the GPLET.

- The retail, restaurant, offices and apartments could directly support about 69 new jobs. The project could also support about 25 indirect jobs at other local businesses in Tucson. These indirect jobs are the result of business to business purchases made by the commercial tenants, as well as local spending by their employees.

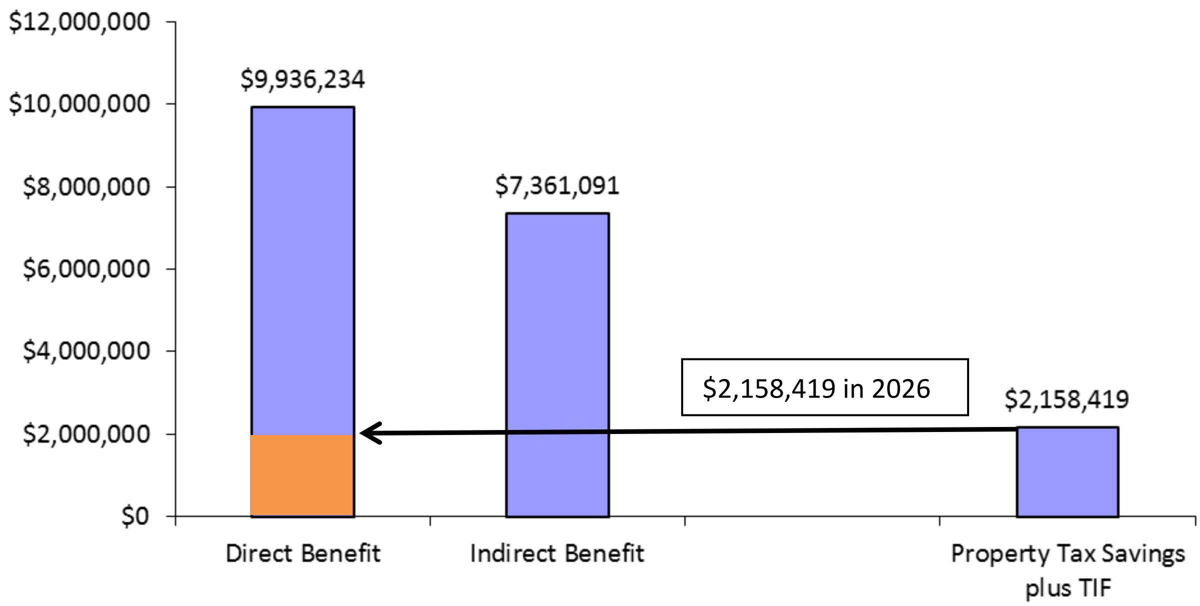
- An estimated $2.0 million in direct labor income, or payroll, and about of $3.0 million in total direct and indirect labor income could be generated by the project annually, creating the potential for additional local expenditures by employees and their families.

- In terms of local tax revenues, the retail and restaurants could directly generate approximately $1.4 million in new TIF revenues to the District, before incentives, along with $8.5 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 $7.4 million in local and state revenues over 25 years.

- The proposed development agreement includes provisions for $1.75 million in TIF funds to be provided to the developer over the first 18 months. It is anticipated that the project could generate $1.4 million in new TIF revenues to the District by 2035 when the TIF sunsets, which would partially offset the value of this incentive.

- 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 incentive, is estimated at $2.2 million over 25 years (Figure 2). During that period the project could generate direct sales taxes from leases and retail sales, as well as lease excise taxes, for a total benefit to the state and local governments of $9.9 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
VALUE OF GPLET AND TIF WITH A 25-YEAR TERM



3.0 ECONOMIC IMPACT ANALYSIS

The economic impacts resulting from the VFW Adaptive Reuse 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 $6.9 million, of which $4.8 million has the potential to generate local economic impacts (Figure 3). This would include the construction of a new building on the surface parking lot at 114 E. Broadway, and renovation of the existing building at 124 E. Broadway. 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 $4.8 million in local construction spending are estimated to result in a total economic impact of $7.8 million. The approximately 33 direct jobs and 26 indirect and induced jobs could result in more than $2.6 million in additional labor income in the City of Tucson during the construction period.

