

MEMORANDUM

To: Richard Files
City of Yuma

From: Jill Welch
Elliott D. Pollack & Company

Date: April 19, 2016

Re: Economic and Fiscal Impact of the Proposed Sixteen & Four LLC Redevelopment Project

Elliott D. Pollack and Company has been retained by the City of Yuma to perform an economic and fiscal impact analysis of the construction activity and ongoing operations of the proposed Sixteen & Four LLC Redevelopment Project. The proposed development project will construct 33,000 square feet of retail space that will include a 30,000 specialty grocery store in Yuma, Arizona. The analysis is being performed as part of the Yuma North End – 4th Avenue and 16th Street Redevelopment Area Plan wherein the City will redevelop the intersection.

Sixteen & Four LLC will redevelop the northwest corner of 16th Street and 4th Avenue within the statutory redevelopment area and Central Business District. The agreement will be in accordance with the Arizona Revised Statute 42-6209 relating to the use and abatement of the Government Property Lease Excise Tax (GPLET).

This economic and fiscal impact study focuses on the impacts derived from (a) the new construction activity, and (b) ongoing operations at the site that will occur annually. Economic impact analysis examines the regional implications of an activity in terms of three basic measures: output, earnings, and employment. Fiscal impact analysis evaluates the public revenues created by a particular activity. In a fiscal impact analysis, the primary revenue sources of a governing entity are analyzed to determine how the activity may financially affect them. ***Our report does not address the financial or market feasibility of the project, nor does it address costs associated with providing city services beyond the agreed upon incentives.***

Assumptions of Analysis

The assumptions used to estimate the impacts of the construction of the proposed grocery and retail buildings have been developed from a variety of sources. The construction costs, building size, employment, average wage, and lease rates were provided by the City of Yuma. While data internal to the model, such as consumer spending and tax rates have been collected from various government and private sources including the U.S. Bureau of Census, Bureau of Labor Statistics, Consumer Expenditure Survey, Arizona Department of Revenue, and the Arizona Tax Research Association. Additional assumptions regarding utility usage and local supply purchases are based on industry standards from various sources.

The proposed project will front both 4th Avenue and 16th Street at the northwest corner of the intersection. The developed 33,000 square-foot grocery and retail buildings will employ 73 people with average annual wages estimated to be \$27,671 per year. Construction at the site will total nearly \$4.0 million with additional equipment projected to cost \$2.2 million. On average, the grocery store will generate direct sales of approximately \$700 per square foot each year while the retail project will generate \$325 per square foot each year in direct sales. The net assessed value of the new space is estimated to be about \$3.4 million. The following table contains a summary of the primary assumptions of the study.

Assumptions Sixteen & Four, LLC Redevelopment Project	
Project Description	
Total capital investment	\$6,200,000
Value of construction	\$3,960,000
FF&E	\$2,240,000
Building square feet	33,000
Grocery	30,000
Retail	3,000
Total jobs	73
Grocery	67
Retail	6
Average annual wage	\$27,671
Grocery	\$28,000
Retail	\$24,000
Assumptions	
Grocery sales per square foot	\$700
Retail sales per square foot	\$325
City of Yuma food for home consumption tax rate	1.7%
City of Yuma sales tax rate	1.7%
Annual lease rate per sf	\$11
Annual Utility usage	\$79,200
Net assessed value of new space	\$3,445,200
1/ Figures at stabilized operating levels	
Sources: Elliott D. Pollack & Co., City of Yuma	



All dollar values presented in this report are stated in constant 2016 dollars. No adjustment has been made for inflation over time.

Economic Impact Methodology

Economic impact analysis examines the economic implications of an activity in terms of output, earnings, and employment. For this study, the analysis focuses on the jobs and corresponding output and wages that are created during construction as well as the jobs and output that are created through the operations of the project.

The different types of economic impacts are known as direct, indirect, and induced, according to the manner in which the impacts are generated. For instance, direct employment consists of permanent jobs held by the project employees. Indirect employment is those jobs created by businesses that provide goods and services essential to the operation or construction of the project. These businesses range from manufacturers (who make goods) to wholesalers (who deliver goods) to janitorial firms (who clean the buildings). Finally, the spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy throughout the region. These secondary effects are captured in this study. Multipliers have been developed to estimate the indirect and induced impacts of various direct economic activities. The Minnesota IMPLAN Group developed the multipliers used in this study.

