APPLIED ECONOMICS

ECONOMIC AND REVENUE IMPACTS OF INDIAN TRADING POST RE-PURPOSING 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 and fiscal impact analysis of the proposed re-purposing of the historic Indian Trading Post, which includes a three-story 10,224 square foot vacant building located at 72 E. Congress Street in downtown Tucson. The proposed project includes a main floor restaurant, basement wine cellar and a second floor lounge and entertainment venue.

Bourn Companies currently own the property. The District is planning to purchase the property for a net cost of $500,000, and then invest $1.0 million to renovate the building to grey shell condition. In addition, the District would agree to reimburse the developer for up to $500,000 in tenant improvements for a total investment by the District of $2.0 million.

The project could be eligible for a Government Property Lease Excise Tax (GPLET) agreement that would result in the replacement of all real property taxes during 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, is typically less than the amount of property tax that would have been paid without the GPLET, typically resulting in an incentive to the lessee. This analysis is intended to provide a framework for understanding the economic and fiscal impacts of the project relative to the incentives being offered to address the statutory economic benefit requirement for the GPLET.

1.1 Project Description

The total construction cost is estimated at $3.5 million, based on information provided by the developer, and would include site work, hard and soft costs, tenant improvements. Note that this cost does not include the building purchase. The proposed restaurant, lounge and entertainment uses could support an estimated 50 jobs and taxable food and beverage sales and building lease payments of $7.2 million per year.

FIGURE 1
DEVELOPMENT ASSUMPTIONS

Development Type	Square Feet	Estimated Jobs	Annual Taxable Sales and Leases
Restaurant, Lounge, Entertainment Space	10,224	50	$7,200,000

2.0 IMPACT SUMMARY

The re-purposing of the Indian Trading Post in the Rio Nuevo District could provide economic benefits to both the city and the District.

- About 35 direct construction jobs and 10 additional indirect construction jobs could be supported in the City of Tucson during the construction period. The total economic impact of construction is estimated at $5.4 million over approximately 9 to 12 months.

- Once completed, the tenant businesses could generate an annual economic impact of $4.9 million, or a total of $122.4 million over the next 25 years of operations through 2049, which represents the term of the GPLET.

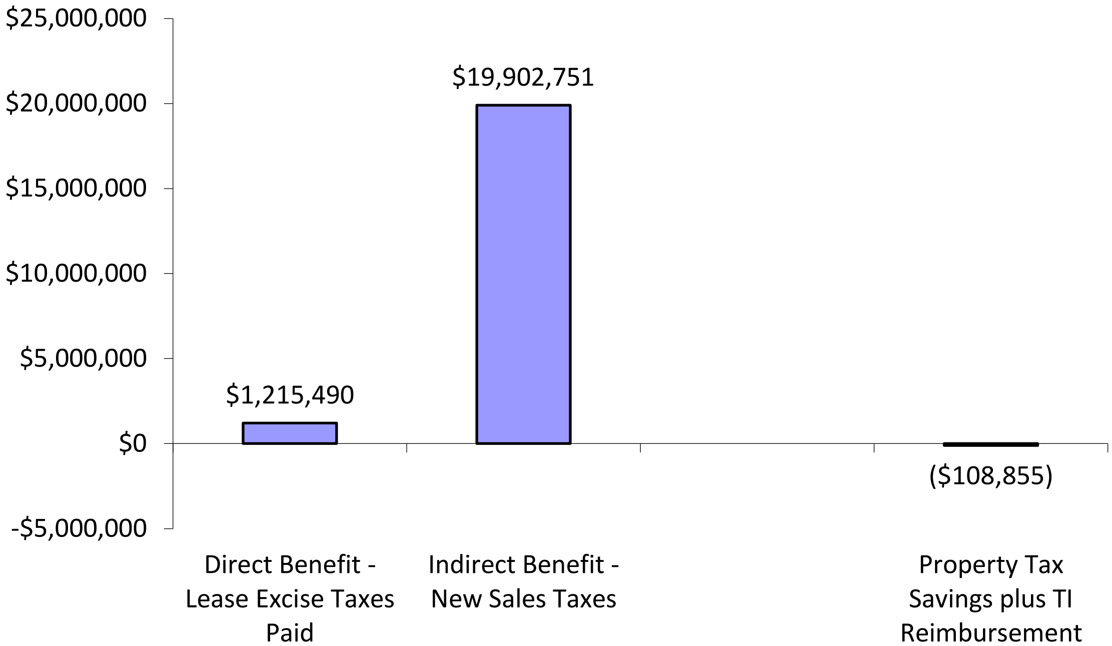
- This level of economic impact assumes that the restaurant, lounge and entertainment venue could directly support about 50 new jobs and $1.3 million in annual payroll. These business operations could also support an estimated 10 indirect jobs at other local businesses in Tucson. These indirect jobs are the result of business-to-business purchases made by the commercial tenants, as well as local spending by their employees.

