



APPLIED ECONOMICS

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

DECEMBER 2022

Introduction

The following summary presents the fiscal impacts of annexation for LaPour 303 on the NWC of Bethany Home Road and the Loop 303. The site includes approximately 9 acres and the applicant is PAD zoning that allows for both commercial uses and light industrial uses. Detail on a specific user is not yet known; therefore, this analysis presents a range of possible impacts based on hypothetical scenarios for the types of light industrial or commercial uses that could develop in this area.

The potential types of uses include: 1) an unoccupied shell building; 2) warehouse; 3) manufacturing; and 4) heavy commercial. Various assumptions were developed for each scenario regarding employment density, lease rates, taxable sales, 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 that are possible on this site. The point of this exercise is 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 LaPour 303 annexation.

Project Assumptions

The table below shows the results for 20,000 square feet of each type of use, consistent with the size of the proposed building for this site. Details include estimated construction and equipment costs, 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 LaPour 303 that includes 20,000 square feet of built space with assumptions and results that reflect an average of the manufacturing, warehouse and heavy commercial scenarios. The total number of square feet is consistent with the parcel size and the proposed site plan.

In the manufacturing, warehouse and heavy commercial scenarios, it is assumed that half of the space would be leased and would generate taxable sales (in the form of lease revenues). While it is likely that the building would only have a single tenant, the 50% lease assumption reflects the probability that the property could be leased versus owner-occupied. The heavy commercial scenario also assumes \$150 per square foot in taxable sales, most likely from a showroom or equipment rental operation. For all scenarios, this analysis assumes that there would be no additional road miles annexed into the city for maintenance.

**COMPARATIVE IMPACTS OF POTENTIAL LIGHT INDUSTRIAL OR HEAVY COMMERCIAL USERS
AND LAPOUR 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	20,000	\$1.58	\$0.0	0	\$0	\$63,000	\$700	Low
Warehouse	20,000	\$3.05	\$0.4	8	\$44,295	\$99,000	\$4,000	Medium
Manufacturing	20,000	\$3.14	\$2.0	17	\$82,508	\$101,000	\$6,000	Medium
Heavy Commercial	20,000	\$3.05	\$0.4	8	\$77,455	\$101,000	\$73,000	High
LaPour 303 Blended Average (warehouse, manufacturing, commercial)	20,000	\$3.08	\$1.0	11	\$63,402	\$100,000	\$27,000	Medium

*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 one-time sales taxes. Manufacturing operations typically have a higher capital investment than other uses based on the nature of their process and the corresponding equipment requirements, however given the recent reduction in Arizona’s depreciation rates for Class 1 business personal property, large capital investments in equipment no longer have a significant impact on property tax revenues. The leased warehouse and heavy commercial in this analysis have a slightly lower projected construction costs than the manufacturing pro-forma and less equipment. The empty shell represents the low end with an unfinished building and no equipment, and is a temporary condition. The blended average construction cost for LaPour 303 is estimated at \$3.08 million for 20,000 square feet of warehouse, manufacturing or heavy commercial 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 and heavy commercial operations create a limited number of jobs with lower average wages than manufacturing. Manufacturing represents a relatively higher 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 proposed development in LaPour 303 could support about 11 jobs at an annual wage of \$63,000 based on the average for these scenarios.