FIGURE 3
CONSTRUCTION IMPACTS OF VFW ADAPTIVE REUSE

	Direct Impacts			Total Impacts		
	Expenditures	Jobs	Personal Income	Output	Jobs	Personal Income
Hard Costs	$4,033,548	27	$1,276,683	$6,396,086	48	$2,036,705
Soft Costs	$787,101	5	$378,517	$1,410,147	11	$594,905
Total	$4,820,649	33	$1,655,200	$7,806,232	59	$2,631,610

3.2 Operations Impacts

Once construction is completed, the proposed project could support an estimated 69 permanent jobs associated with the retail, restaurant and office tenants as well as property management. The total economic activity from on-going operations of the project is shown in Figure 4. The estimated 69 new jobs and $2.0 million in direct labor income could generate $4.4 million in direct output each year.

The multiplier effect of this increase in business activity could result in a total annual economic impact of $7.5 million, or $186.6 million over the next 25 years. The 94 direct, indirect and induced jobs supported by the development could result in about $3.0 million in annual labor income in Tucson, or a total of $74.2 million over the next 25 years.

FIGURE 4
ANNUAL ECONOMIC IMPACTS OF VFW ADAPTIVE REUSE

	Direct Impacts			Total Impacts		
	Output	Jobs	Personal Income	Output	Jobs	Personal Income
2021	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2022	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2023	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2024	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2025	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2026	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2027	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2028	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2029	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2030	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2031	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2032	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2033	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2034	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2035	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2036	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2037	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2038	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2039	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2040	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2041	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2042	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2043	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2044	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
2045	$4,418,696	69	$2,012,186	$7,463,214	94	$2,969,991
25 Year Total	**$110,467,391**	**69**	**$50,304,659**	**$186,580,357**	**94**	**$74,249,766**

Note: Direct jobs include retail, restaurant and office tenant employees and property management staff.

The direct and indirect jobs generated by this project could support a total local population of about 160 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. In addition, there could be approximately 12 new 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, miscellaneous retail, professional services and commercial construction. The average output multiplier for this development is 1.69. This means that for every $1 million of annual output created by the restaurant and property management, an additional $690,000 in economic activity and 6 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.

4.0 REVENUE IMPACTS

In addition to supporting jobs, income and output at related businesses in the city through multiplier effects, the VFW Adaptive Reuse project would also generate new sales taxes and other revenues. Over 25 years, the project could generate approximately $4.6 million in direct and employee tax revenues to the city, and $11.3 million in revenues to the county, RTA, school district and state. There would be $1.4 million in additional TIF revenues to the District before incentives.

4.1 Direct Revenues

Direct revenues generated by the project, are estimated at $9.9 million from 2020 to 2045, including TIF revenues to the District, as well as lease excise taxes, sales taxes and state shared revenues 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 payment of lease excise tax revenues instead of property taxes. Under the state statute, an excise tax is established for the building based on the types of uses and is calculated on the gross square footage of built space, including both new and renovated space. 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 $2.97 per square foot for retail, $2.36 for office, and $0.90 per square foot for residential units, the property would generate $47,790 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 $1.4 million over 25 years.

Other direct revenues include construction and on-going sales taxes from the retail and restaurant and lease taxes on the office space. The project could generate one-time sales taxes from construction estimated at about $73,000 to the District, $81,000 to the city and RTA, and $73,000 to the state in 2020. There would also be $8,600 in total one-time sales taxes on FF&E purchases. On-going sales tax revenues associated with taxable retail and restaurant sales and lease revenues are estimated at $3.1 million to the city and RTA, $1.3 million to the District (before incentives), and $3.8 million to the state over the 25 year period.[2]

TIF revenues generated by this project are estimated at $1.4 million between 2020 and 2035 when the TIF District sunsets. 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. These revenues would partially offset the $1.75 million TIF incentive provided by the District.

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 $1,500 per year to the city and $700 per year to the county in 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 VFW ADAPTIVE REUSE

