



APPLIED ECONOMICS

RANGE OF FISCAL IMPACTS FOR THE PUDA PROPERTY ANNEXATION

SEPTEMBER 2023

Introduction

This report presents the fiscal impacts of annexation for the Puda Property, a 2.9-acre site located at the SWC of Northern Avenue and Alsup 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 office and commercial uses that could develop in this area. There is currently a construction office and repair garage on the property totaling 3,320 square feet that would be demolished.

The potential types of new uses include: 1) 18,000 square foot construction office with outdoor equipment storage; 2) 30,000 square foot single-story leased professional office space; and 3) 26,000 square foot leased retail center with restaurants and services. Applied Economics developed various assumptions for each scenario regarding employment density, average wages, lease rates, taxable sales and building construction cost. These assumptions are based on published sources and show the general range of possible fiscal impacts. 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 the differences between office and retail development.

Project Assumptions

The table below presents the results for each of the potential uses, which vary in terms of square feet, construction cost, jobs, 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. The table also shows a “blended average” of office and retail uses that includes 28,000 square feet. The construction office would be owner-occupied and so there would be no taxable sales or leases. The professional offices and retail center would be leased. The impact results do not assume any new lane miles of streets would be added to the city for on-going maintenance.

COMPARATIVE IMPACTS OF POTENTIAL OFFICE AND RETAIL USERS AND PUDA PROPERTY BLENDED AVERAGE

Building Use	Building Square Feet	Building Construction (millions)	Jobs	Average Wage	Taxable Sales & Leases	One-Time Fees*	Annual Revenues less Expenditures	Overall Ranking
Construction Office	18,000	\$4.37	60	\$78,150	\$0	\$206,000	\$0	Low
Professional Office	30,000	\$7.28	107	\$75,470	\$790,000	\$334,000	\$22,000	Low
General Retail (assume 50% retail/restaurant, 50% services)	26,000	\$5.20	113	\$33,650	\$6,671,000	\$350,000	\$167,000	High
Puda Property Blended Average (construction office, professional office, retail center)	28,000	\$6.24	110	\$54,560	\$2,487,000	\$297,000	\$63,000	Medium

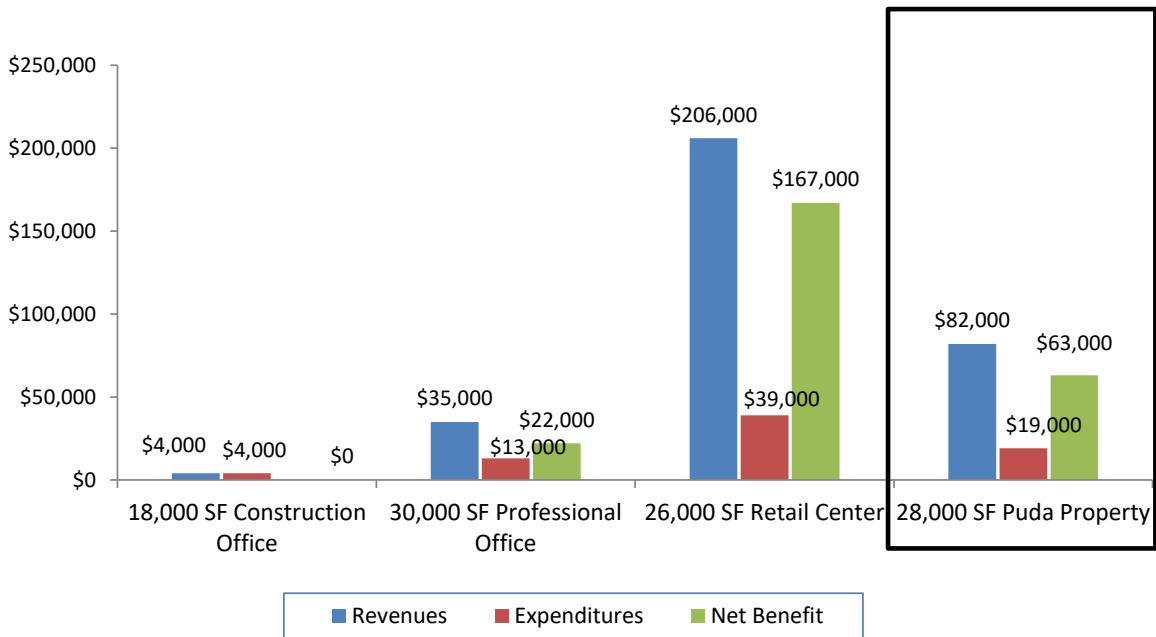
*One Time Fees include construction sales tax, estimated planning and permitting fees and development impact fees in West Glendale.

