



APPLIED ECONOMICS

**RANGE OF FISCAL IMPACTS
FOR PARKWAY 303 WEST ANNEXATION
INTO THE CITY OF GLENDALE**

AUGUST 2021

Introduction

The following summary presents the fiscal impacts of annexation for Parkway 303 West, which will include 262 acres with 3.4 million square feet of planned light industrial development and 65,850 square feet of commercial development. Parkway 303 West is located on the west side of the Loop 303, at the SEC of Cotton Lane and Peoria Avenue. Given the size of this annexation area, detail on specific users within the light industrial and commercial portions of the annexation is not yet known. Therefore, this analysis presents a range of possible impacts based on hypothetical scenarios for the types of light industrial users and commercial that could develop in this area.

The potential types of light industrial users include: 1) an unoccupied shell building; 2) leased warehouse; and 3) leased manufacturing. Various assumptions were developed for each scenario regarding employment density, lease rate and capital investment (construction and FF&E). The commercial buildings are assumed to include 26% restaurants, 37% services and 37% retail based on the preliminary site plan and building sizes. While the assumptions are based on recent projects, as well as published sources for lease rates and construction costs, they are simply intended to show a general range of possible economic and fiscal impacts.

Another potential user for light industrial space is e-commerce, specifically fulfillment centers that represent point of sale for shipments. These types of projects are highly competitive and they can yield a significant amount of sales tax revenue. However, since there are a limited number of these projects looking at the Phoenix metro area, this type of potential user was not explicitly considered in the analysis.

The fiscal impacts for Parkway 303 West do not include any new lane miles of arterial streets that would be taken in to the city for on-going maintenance. Olive Avenue and Cotton Lane that border the property on the south and west are county roads, and Peoria Avenue that borders the property on the north is in the City of Surprise.

The point of this exercise is simply to frame what each type of user could bring to the City of Glendale in terms of the number and quality of jobs as well as the fiscal impacts, and how that result could be scaled to Parkway 303 West. Note that there are often tradeoffs between high quality jobs and revenue generation at the city level.

Project Assumptions

The table below presents the results for 1 million square feet of each light industrial user type in terms of capital investment, jobs and wage levels, annual fiscal impacts (revenues less expenditures for city operating funds), one-time fees (construction sales tax, development impact fees, estimated permit fees) and overall ranking. This is followed by the “blended average” for Parkway 303 West that includes 1.7 million square feet of warehousing, and 1.7 million square feet of manufacturing for a total of 3.4 million square feet. The total number of square feet of light industrial uses is consistent with the preliminary site plan for Parkway 303 West. In addition, the table shows the impacts for the 65,850 square feet of commercial space.

**COMPARATIVE IMPACTS OF POTENTIAL LIGHT INDUSTRIAL AND COMMERCIAL USERS
AND PARKWAY 303 WEST BLENDED AVERAGE**

Building Use	Building Square Feet	Building Construction (millions)	FF&E (millions)	Jobs	Average Wage	One-Time Fees*	Annual Revenues less Expenditures	Overall Ranking
Empty Shell	1,000,000	\$77.0	\$0.0	0	\$0	\$2,420,000	\$40,000	Low
Leased Warehouse	1,000,000	\$126.9	\$22.0	400	\$43,926	\$3,790,000	\$200,000	Medium
Leased Manufacturing	1,000,000	\$140.4	\$100.0	833	\$49,107	\$4,170,000	\$260,000	High
Parkway 303 West Blended Average Industrial (1,679,750 SF warehouse, 1,679,750 SF manufacturing)	3,359,500	\$449.0	\$549.0	2,070	\$47,427	\$13,370,810	\$770,000	Medium
Commercial (restaurant, service, retail)	65,850	\$10.5	\$0.0	170	\$36,833	\$420,000	\$420,000	High
Blended Avg + Commercial	3,425,350	\$459.5	\$549.0	2,240	\$46,623	\$13,790,810	\$1,190,000	High