	City of Tucson				Rio Nuevo	County, RTA and Schools				State of Arizona		
Year	Lease Excise Tax	Sales Tax	State Shared Revenues[1]	Total Benefit	TIF	Lease Excise Tax	Sales Tax	State Shared Revenues[1]	Total Benefit	Sales Tax	Total Benefit	Total Public Benefit
Total	**$99,690**	**$2,674,028**	**$38,069**	**$2,811,787**	**$1,404,830**	**$1,324,449**	**$514,236**	**$16,427**	**$1,855,112**	**$3,864,506**	**$3,864,506**	**$9,936,234**
2020	$0	$70,738	$0	$70,738	$76,179	$0	$13,603	$0	$13,603	$76,179	$76,179	$236,699
2021	$3,345	$81,276	$1,523	$86,144	$79,877	$44,445	$15,630	$657	$60,732	$79,877	$79,877	$306,630
2022	$3,393	$82,901	$1,523	$87,817	$81,475	$45,081	$15,943	$657	$61,680	$81,475	$81,475	$312,447
2023	$3,442	$84,559	$1,523	$89,524	$83,104	$45,725	$16,261	$657	$62,644	$83,104	$83,104	$318,376
2024	$3,491	$86,251	$1,523	$91,264	$84,766	$46,379	$16,587	$657	$63,623	$84,766	$84,766	$324,420
2025	$3,541	$87,976	$1,523	$93,039	$86,462	$47,042	$16,918	$657	$64,618	$86,462	$86,462	$330,580
2026	$3,591	$89,735	$1,523	$94,849	$88,191	$47,715	$17,257	$657	$65,629	$88,191	$88,191	$336,860
2027	$3,643	$91,530	$1,523	$96,695	$89,955	$48,397	$17,602	$657	$66,656	$89,955	$89,955	$343,261
2028	$3,695	$93,360	$1,523	$98,578	$91,754	$49,090	$17,954	$657	$67,701	$91,754	$91,754	$349,786
2029	$3,748	$95,228	$1,523	$100,498	$93,589	$49,792	$18,313	$657	$68,762	$93,589	$93,589	$356,437
2030	$3,801	$97,132	$1,523	$102,456	$95,461	$50,504	$18,679	$657	$69,840	$95,461	$95,461	$363,217
2031	$3,856	$99,075	$1,523	$104,453	$97,370	$51,226	$19,053	$657	$70,936	$97,370	$97,370	$370,129
2032	$3,911	$101,056	$1,523	$106,490	$99,317	$51,958	$19,434	$657	$72,049	$99,317	$99,317	$377,174
2033	$3,967	$103,077	$1,523	$108,567	$101,304	$52,701	$19,823	$657	$73,181	$101,304	$101,304	$384,355
2034	$4,023	$105,139	$1,523	$110,685	$103,330	$53,455	$20,219	$657	$74,331	$103,330	$103,330	$391,675
2035	$4,081	$107,242	$1,523	$112,846	$52,698	$54,219	$20,623	$657	$75,500	$158,094	$158,094	$399,138
2036	$4,139	$109,387	$1,523	$115,049	$0	$54,995	$21,036	$657	$76,688	$215,008	$215,008	$406,745
2037	$4,199	$111,574	$1,523	$117,296	$0	$55,781	$21,457	$657	$77,895	$219,308	$219,308	$414,499
2038	$4,259	$113,806	$1,523	$119,587	$0	$56,579	$21,886	$657	$79,122	$223,695	$223,695	$422,403
2039	$4,320	$116,082	$1,523	$121,924	$0	$57,388	$22,323	$657	$80,368	$228,168	$228,168	$430,461
2040	$4,381	$118,404	$1,523	$124,308	$0	$58,208	$22,770	$657	$81,635	$232,732	$232,732	$438,675
2041	$4,444	$120,772	$1,523	$126,738	$0	$59,041	$23,225	$657	$82,923	$237,386	$237,386	$447,048
2042	$4,507	$123,187	$1,523	$129,217	$0	$59,885	$23,690	$657	$84,232	$242,134	$242,134	$455,584
2043	$4,572	$125,651	$1,523	$131,746	$0	$60,741	$24,164	$657	$85,562	$246,977	$246,977	$464,285
2044	$4,637	$128,164	$1,523	$134,324	$0	$61,610	$24,647	$657	$86,914	$251,916	$251,916	$473,154
2045	$4,704	$130,727	$1,523	$136,954	$0	$62,491	$25,140	$657	$88,288	$256,955	$256,955	$482,196

4.2 Employee Revenues

Along with the direct 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 employee tax impacts.

Employee property taxes are estimated at about $8,500 per year to the city, and an additional $86,000 per year to the school district, community college and county. All total, the project could generate about $2.4 million 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 $632,000 over 25 years. Additional sales taxes generated to the state are estimated at $1.4 million over 25 years. Sales tax revenues include taxes paid by direct employees of the building tenants 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 80 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 33 percent of their income on taxable goods. Based on Census Bureau estimates, 80 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 $1.5 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 6
EMPLOYEE REVENUES FROM VFW ADAPTIVE REUSE

	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
Total	**$212,170**	**$509,650**	**$1,059,842**	**$1,781,662**	**$2,144,221**	**$122,512**	**$457,317**	**$2,724,050**	**$1,372,136**	**$1,483,244**	**$2,855,379**	**$7,361,091**
2021	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2022	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2023	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2024	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2025	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2026	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2027	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2028	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2029	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2030	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2031	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2032	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2033	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2034	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2035	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2036	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2037	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2038	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2039	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2040	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2041	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2042	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2043	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2044	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444
2045	$8,487	$20,386	$42,394	$71,266	$85,769	$4,900	$18,293	$108,962	$54,885	$59,330	$114,215	$294,444

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 $1.75 million in TIF revenues from the District in the first 18 months. Total revenues to the state, county and city would exceed the value of property tax savings (in the absence of a GPLET) and TIF incentives during the term of the agreement.

