



APPLIED ECONOMICS

**RANGE OF FISCAL IMPACTS
SR23-0626 ALSUP AND GLENDALE PAD
ANNEXATION & REZONING**

DECEMBER 2024

Introduction

The following summary presents the fiscal impacts of annexation and rezoning for the Alsup and Glendale PAD property that includes approximately 15 gross acres located west of the NWC of Glendale Avenue and Alsup Road. Based on information provided by the developer, improvements to the site will include a 222,720 square foot flex building that could accommodate a single user or multiple users. Details on the specific users are not yet known; therefore, this analysis presents a range of possible impacts based on hypothetical scenarios for several types of light industrial/flex uses. There is more than 15 million square feet of existing and under construction warehouse space in the immediate vicinity of this site, and so the flex space may provide options for businesses that sell goods and services to support surrounding warehouse and distribution operations.

The potential types of uses in this analysis include: 1) an unoccupied shell building; 2) leased flex/warehouse space; and 3) leased light 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 use could bring to the city in terms of the number and quality of jobs, as well as the fiscal impacts, and how those impacts could be scaled to the Alsup and Glendale PAD property. While this analysis does not assume any taxable sales other than leases, a showroom space or other business to business sales could generate additional sales tax to the city.

Project Assumptions

The table below presents the results for 227,720 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 Alsup and Glendale property that includes and average of flex/warehouse and light manufacturing impacts for a total of 222,720 square feet. Since the actual use is not known, this result represents a midpoint in the range of potential impacts. The total number of square feet is consistent with the proposed site plan. The analysis assumes the space would be leased, and the expenditure impacts include on-going maintenance on 935 linear feet of new roadway that will be added on the north side of Glendale Avenue.

**COMPARATIVE IMPACTS OF POTENTIAL INDUSTRIAL USES
ALSUP AND GLENDALE BLENDED AVERAGE**

Building Use	Building Square Feet	Building Construction (millions)	FF&E (millions)	Jobs	Average Wage	One-Time Fees (millions)*	Annual Revenues less Expenditures	Overall Ranking
Empty Shell	222,720	\$25.4	\$0.0	0	\$0	\$0.9	\$0	Low
Leased Flex Warehouse/Office	222,720	\$38.0	\$4.9	90	\$48,230	\$1.3	\$80,000	High
Leased Light Manufacturing	222,720	\$36.3	\$22.3	186	\$57,907	\$1.2	\$70,000	Medium
Alsup & Glendale Blended Average (50% flex, 50% light manufacturing)	222,720	\$37.2	\$13.6	140	\$53,069	\$1.3	\$80,000	High