- The proposed development agreement includes provisions for a $2.0 million investment by the District to purchase and renovate the building, and offset the cost of tenant improvements. It is anticipated that the tenants could generate $2.3 million in new TIF revenues to the District before 2035 when the TIF sunsets, which would exceed the value of the District's investment.

- In terms of other local tax revenues, the commercial tenants could directly generate an estimated $17.6 million in sales tax revenues to the city, regional transportation authority (RTA) and state from 2024 through 2049. Direct and indirect workers supported by the project could generate an additional $3.7 million in local and state revenues over 25 years.

- The Indian Trading post project could also qualify for a GPLET. The lease excise tax revenues associated with the GPLET are estimated at $1.2 million over 25 years. If granted, the benefit to the prime lessee from paying lease excise taxes instead of property taxes, plus the tenant improvement reimbursement, is estimated at -$108,000 over 25 years because the value of the lease excise taxes exceeds the amount of property tax that would have been paid in the absence of the GPLET (Figure 2). Thus, the benefit to the city, county and state would exceed the value of the GPLET to the prime lessee.

FIGURE 2
VALUE OF GPLET AND TIF WITH A 25-YEAR TERM



3.0 ECONOMIC IMPACT ANALYSIS

The economic impacts resulting from the re-purposing of the historic Indian Trading Post would include both the one-time construction impacts and on-going operations impacts for the tenant businesses. These impacts are quantified in terms of direct and indirect jobs, labor income and output that could be generated by the projects. 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 could benefit from this project.

3.1 Construction Impacts

The estimated construction costs for the project total $3.5 million, including an investment by the developer of $2.0 million for site work, hard costs and soft costs, plus an investment by the District of $1.5 million in grey shell improvements and tenant improvement reimbursements. Construction is anticipated to begin in the second half of 2023 and be completed in 2024.

The multiplier effects of this $3.5 million in construction spending are estimated to result in a total increase in economic activity of $5.4 million over the 9 to 12-month construction period (Figure 3). The approximately 35 direct jobs and 10 indirect jobs could result in more than $2.3 million in additional labor income in the City of Tucson during this period.

FIGURE 3
CONSTRUCTION IMPACTS

	Direct Impacts			Total Impacts		
	Expenditures	Jobs	Labor Income	Output	Jobs	Labor Income
Site Work and Hard Costs	$2,496,205	24	$1,232,170	$3,861,499	32	$1,657,641
Tenant Improvements	$1,000,000	11	$493,617	$1,546,948	13	$664,064
Total	$3,496,205	35	$1,725,788	$5,408,447	45	$2,321,705

[1] Includes $1.5 million in improvements made by the Rio Nuevo District.

3.2 Operations Impacts

Once construction is completed, the new tenants in the proposed project could create an estimated 50 permanent jobs based on the type of food and beverage providers that are envisioned in the ZFI Holdings proposal. The estimated annual economic impacts from on-going operations of these tenants are shown in Figure 4. The 50 new jobs and $1.3 million in estimated direct labor income or annual payroll could generate $3.3 million in direct economic output each year.

The multiplier effect of this increase in business activity could result in a total annual impact of $4.9 million, or $122.4 million over the next 25 years. The estimated 60 direct and indirect jobs supported by the re-purposing of the Indian Trading Post could result in about $1.8 million in total annual labor income in Tucson, or $45.4 million over the next 25 years.

