



APPLIED ECONOMICS

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**RANGE OF FISCAL IMPACTS  
FOR ERGAS 303 ANNEXATION**

**AUGUST 2021**

## **Introduction**

The following summary presents the fiscal impacts of annexation for the Ergas 303 property, which includes 63.15 gross acres that is anticipated to develop as light industrial development. The Ergas 303 property is located on the east side of Cotton Lane, midway between Northern Avenue and Glendale Avenue. Detail on specific users is not yet known; therefore this analysis presents a range of possible impacts based on hypothetical scenarios for the types of light industrial uses that could develop in this area.

The potential types of uses include: 1) an unoccupied shell building; 2) leased warehouse; and 3) leased manufacturing. Various assumptions were developed for each scenario regarding employment density, lease rates and capital investment (construction and FF&E). While these 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 use 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 use was not explicitly considered in the analysis.

The point of this exercise is simply to frame what each type of use could bring to the city in terms of the number and quality of jobs, as well as the fiscal impacts, and how that result could be scaled to the Ergas 303 property. Note that there are often tradeoffs between high-quality jobs and revenue generation for light industrial uses.

## **Project Assumptions**

The table below presents the results for 1 million square feet of each 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 Ergas 303 that includes 527,000 square feet of warehousing and 527,000 square feet of manufacturing for a total of 1.05 million square feet in four buildings. The total number of square feet is consistent with the parcel size and the proposed site plan. It is assumed that all of the buildings would be leased, which affects the amount of sales taxes generated by the property. Although the property has frontage along Cotton Lane, it will remain a county road and no new lane miles would be added to the city for on-going maintenance.

**COMPARATIVE IMPACTS OF POTENTIAL LIGHT INDUSTRIAL USERS  
AND ERGAS 303 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          | \$2,417,000    | \$40,000                          | Low             |
| Leased Warehouse  | 1,000,000            | \$126.9                          | \$22.0          | 400  | \$43,926     | \$3,794,000    | \$200,000                         | Medium          |
| Leased Manufacturing  | 1,000,000            | \$140.4                          | \$100.0         | 833  | \$53,177     | \$4,167,000    | \$260,000                         | High            |
| <b>Ergas 303 Blended Average</b> (50% warehouse, 50% manufacturing) | 1,053,540            | \$140.8                          | \$64.3          | 650  | \$48,552     | \$4,194,000    | \$250,000                         | 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, 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 Ergas 303 is estimated at \$140.8 million for 1.1 million square feet of light industrial space.
- 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 with generally lower average wages than manufacturing. Manufacturing represents a relatively high job density, among light industrial uses, with above average wages. However manufacturing wages vary significantly based on the type of product being produced. It is estimated that the light industrial development in Ergas could support about 650 jobs at an average wage of \$49,000.

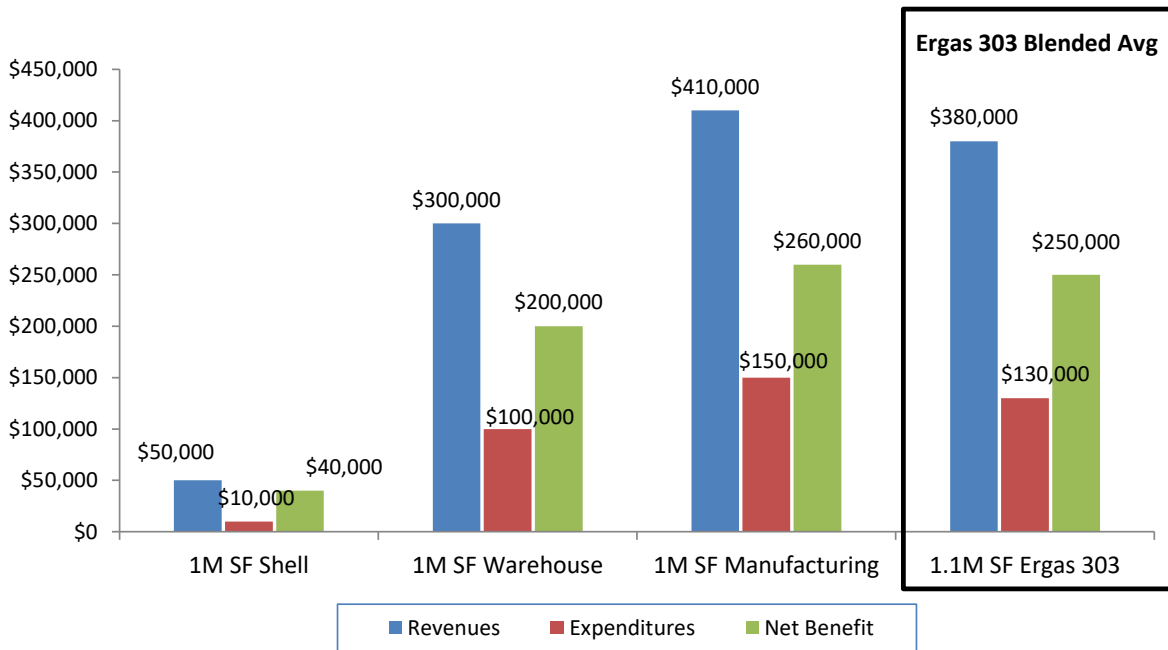
**Fiscal Results**

- 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. One-time fees also include estimated planning and permitting fees that are generally proportional to construction costs. **Total one-time fees for Ergas 303 are estimated at \$4.2 million.** This number does not include any streets DIF fees or the value of any infrastructure that may be constructed by the developer.
- The **annual fiscal impacts** represent the net value of these different types of light industrial users 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 use, 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, amount of new street lane miles added, lease rates and the presence of taxable sales. **The combination of light industrial users that are anticipated for Ergas 303 could result in a net impact to the city of \$250,000 per year, excluding one-time revenues.**

- The **overall rankings** show low impacts for the shell building, medium impacts for leased warehouse, and high impacts for leased manufacturing. These three scenarios represent the typical possibilities for light industrial land in Glendale. The combination of uses proposed for Ergas 303 would produce a relatively high net impact, given the range of possibilities for light industrial uses.

**ANNUAL FISCAL IMPACTS OF STANDARD LIGHT INDUSTRIAL USERS AND ERGAS 303 ANNEXATION**



**Summary**

These results frame the range of potential impacts that the Ergas 303 annexation could have on the city budget. All of the user types shown here generate a positive net fiscal impact, but at varying magnitudes. The long-term net impacts (revenues less expenditures) for Ergas 303 are estimated at \$250,000 per year, including \$380,000 in annual revenues and \$130,000 in annual expenditures, excluding one-time taxes and fees. The magnitude of the impacts is proportional to the size of the development and relatively modest, although estimated annual revenues exceed expenditures by 192 percent.

This analysis is intended to illustrate the range of possible impacts for development in the Ergas 303 annexation. The actual fiscal impacts will depend on the mix of final users, as well as other factors such as capital investment, lease rates and other project details.