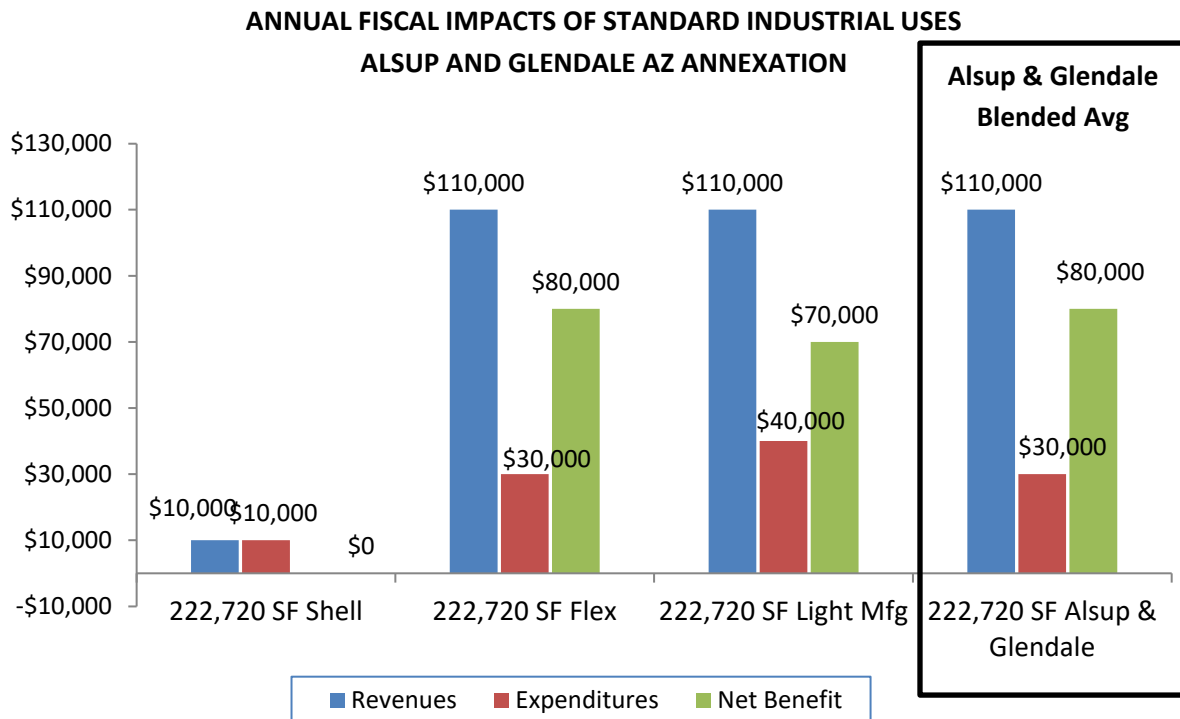
*One Time Fees include construction sales tax, estimated planning and permitting fees, and development impact fees in West Glendale.

- 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 larger capital investment than flex or warehousing based on the nature of operations and the corresponding building and 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 flex warehouse in this analysis has a slightly higher projected construction cost than the manufacturing pro-forma due to the office component, but less equipment. 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 Alsup and Glendale site is estimated at \$37.2 million for 222,720 square feet of 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 flex warehouse operations create a limited number of jobs with generally 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 at Alsup and Glendale could support about 140 jobs at an average wage of \$53,000.

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 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 Alsup and Glendale property are estimated at \$1.3 million.**

- The **annual fiscal impacts** represent the net value of these different types of light industrial and flex 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 users, including the level of capital investment, amount of new street lane miles added, lease rates and the presence of taxable sales. **An average of the potential light industrial uses that are anticipated for Alsup and Glendale could result in an annual net impact to the city of \$80,000 per year, excluding one-time revenues.**
- The **overall rankings** show low impacts for the shell building, high impacts for leased flex warehouse, and medium impacts for leased light manufacturing. The new street lane miles increase the projected level of new expenditures (and reduce the net impact) for all three scenarios. The lease rates are higher for flex space than for manufacturing space, and so this increases the sales tax revenues from the flex scenario. These three scenarios represent the typical possibilities for light industrial development in Glendale. The Alsup and Glendale property could produce a relatively high net impact, given the range of possibilities for industrial users. While \$80,000 per year may seem like a low net impact, the ranking is based on the ratio of revenues to expenditures that could be generated by this project. Since the building is smaller than many recent industrial annexations, the magnitude of impacts is smaller.



Summary

These results frame the range of potential impacts that the Alsup and Glendale property could have on the city budget if this 15-acre parcel is annexed and rezoned. 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 the Alsup and Glendale property are estimated at \$80,000 per year, including \$110,000 in annual revenues and \$30,000 in annual expenditures, excluding one-time taxes and fees. The magnitude of the impacts is proportional to the size of the development, although estimated annual revenues exceed expenditures by 206 percent.

This analysis is intended to illustrate the range of possible impacts for development for the Alsup and Glendale annexation and rezoning. The actual fiscal impacts will depend on the mix of final users, as well as other factors such as construction cost and building value, lease rates, taxable sales and other project details.