FIGURE 4
ANNUAL ECONOMIC IMPACTS

	Direct Impacts			Total Impacts		
	Output	Jobs	Labor Income	Output	Jobs	Labor Income
2025	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2026	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2027	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2028	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2029	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2030	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2031	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2032	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2033	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2034	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2035	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2036	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2037	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2038	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2039	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2040	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2041	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2042	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2043	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2044	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2045	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2046	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2047	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2048	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
2049	$3,287,671	50	$1,326,774	$4,896,506	60	$1,816,850
25 Year Total	**$82,191,787**	**50**	**$33,169,353**	**$122,412,661**	**60**	**$45,421,253**

The direct and indirect jobs generated by this project could support an estimated local population of about 70 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 51 percent of the employees would live and work in Tucson, based on local commuting data from the Census.[1]

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 (which is similar to gross sales) into a corresponding increase in jobs and labor income. The total increase in output includes the impact of new demand on other local suppliers and consumer businesses. In essence, the

[1] https://onthemap.ces.census.gov/

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 full-service restaurants, other food and beverage services and commercial construction. The average output multiplier for this development is 1.5. This means that for every $1 million of annual output created by the tenant businesses, an additional $500,000 in economic activity and 3 local jobs are supported at other local businesses. On average, the income from these indirect jobs is estimated at about $49,000 per employee.

4.0 REVENUE IMPACTS

In addition to supporting jobs, labor income and output at related businesses in the city through multiplier effects, the new tenants in the Indian Trading Post building could also generate sales and lease excise tax revenues. Over 25 years, these tenants could generate an estimated $6.1 million in revenues to the city, $2.3 million to the District, $2.3 million to the county, schools and Regional Transportation Authority (RTA), and $10.3 million to the state, based on the assumptions used in this analysis.

4.1 Sales Tax Revenues

The re-purposing of the Indian Trading Post could result in construction sales tax and on-going sales from the restaurant, lounge and entertainment space. One-time sales taxes from construction are estimated at about $45,000 to the District, $50,000 to the city and RTA, and $45,000 to the state in 2023/24. On-going sales tax revenues associated with taxable food and beverage sales, and lease revenues, are estimated at $6.0 million to the city, $1.2 million to the RTA, $2.3 million to the District, and $10.3 million to the state over the 25-year period, based on assumptions used in this analysis. [2]

The District receives half of the 5.6 percent state sales tax on sales within the District above the base. Since all the taxable activity associated with the new restaurants and lounge space in the Indian Trading Post building would be new, it is assumed that the full 50 percent of the state 5.6 percent tax would be returned to the TIF district. While not directly related to the TIF revenues from this project, the District would reimburse the developer for up to $500,000 in tenant improvements, which is significantly less than the amount of new TIF revenues that could be generated.

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

FIGURE 5
ESTIMATED SALES TAX REVENUES FROM TENANT BUSINESSES

	Sales Tax[1]				
	Tucson	RTA	Rio Nuevo	State	Total Indirect Benefit
2024 (Const.)	$42,186	$8,113	$45,431	$45,431	$141,160
2025	$187,200	$36,000	$196,000	$196,000	$615,200
2026	$190,944	$36,720	$199,920	$199,920	$627,504
2027	$194,763	$37,454	$203,918	$203,918	$640,054
2028	$198,658	$38,203	$207,997	$207,997	$652,855
2029	$202,631	$38,968	$212,157	$212,157	$665,912
2030	$206,684	$39,747	$216,400	$216,400	$679,231
2031	$210,818	$40,542	$220,728	$220,728	$692,815
2032	$215,034	$41,353	$225,142	$225,142	$706,671
2033	$219,335	$42,180	$229,645	$229,645	$720,805
2034	$223,721	$43,023	$234,238	$234,238	$735,221
2035	$228,196	$43,884	$119,461	$358,384	$749,925
2036	$232,760	$44,761	$0	$487,403	$764,924
2037	$237,415	$45,657	$0	$497,151	$780,222
2038	$242,163	$46,570	$0	$507,094	$795,827
2039	$247,006	$47,501	$0	$517,236	$811,743
2040	$251,947	$48,451	$0	$527,580	$827,978
2041	$256,985	$49,420	$0	$538,132	$844,538
2042	$262,125	$50,409	$0	$548,895	$861,429
2043	$267,368	$51,417	$0	$559,873	$878,657
2044	$272,715	$52,445	$0	$571,070	$896,230
2045	$278,169	$53,494	$0	$582,491	$914,155
2046	$283,733	$54,564	$0	$594,141	$932,438
2047	$289,407	$55,655	$0	$606,024	$951,087
2048	$295,196	$56,768	$0	$618,145	$970,108
2049	$301,099	$57,904	$0	$630,507	$989,511
Total	**$6,038,258**	**$1,161,203**	**$2,311,038**	**$10,335,702**	**$19,846,201**

[1] Taxable sales and rents are increased at a rate of 2 percent per year to reflect inflation.

