

City of Glendale Received
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APPLIED ECONOMICS

**RANGE OF FISCAL IMPACTS
FOR AN261 CROW 303 AZ ANNEXATION
& PAD AMENDMENT**

MAY 2024

Introduction

The following summary presents the fiscal impacts of annexation for the Crow 303 AZ property. The site includes approximately 155 gross acres, of which 146 acres were already annexed into the city as M-1 Light Industrial Planned Area Development (PAD). This new annexation and PAD Amendment is for 8.65 acres that will be used for additional trailer parking and will make the development more competitive. Since the 8.65-acre parcel is part of a larger development and would not include any new built space, this analysis includes the impacts for the entire 155 acres. Based on information provided by the developer, it is anticipated that this site could ultimately support 2.0 million square feet of built space in five buildings.

The Crow 303 AZ property is located on the south side of Glendale Avenue between Alsup Avenue and Reems Road. A portion of the site extends south to Rose Lane. The trailer parking would be located on the SWC of Ocotillo Road and Alsup Avenue. Details on the specific users are not yet known, so this analysis presents a range of possible impacts based on hypothetical scenarios for the type of light industrial project 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 intended to show a general range of possible economic and fiscal impacts.

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

Project Assumptions

The table below presents the results for 1.0 million square feet of each type of development 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 the Crow 303 AZ property that includes 1.01 million square feet of warehousing and 1.01 million square feet of manufacturing for a total of 2.02 million square feet. The total number of square feet is consistent with the site plan provided by the applicant. The impacts include on-going maintenance costs for 0.5 new lane miles of Glendale Avenue between Alsup Avenue and Reems Road that was added to the city when the original annexation occurred. There would be no new roads associated with the 8.65-acre parcel.

**COMPARATIVE IMPACTS OF POTENTIAL INDUSTRIAL USES
AND CROW 303 AZ 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	\$94.3	\$0.0	0	\$0	\$3,636,000	\$10,000	Low
Leased Warehouse	1,000,000	\$129.9	\$22.0	400	\$45,548	\$4,617,000	\$260,000	Medium
Leased Manufacturing	1,000,000	\$132.5	\$100.0	833	\$65,030	\$4,667,000	\$290,000	High
Crow 303 AZ Blended Average (50% warehouse, 50% manufacturing)	2,025,862	\$265.0	\$123.6	1,250	\$55,289	\$7,774,000	\$560,000	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 typically requires a capital investment than warehousing based on the nature of its operations and the corresponding building and equipment requirements. The empty shell represents the low end with an unfinished building and no equipment, and is a temporary condition. The total construction cost for the Crow 303 AZ property is estimated at \$265 million for 2.0 million square feet of industrial space, based on information provided by the developer.
- 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 generally at lower average wages than manufacturing. Manufacturing represents a relatively high job density, among industrial uses, with above average wages. However manufacturing wages vary significantly based on the type of product being produced. It is estimated that the industrial development could support about 1,250 jobs at an average wage of \$55,300.

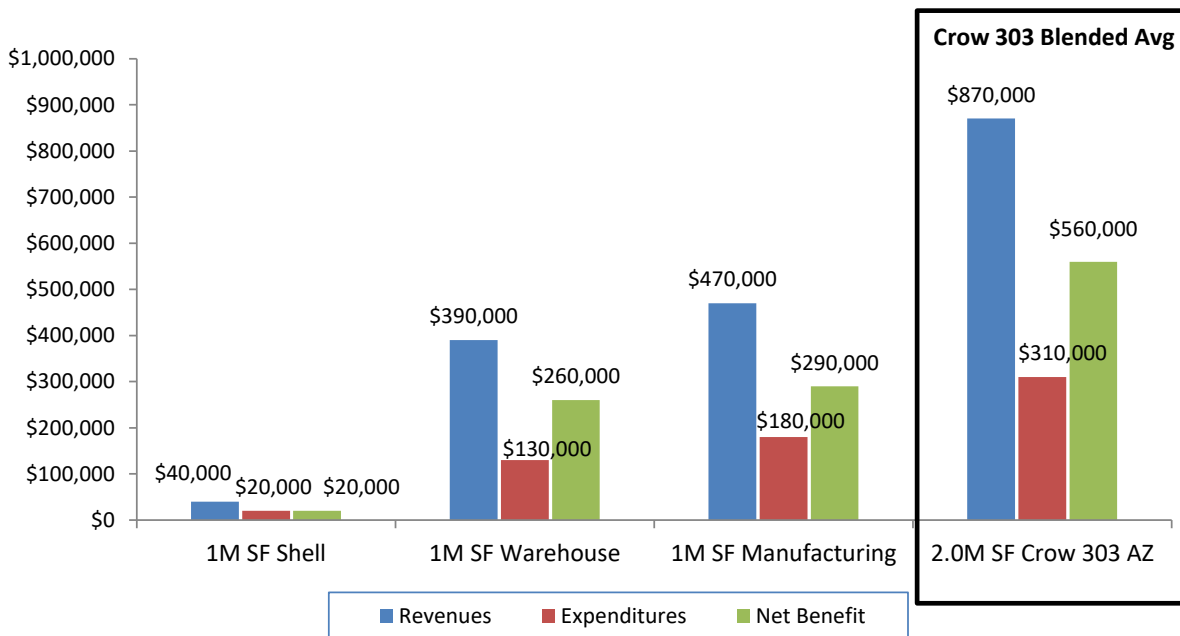
Fiscal Results

- 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 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 the Crow 303 AZ property are estimated at \$7.8 million.**
- The **annual fiscal impacts** represent the net value of these different types of light industrial 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 use, there are a variety of factors imbedded in the

assumptions that will affect the magnitude of fiscal impacts for individual uses, including the level of capital investment, amount of new street lane miles added, lease rates and employment density. **The potential type(s) of industrial users that are anticipated for the Crow 303 AZ property could generate a net impact to the city of \$560,000 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. Note that the amount of new street lane miles increases the projected level of new expenditures (and reduces the net impact) for all three scenarios. These three scenarios represent the typical possibilities for industrial land in the Loop 303 corridor. The combination of uses proposed for the Crow 303 AZ property could produce a relatively high net impact, given the range of possibilities for industrial users.

**ANNUAL FISCAL IMPACTS OF STANDARD INDUSTRIAL USES
CROW 303 AZ ANNEXATION**



Summary

These results frame the range of potential impacts that the Crow 303 AZ property could have on the city budget for the entire 155-acre parcel, including the 8.65 acres that is requested under AN261. All of the development types shown here generate a positive net fiscal impact, but at varying magnitudes. The long-term net impacts (revenues less expenditures) for the Crow 303 AZ property are estimated at \$560,000 per year, including \$870,000 in annual revenues and \$310,000 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 181 percent.

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