



APPLIED ECONOMICS

**FISCAL IMPACTS OF
AN 244 CARIOCA PEORIA AVE & SARIVAL
ANNEXATION INTO THE CITY OF GLENDALE**

OCTOBER 2022

Introduction

The following summary presents the fiscal impacts of annexation for the Carioca Peoria Ave and Sarival annexation, which includes 10.8 gross acres at the SEC of Peoria Avenue and Sarival Avenue. At the present time there are plans for a fuel station and a 7,000 square foot convenience store at the southeast corner of the site. Based on the amount of remaining developable land, and the mix of development in a typical commercial corner of this size, it is assumed that the site could support a total of 38,100 square feet at build out. The assumptions regarding construction costs, taxable sales per square foot, and average wages are based on published sources and are intended as a general estimate of the possible fiscal impacts of this project.

The point of this exercise is to frame what this size of site developed with commercial uses could bring to the city in terms of the number and quality of jobs as well as the fiscal impacts. Note that there are often tradeoffs between high quality jobs and revenue generation at the city level.

Project Assumptions

Figure 1 below shows the square feet by type of use and the assumptions regarding taxable sales and leases. For the purpose of this analysis, it is assumed that the convenience store would be owner-occupied, and the remaining space would be 50 percent leased and 50 percent owner occupied. For the retail/service space, it is assumed that 30 percent of the space would be services and would not generate sales taxes.

Figure 2 presents the impact results for 38,100 square feet of retail and restaurant space 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 fiscal impact includes 0.29 lane miles of new street frontage along Sarival Avenue (assuming 770 linear feet and 2 lanes) that would be taken into the city for maintenance. There would be no new lane miles on Peoria Avenue, which is in the City of Surprise.

FIGURE 1
DEVELOPMENT ASSUMPTIONS

Building Type	Square Feet/Units	Percent Taxable Retail	Taxable Sales Per Sq Ft	Annual Lease	Percent Leased
Total	38,100				
Restaurant	9,525	100%	\$500	\$17.52	50%
Convenience Store	7,000	100%	\$300	na	0%
Gas Station	na	0%	\$0	na	0%
Retail/Services	22,479	70%	\$200	\$17.52	50%

Sources: Lease rates - Cushman & Wakefield Q3 2022 Retail Market Reports; Construction cost - Gordian Square Foot Costs, 2022.

**FIGURE 2
IMPACTS OF POTENTIAL CARIOCA PEORIA AVE AND SARIVAL**

Project	Square Feet	Building Construction (millions)	Jobs	Average Wage	One-Time Fees*	Annual Revenues less Expenditures	Overall Ranking
Peoria and Sarival Retail Center	38,100	\$6.4	100	\$32,100	\$270,000	\$250,000	High

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

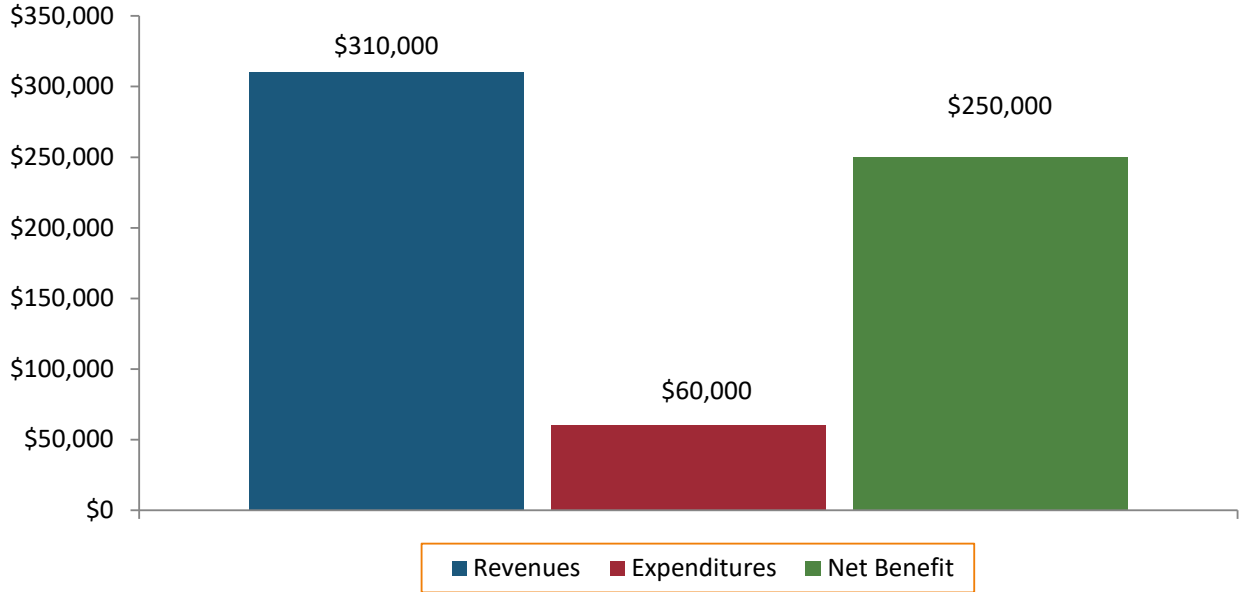
- **Capital investment** is represented by building construction costs estimated at \$6.4 million, although given the rapid increases in construction material and labor costs, this should be viewed as an order of magnitude estimate. Construction activity results in one-time sales taxes for the city as well as on-going property taxes.
- **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, these jobs can translate into taxable spending and property ownership. Typical retail and restaurant operations create a sizeable number of jobs, but at lower wage levels. It is estimated that the proposed retail center could support about 100 jobs at an average wage of \$32,100.

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) reflect rates for commercial development in West Glendale. One-time fees also include estimated planning and permitting fees that are generally proportional to construction costs. **Total one-time fees for the Carioca Peoria Ave and Sarival are estimated at \$270,000 (Figure 3).**
- 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.* There are a variety of factors imbedded in the assumptions that will affect the magnitude of fiscal impacts for different types of uses including the level of capital investment and taxable sales. **The proposed 38,100 square foot retail center that is anticipated for this site could result in an average net impact to the city of \$250,000 per year, excluding one-time revenues.**
- The **overall ranking** compares the level of revenues versus expenditures for the proposed retail center to other land uses such as light industrial, warehouse and residential development that have been included in other recent annexation impact studies. The Carioca Peoria Ave and Sarival

annexation could produce a relatively strong net impact at build out in terms of the ratio of revenues to expenditures, given the anticipated level of taxable sales, however the magnitude of the impact is moderate given the overall size of the proposed development.

FIGURE 3
ANNUAL FISCAL IMPACTS FOR CARIOCA PEORIA AVE AND SARIVAL



Summary

These results frame the possibilities for how the Carioca Peoria Ave and Sarival annexation could impact the city from a fiscal perspective, based on the types of uses described in the site plan, and assumptions about the additional commercial development that could occur on the site. This project is much smaller in scale than some of the recent industrial projects in this area, but the level of potential taxable sales results in revenues significantly exceeding expenditures. The annual net impacts (revenues less expenditures) are estimated at \$250,000 per year, including \$310,000 in annual revenues and \$60,000 in annual expenditures. Estimated annual revenues exceed expenditures by 420 percent. The actual fiscal impacts may vary depending on the assessed value, taxable sales and leases, and other project details.