4.2 Lease Excise Revenues

This project could be eligible for a GPLET that would result in payment of lease excise tax revenues instead of property taxes. Under state statute, an excise tax is established annually based on the type of use and gross building square footage. The GPLET requires that the land and improvements be conveyed to a government entity and then leased back for private use. At a 2023 excise rate of $3.57 per square foot, the property could generate $36,500 in annual excise taxes. The GPLET begins when the certificate of occupancy is issued. Seven percent of the lease excise tax would be 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 $1.2 million over 25 years from 2025 to 2049 (Figure 6).[3]

[3] *Lease excise tax rates are adjusted annually based on the percent change in the two most recent years of producer price indices for new construction. For this analysis, a 2.3 percent increase is applied annually beginning in 2026.*

FIGURE 6
ESTIMATED LEASE EXCISE TAX REVENUES

	Lease Excise Tax				
	City of Tucson	Tucson Unified District	Community Colleges	Pima County	Total Direct Benefit
2025	$2,555	$26,645	$2,555	$4,745	$36,500
2026	$2,614	$27,259	$2,614	$4,854	$37,340
2027	$2,674	$27,886	$2,674	$4,966	$38,201
2028	$2,736	$28,529	$2,736	$5,080	$39,080
2029	$2,799	$29,186	$2,799	$5,197	$39,981
2030	$2,863	$29,858	$2,863	$5,317	$40,902
2031	$2,929	$30,546	$2,929	$5,440	$41,844
2032	$2,997	$31,250	$2,997	$5,565	$42,808
2033	$3,066	$31,969	$3,066	$5,693	$43,794
2034	$3,136	$32,706	$3,136	$5,824	$44,802
2035	$3,208	$33,459	$3,208	$5,958	$45,834
2036	$3,282	$34,230	$3,282	$6,096	$46,890
2037	$3,358	$35,018	$3,358	$6,236	$47,970
2038	$3,435	$35,825	$3,435	$6,380	$49,075
2039	$3,514	$36,650	$3,514	$6,527	$50,206
2040	$3,595	$37,494	$3,595	$6,677	$51,362
2041	$3,678	$38,358	$3,678	$6,831	$52,545
2042	$3,763	$39,241	$3,763	$6,988	$53,755
2043	$3,850	$40,145	$3,850	$7,149	$54,994
2044	$3,938	$41,070	$3,938	$7,314	$56,260
2045	$4,029	$42,016	$4,029	$7,482	$57,556
2046	$4,122	$42,984	$4,122	$7,655	$58,882
2047	$4,217	$43,974	$4,217	$7,831	$60,238
2048	$4,314	$44,987	$4,314	$8,011	$61,626
2049	$4,413	$46,023	$4,413	$8,196	$63,045
Total	**$85,084**	**$887,308**	**$85,084**	**$158,014**	**$1,215,490**

4.3 Employee Revenues

In addition to sales and lease excise taxes generated by the re-purposing of the Indian Trading Post, there could also be taxes generated by new employees. Using the results from the economic impact analysis, it is possible to estimate employee tax impacts based on the number of direct and indirect jobs. Employee taxes could total over $3.7 million during the term of the GPLET.

Employee property taxes are estimated at about $4,000 per year to the city, and an additional $37,000 per year to the school district, community college and county. In total, the project could generate about $1.0 million in employee property tax revenues from 2025 to 2049, based on the assumptions used in this analysis (Figure 7). 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 13.9 percent.

Employee sales taxes to the city and RTA are estimated at $274,000 over 25 years. Additional employee sales taxes generated to the state are estimated at $839,000 over 25 years. Sales tax revenues include sales taxes on household spending by employees at the commercial tenants in the project, and indirect employees at other supported local businesses. Employee sales taxes are estimated by multiplying total labor income from the economic impact by 33 percent (share of taxable expenditures), multiplied by 51 percent of employees living in the city, and then multiplied by the sales tax rate.[4] No residency ratio is used for RTA or state sales tax.

State shared income and sales taxes that are distributed to the city and county on a per capita basis are estimated at $533,000 to the city and $318,000 to the county over 25 years. This assumes an estimated supported population of 70 people living in Tucson and associated with the project and current per capita distribution rates.

In terms of personal income tax, direct and indirect employees could generate an estimated $662,000 in revenues to the state from 2025 to 2049. Income taxes are calculated using average income per employee and current schedules from the Arizona Department of Revenue.