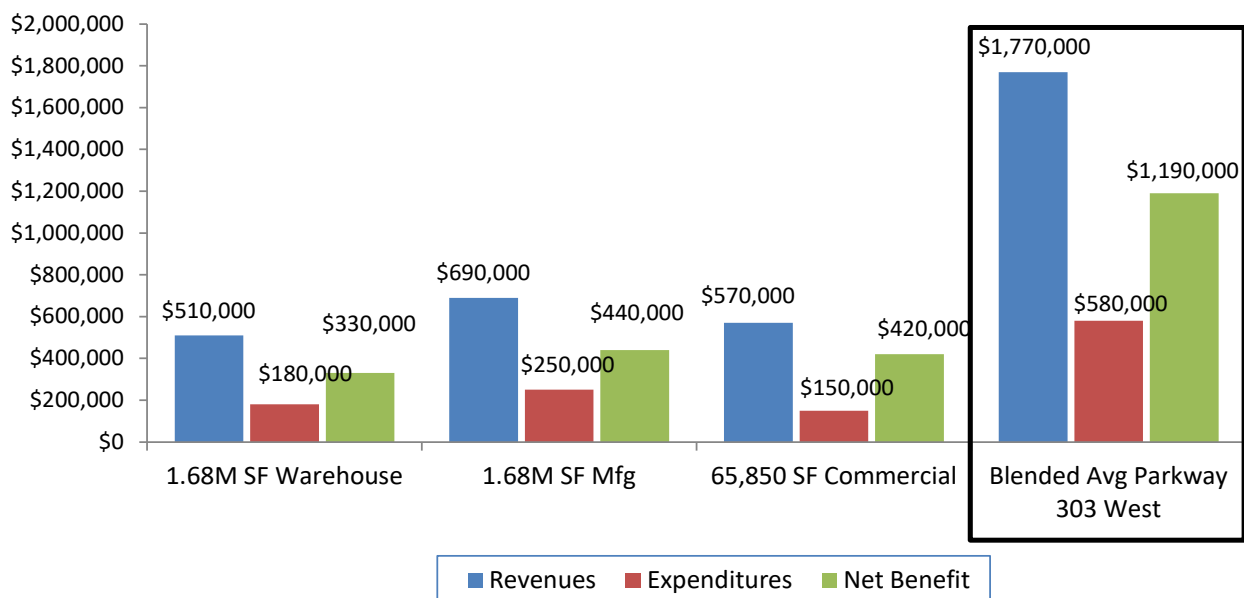
*One Time Fees include construction sales tax, estimated planning and permitting fees and development impact fees in West Glendale.

- Capital investment** is represented by a combination of building costs and FF&E for the light industrial uses, both of which generate property taxes for the city. Construction activity also results in significant one-time sales taxes. Manufacturing has higher capital investment than other uses based on the nature of their operations and the corresponding building and equipment requirements. The leased warehouse has less capital investment than manufacturing. The empty shell represents the low end with an unfinished building and no equipment, and is a temporary condition. The total construction cost for Parkway 303 West is roughly estimated at \$449.0 million for light industrial and \$10.5 million for commercial, although given the rapid increases in construction materials costs, these should be viewed as order of magnitude estimates.
- Jobs and average wages** are important not only in terms of the number of jobs created, but also the quality of jobs as represented by average wages. To the extent that workers live in Glendale, higher wages translate into more taxable spending and higher value housing. Typical warehouse operations create a limited number of jobs and typically at lower wage levels. On the higher end of the spectrum, manufacturing represents a relatively high job density, among light industrial uses, with above average wages. Note that manufacturing wages vary significantly based on the type of product being produced. It is estimated that the light industrial development in Parkway 303 West could support about 2,070 jobs at an average wage of \$47,000. For the commercial development, a mix of retail, services and restaurants is assumed that could support an estimated 170 jobs at an average wage of \$37,000.

Fiscal Results

- One-time fees** are related to construction and are generally proportional to the construction cost because construction sales taxes make up the largest share of one-time fees. Development impact fees (DIF) are the same for all types of light industrial uses since they are based on building square footage, but commercial fee schedules are applied to the other proposed uses in this annexation area. One-time fees also include estimated planning and permitting fees that are generally proportional to construction costs. **Total one-time fees for Parkway 303 West, including light industrial and commercial uses, are estimated at \$13.8 million.** This number does not include any streets DIF fees or the value of any infrastructure constructed by the developer.
- The **annual fiscal impacts** represent the net value of these different types of uses to the city in terms of **revenues less expenditures**. *These annual fiscal impacts are intended to be order of magnitude only.* For each type of user, there are a variety of factors imbedded in the assumptions that will affect the magnitude of fiscal impacts for individual users including the level of capital investment, the lease rate and the presence of taxable sales. **The potential types of light industrial users that are anticipated for Parkway 303 West results in an average net impact to the city of \$770,000 per year, excluding one-time revenues. The commercial component yields a net impact of \$420,000 per year for a total net impact of \$1.2 million per year.**
- The **overall rankings** show low impacts for the empty shell, medium impacts for leased warehouse, and high impacts for leased manufacturing and commercial. The combination of uses proposed for Parkway 303 West could produce a relatively strong net impact, depending on the specific types of light industrial and commercial uses and the share of tenants with taxable sales.

ANNUAL FISCAL IMPACTS FOR PARKWAY 303 WEST BLENDED AVERAGE



Summary

These results frame the possibilities for how the Parkway 303 West annexation may affect the city. In summary, all of the user types shown here generate a positive net fiscal impact, but at varying magnitudes. This project is also generally larger in scale than some of the other light industrial annexations in this area. The long-term net impacts (revenues less expenditures) for Parkway 303 West include \$330,000 per year for 1.7 million square feet of warehouse space and \$440,000 per year for 1.7 million square feet of manufacturing space, excluding one-time taxes and fees. The 65,850 square feet of commercial space could yield a proportionally large net impact of \$420,000. The annual net impact for Parkway 303 West as a whole is estimated at \$1.2 million per year, including \$1.8 million in combined annual revenues and \$580,000 in annual expenditures. Estimated annual revenues exceed expenditures for the development overall by 205 percent.

This analysis is intended as a general example of the range of possible impacts for development in Parkway 303 West. The actual fiscal impacts will depend on the mix of final users, as well as other factors such as capital investment, lease rates, taxable sales and other project details.