Over the 25-year term, the direct public benefit to state and local jurisdictions is estimated at $9.9 million (Figure 7). In comparison, the benefit to the prime lessee is estimated at $2.2 million over the GPLET term, including the value of the TIF 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 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 $7.8 million over 25 years.

FIGURE 7
25-YEAR VALUE OF GPLET AND TIF

	Benefit to State and Local Governments					Benefit to Prime Lessee		
	City of Tucson	Rio Nuevo District	County and Schools	State	Total	Property Tax Less Lease Excise Tax	TIF	Total
Total	**$2,811,787**	**$1,404,830**	**$1,855,112**	**$3,864,506**	**$9,936,234**	**$408,419**	**$1,750,000**	**$2,158,419**
2020	$70,738	$76,179	$13,603	$76,179	$236,699	$0	$0	$0
2021	$86,144	$79,877	$60,732	$79,877	$306,630	$5,859	$1,250,000	$1,255,859
2022	$87,817	$81,475	$61,680	$81,475	$312,447	$6,517	$500,000	$506,517
2023	$89,524	$83,104	$62,644	$83,104	$318,376	$7,199	$0	$7,199
2024	$91,264	$84,766	$63,623	$84,766	$324,420	$7,905	$0	$7,905
2025	$93,039	$86,462	$64,618	$86,462	$330,580	$8,636	$0	$8,636
2026	$94,849	$88,191	$65,629	$88,191	$336,860	$9,393	$0	$9,393
2027	$96,695	$89,955	$66,656	$89,955	$343,261	$10,177	$0	$10,177
2028	$98,578	$91,754	$67,701	$91,754	$349,786	$10,988	$0	$10,988
2029	$100,498	$93,589	$68,762	$93,589	$356,437	$11,828	$0	$11,828
2030	$102,456	$95,461	$69,840	$95,461	$363,217	$12,696	$0	$12,696
2031	$104,453	$97,370	$70,936	$97,370	$370,129	$13,595	$0	$13,595
2032	$106,490	$99,317	$72,049	$99,317	$377,174	$14,524	$0	$14,524
2033	$108,567	$101,304	$73,181	$101,304	$384,355	$15,485	$0	$15,485
2034	$110,685	$103,330	$74,331	$103,330	$391,675	$16,478	$0	$16,478
2035	$112,846	$52,698	$75,500	$158,094	$399,138	$17,505	$0	$17,505
2036	$115,049	$0	$76,688	$215,008	$406,745	$18,567	$0	$18,567
2037	$117,296	$0	$77,895	$219,308	$414,499	$19,664	$0	$19,664
2038	$119,587	$0	$79,122	$223,695	$422,403	$20,797	$0	$20,797
2039	$121,924	$0	$80,368	$228,168	$430,461	$21,968	$0	$21,968
2040	$124,308	$0	$81,635	$232,732	$438,675	$23,178	$0	$23,178
2041	$126,738	$0	$82,923	$237,386	$447,048	$24,427	$0	$24,427
2042	$129,217	$0	$84,232	$242,134	$455,584	$25,717	$0	$25,717
2043	$131,746	$0	$85,562	$246,977	$464,285	$27,049	$0	$27,049
2044	$134,324	$0	$86,914	$251,916	$473,154	$28,424	$0	$28,424
2045	$136,954	$0	$88,288	$256,955	$482,196	$29,843	$0	$29,843

[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 $98 for the retail and restaurant, $107 for the office and $98 for the apartments were applied, resulting in a total LPV estimate of $2.2 million. It is assumed that the property value would increase by 2.5 percent per year over the next 25 years.

4.4 Summary

The VFW Adaptive Reuse 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 additional market rate housing options downtown, and create new retail, restaurant and office space in a previous vacant and neglected property.

A total of $1.75 million in TIF revenues would be provided to the developer in 2020 and 2021, which is $345,000 more than the amount of new TIF revenues anticipated to be generated by the project between 2020 and 2035. However, the benefit to local and state governments in the form of new sales and lease excise taxes over the next 25 years is $7.8 million greater than the benefit to the prime lessee of the TIF incentive and the GPLET.