FIGURE 7
EMPLOYEE REVENUES

	City of Tucson				County, RTA and Schools				State of Arizona			
	Property	Sales	State Shared Revenues	City Total	Property	Sales	State Shared Revenues	County/ School Total	Sales	Personal Income	State Total	Total Employee Revenues
2024	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2025	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2026	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2027	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2028	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2029	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2030	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2031	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2032	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2033	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2034	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2035	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2036	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2037	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2038	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2039	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2040	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2041	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2042	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2043	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2044	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2045	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2046	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2047	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
2048	$4,283	$7,950	$21,324	$33,557	$37,454	$2,998	$12,713	$53,165	$33,575	$26,485	$60,060	$146,783
Total	$107,071	$198,754	$533,105	$838,930	$936,359	$74,945	$317,831	$1,329,135	$839,385	$662,113	$1,501,498	$3,669,563

[4] *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 commuting estimates, 51 percent of people who work in Tucson also live in the city.*

4.4 GPLET Impacts

During the 25-year GPLET term, the lessee would pay lease excise tax instead of real property tax. In this case, the amount of lease excise tax exceeds the estimated property taxes, so there is effectively no incentive to the developer from the GPLET. The developer could also receive up to $500,000 in reimbursements from the District to offset the cost of tenant improvements as an additional incentive.

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 within the term of the development agreement. To meet the statutory requirements, it is necessary to show that public benefits created by the project would exceed the value of forgone property taxes during the 25-year term. While the information on sales and other tax revenues generated by the project may be useful to decision-makers, it is not a qualifying public benefit.

The property taxes that would have been paid in the absence of the GPLET are estimated at $607,000 over the 25-year term, of which $62,000 would have gone to the city of Tucson, $316,000 would have gone to Tucson Unified School District (TUSD) and the community colleges, and the remaining $229,000 would have gone to Pima County and other special districts (Figure 8). In comparison, the amount of lease excise taxes paid is estimated at $1.2 million. Lease excise taxes represent a public benefit created by the GPLET. The amount of lease excise taxes paid exceeds the amount of estimated property taxes by $609,000 over 25 years.

The foregone property tax revenues are estimated using average limited property value (LPV) per square foot for comparable retail and restaurants in the downtown area. An average limited property value per square foot of $108 was used, resulting in a total post-redevelopment LPV estimate of $1.1 million. It is assumed that the property value would increase by an average of 2.5 percent per year, based on recent increases in LPV for comparable properties, and statutory limitations. A 16 percent assessment ratio was applied to LPV in 2025 to estimated taxable value. The scheduled reduction in the commercial assessment ratio of 0.5 percent per year through 2027 is included in the property tax estimates. Note that LPV, on which property taxes are based, is generally significantly lower than the market value of the building.

FIGURE 8
ESTIMATED FOREGONE PROPERTY TAXES

Year	City of Tucson	TUSD and Community College	Pima County	Other Special Districts	Total Property Tax
2025	$2,526	$12,821	$7,416	$1,851	$24,613
2026	$2,508	$12,731	$7,364	$1,838	$24,440
2027	$2,488	$12,628	$7,304	$1,823	$24,243
2028	$2,488	$12,628	$7,304	$1,823	$24,243
2029	$2,488	$12,628	$7,304	$1,823	$24,243
2030	$2,488	$12,628	$7,304	$1,823	$24,243
2031	$2,488	$12,628	$7,304	$1,823	$24,243
2032	$2,488	$12,628	$7,304	$1,823	$24,243
2033	$2,488	$12,628	$7,304	$1,823	$24,243
2034	$2,488	$12,628	$7,304	$1,823	$24,243
2035	$2,488	$12,628	$7,304	$1,823	$24,243
2036	$2,488	$12,628	$7,304	$1,823	$24,243
2037	$2,488	$12,628	$7,304	$1,823	$24,243
2038	$2,488	$12,628	$7,304	$1,823	$24,243
2039	$2,488	$12,628	$7,304	$1,823	$24,243
2040	$2,488	$12,628	$7,304	$1,823	$24,243
2041	$2,488	$12,628	$7,304	$1,823	$24,243
2042	$2,488	$12,628	$7,304	$1,823	$24,243
2043	$2,488	$12,628	$7,304	$1,823	$24,243
2044	$2,488	$12,628	$7,304	$1,823	$24,243
2045	$2,488	$12,628	$7,304	$1,823	$24,243
2046	$2,488	$12,628	$7,304	$1,823	$24,243
2047	$2,488	$12,628	$7,304	$1,823	$24,243
2048	$2,488	$12,628	$7,304	$1,823	$24,243
2049	$2,488	$12,628	$7,304	$1,823	$24,243
Total	**$62,249**	**$315,999**	**$182,776**	**$45,611**	**$606,635**

Based on a property tax rate of 13.93% in tax rate area 0163. Property values are increased at a rate of 2.5 percent per year.