- **Construction cost** is based on the number of square feet and the average construction cost per square foot using data from Gordian Square Foot Costs, 2023 indexed to costs in Greater Phoenix. The total construction costs range from \$4.4 million for 18,000 square feet of construction office to \$7.3 million for 30,000 square feet of professional office. Construction activity can result in significant one-time sales 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, higher wages translate into more taxable spending. The construction office has the smallest footprint and could support an estimated 60 jobs at an average wage of \$78,000. The professional office would be larger and could support an estimate 107 jobs at an average wage of \$75,000. The 113 retail center jobs reflect a mix of employment densities for services and limited-service restaurants at an average wage of \$34,000. The overall average of these scenarios results in 110 jobs at an average wage of \$55,000. Wages are based on current information from the Bureau of Labor Statistics, *Quarterly Survey of Employment and Wages* with industry-specific information for Maricopa County.
- **Taxable sales and leases** apply to the professional office space and the retail center. The construction office would likely be owner-occupied and not leased. The professional office assumes a per square foot lease rate of \$29.60 and an occupancy rate of 89% based on current market conditions in Glendale. The retail center would have a lease rate of \$17.27 and a 96% occupancy rate. Half of the space in the retail center would be services and would not generate taxable sales, and the other half would be restaurants and could generate estimated taxable sales of \$500 per square foot.

Fiscal Results

- **One-time fees** are related to construction and are generally proportional to construction costs because construction sales taxes make up the largest share of one-time fees. Development impact fees (DIF) vary based on building square footage and type of use (office vs commercial). One-time fees also include estimated planning and permitting fees that are generally proportional to construction costs. **Average estimated one-time fees for the Puda Property are \$297,000.**
- The **annual fiscal impacts** represent the net value of these different types of office and retail 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 building size, average wage levels, number of jobs, lease rates and the presence of taxable sales. **The average of the three scenarios could result in an annual net impact to the city of \$63,000 per year, excluding one-time revenues, but the variation between scenarios is significant.**
- The **overall rankings** show low impacts for the construction office and professional office, and high impacts for retail center. The average of potential uses for the Puda Property could produce a medium net impact. However, it is more likely that the fiscal impacts will be at the high or low end of the range given the variation between the scenarios.

**ANNUAL FISCAL IMPACTS OF OFFICE AND RETAIL USERS
THE PUDA PROPERTY ANNEXATION**



Summary

These results frame the range of potential impacts that the Puda Property annexation could have on the city budget. The differences between office uses and a retail center are substantial. The owner-occupied construction office could generate a net neutral fiscal impact and would support the smallest number of jobs. The leased professional office could support more than 100 jobs at above average wages, but would only have modest fiscal impacts, which is typical for office uses. The leased retail center could generate more than 100 jobs, but at significantly lower wages than office uses. However, it would generate the highest fiscal impact due to the taxable sales generated by the potential restaurant uses in this example. The magnitude of the impacts for all three scenarios is proportional to the size of the parcel at 2.9 acres.

This analysis illustrates the range of possible impacts for annexation and development of the Puda Property. The actual fiscal impacts will depend on the mix of users, as well as other factors such as construction cost, building size and value, lease rates and the presence of users with taxable sales.