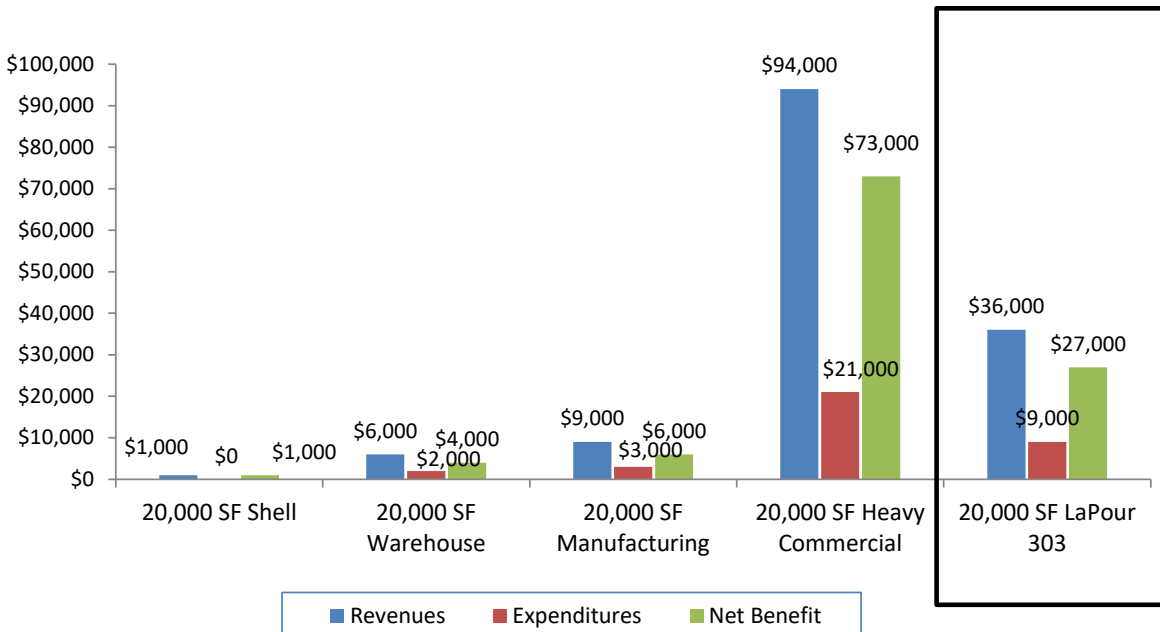
Fiscal Results

- 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 and heavy commercial 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. **Blended average one-time fees for LaPour 303 are**

estimated at \$100,000. 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 and heavy commercial 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, employment density, lease rates and the presence of taxable sales. Note that industrial lease rates have increased significantly in the past six months, contributing to higher annual revenue impacts due to increased sales taxes. **The blended average of warehouse, manufacturing and heavy commercial users that are possible for LaPour 303 could result in an annual net impact to the city of \$27,000 per year, excluding one-time revenues.** While this may seem like a very small amount, it is important to keep in mind that these impacts are proportional to the size of the proposed development on this parcel and the ratio of revenues to expenditures is quite high.
- The **overall rankings** show low impacts for the shell building, medium impacts for leased warehouse, and medium impacts for leased manufacturing, given the reduced importance of equipment investment relative to property taxes, and high impacts for heavy commercial due to the presence of taxable sales. These four scenarios represent the typical possibilities for a parcel of this size with PAD zoning. The blended average of potential uses for the LaPour 303 site could produce a medium net impact, given the range of possibilities for light industrial uses.

**ANNUAL FISCAL IMPACTS OF STANDARD LIGHT INDUSTRIAL AND HEAVY COMMERCIAL USERS
LAPOUR 303 ANNEXATION**



Summary

These results frame the range of potential impacts that the LaPour 303 annexation could have on the city budget. All of the user types shown here generate positive net fiscal impacts, but at varying magnitudes. The long-term net impacts (revenues less expenditures) for LaPour 303 are estimated at \$27,000 per year, including \$36,000 in annual revenues and \$9,000 in annual expenditures, excluding one-time taxes and fees. The magnitude of the impacts is proportional to the size of the development at 20,000 square feet and the estimated number of employees, with annual revenues exceeding expenditures by 300 percent based on the assumptions used in this analysis.

This analysis is intended to illustrate the range of possible impacts for development for the LaPour 303 annexation. The actual fiscal impacts will depend on the type of end user, as well as other factors such as construction cost and building value, taxable sales and leases, employment density and other project details.