Over the 25-year term, the direct public benefit to state and local governments is estimated at $1.2 million, based on the amount of lease excise taxes paid (Figure 9). In comparison, the benefit to the prime lessee is estimated at -$108,000 over the GPLET term. 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, plus the value of the tenant improvement reimbursements paid by the District. The project meets the public benefit requirement for a GPLET, however in this case where the amount of lease excise tax paid exceeds the amount of property taxes that would have been paid in the absence of a GPLET, there is no net benefit to the prime lessee.

FIGURE 9
25-YEAR VALUE OF GPLET AND TIF REIMBURSEMENT

	Benefit to State and Local Governments			Benefit to Prime Lessee			
	City of Tucson	County and Schools	Total	Property Tax Savings[1]	Lease Excise Tax Paid	Tenant Improvement Reimb.	Net Savings
2024	$0	$0	$0	$0	$0	$500,000	$500,000
2025	$2,555	$33,945	$36,500	$24,613	($36,500)	$0	($11,887)
2026	$2,614	$34,727	$37,340	$24,440	($37,340)	$0	($12,901)
2027	$2,674	$35,526	$38,201	$24,243	($38,201)	$0	($13,958)
2028	$2,736	$36,345	$39,080	$24,243	($39,080)	$0	($14,838)
2029	$2,799	$37,182	$39,981	$24,243	($39,981)	$0	($15,738)
2030	$2,863	$38,038	$40,902	$24,243	($40,902)	$0	($16,659)
2031	$2,929	$38,915	$41,844	$24,243	($41,844)	$0	($17,601)
2032	$2,997	$39,811	$42,808	$24,243	($42,808)	$0	($18,565)
2033	$3,066	$40,728	$43,794	$24,243	($43,794)	$0	($19,551)
2034	$3,136	$41,666	$44,802	$24,243	($44,802)	$0	($20,560)
2035	$3,208	$42,626	$45,834	$24,243	($45,834)	$0	($21,592)
2036	$3,282	$43,608	$46,890	$24,243	($46,890)	$0	($22,647)
2037	$3,358	$44,612	$47,970	$24,243	($47,970)	$0	($23,727)
2038	$3,435	$45,640	$49,075	$24,243	($49,075)	$0	($24,832)
2039	$3,514	$46,691	$50,206	$24,243	($50,206)	$0	($25,963)
2040	$3,595	$47,767	$51,362	$24,243	($51,362)	$0	($27,119)
2041	$3,678	$48,867	$52,545	$24,243	($52,545)	$0	($28,302)
2042	$3,763	$49,993	$53,755	$24,243	($53,755)	$0	($29,513)
2043	$3,850	$51,144	$54,994	$24,243	($54,994)	$0	($30,751)
2044	$3,938	$52,322	$56,260	$24,243	($56,260)	$0	($32,018)
2045	$4,029	$53,527	$57,556	$24,243	($57,556)	$0	($33,314)
2046	$4,122	$54,760	$58,882	$24,243	($58,882)	$0	($34,639)
2047	$4,217	$56,022	$60,238	$24,243	($60,238)	$0	($35,996)
2048	$4,314	$57,312	$61,626	$24,243	($61,626)	$0	($37,383)
2049	$4,413	$58,632	$63,045	$24,243	($63,045)	$0	($38,803)
Total	**$85,084**	**$1,130,406**	**$1,215,490**	**$606,635**	**($1,215,490)**	**$500,000**	**($108,855)**

[1] Based on a property tax rate of 13.93% in tax rate area 0163.

4.5 Summary

The re-purposing of the Indian Trading Post building described in this analysis could create both economic and fiscal benefits for the Rio Nuevo District and the City of Tucson. The adaptive reuse of this property could support new jobs and payroll and create additional tax revenues for the District and the city on a long-term basis. Over the 25-year GPLET term, this project could generate an estimated $2.3 million in TIF revenues to the District. The project also meets the net benefit requirement for a 25-year GPLET, based on the estimated amount of lease excise taxes generated versus the amount of exempted property taxes.