Fiscal Impact Methodology

Fiscal impact analysis quantifies the public revenues associated with a particular economic activity. The primary revenue sources of local, county, and state governments (i.e. taxes) are analyzed to determine how an activity may affect the various jurisdictions. This report will evaluate the impact of the redevelopment of the Sixteen & Four LLC Redevelopment Project on the City of Yuma. The major sources of tax revenue generation for governmental entities are related to the construction of the project and ongoing impact from the operations such as construction sales tax, sales tax from direct revenues and retail spending, utility taxes, lease taxes, property taxes and State shared revenues.

Economic Impact of the Sixteen & Four LLC Redevelopment Project

The economic impact of the project development is outlined in the following table. The construction would generate an estimated 24 direct jobs and approximately \$1.0 million in direct wages during the construction phase. Another 10 indirect and induced jobs would be created in the local economy and \$450,000 in wages. Altogether, the project would create approximately 34 jobs during the construction period, generating \$1.4 million in wages and over \$5.1 million in economic activity.

Once construction is complete and the project is up and running, a total of 73 people will be directly employed with total wages of nearly \$2.0 million. Taking into account the ripple effect of the regional multipliers, approximately 85 permanent direct, indirect, and induced jobs are supported throughout the Yuma area as a result of the operations of the project. In total approximately \$2.5 million in wages are paid out annually to these employees and nearly \$5.2 million in economic activity is produced each year.



Sixteen & Four, LLC Redevelopment Project Economic Impact Summary (2016 Dollars)			
Construction			
	<u>Jobs</u>	<u>Wages</u>	<u>Economic Output</u>
Direct	24	\$1,034,000	\$3,960,000
Indirect	6	\$269,000	\$631,000
Induced	5	\$181,000	\$530,000
Total	34	\$1,484,000	\$5,121,000
Operations (at buildout)			
	<u>Jobs</u>	<u>Wages</u>	<u>Economic Output</u>
Direct	73	\$2,020,000	\$3,901,879
Indirect	4	\$147,000	\$428,000
Induced	8	\$300,000	\$879,000
Total	85	\$2,467,000	\$5,208,879
1/ Figures at stabilized operating levels. Figures may not sum to total due to the effects of rounding. Sources: Elliott D. Pollack & Co., City of Yuma			

Fiscal Impact of the Sixteen & Four LLC Redevelopment Project

The construction and operations associated with the shopping center redevelopment project also creates significant tax revenues for the City of Yuma. Revenues have been defined in this analysis as either primary or secondary, depending on their source and how the dollars flow through the economy into tax accounts. For instance, some revenues, such as construction sales taxes, are straightforward calculations based on the cost of construction. These revenues are described in this study as direct revenues and include retail sales taxes, property taxes and lease taxes. Secondary revenues, on the other hand, flow from the wages of those direct, indirect and induced employees who are supported by the project. Revenue projections are based on typical wages of the employees working in the project, their spending patterns, and projections of where they might live.

The following table outlines the economic and fiscal impact of the project over a 15-year period (stated in 2016 dollars without an inflation factor). Approximately \$90,270 is estimated to be generated during the redevelopment. This includes \$81,900 in direct construction sales taxes and taxes collected on local equipment purchases, along with nearly \$8,370 in secondary tax revenues generated by the construction employees. Additional revenues would likely be generated in terms of permit and fees and impact fees, not included in this analysis.

Annual operations of the grocery/retail shopping center project generate an average of about \$400,800 in annual tax revenues for the City of Yuma. This includes an average of roughly \$388,400 in primary tax collections such as direct sales at the grocery and retail space, taxes paid on local supply purchases, utility taxes and personal property taxes. Excluded from this amount are



real property taxes during the first eight years due to the GPLET agreement. Indeed, after the 8-year abatement, real property taxes to the city will be approximately \$11,300 on average each year.

In addition to the revenues generated for the City of Yuma, nearly \$40,300 is generated on average annually for community college and other school districts over the 15-year period.

In total, over the 15 years including the construction of the project, the redevelopment of the northwest corner of 16th Street & 4th Avenue is expected to generate over \$6.1 million in tax revenue for the City of Yuma and \$605,200 for community college and other school districts. A detailed table by year and category is provided on the following page. All figures are in 2016 dollars, no inflation has been added to the calculations.



Sixteen & Four, LLC Redevelopment Project

Fiscal Impact of City of Yuma

(2016 Dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total 15 Years
Construction Impact																
Primary impact during construction	\$81,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$81,900
Construction sales tax	\$43,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,800
Permit fees	N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Local equipment purchases	\$38,100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,100
Secondary impact from const. employees	\$8,370	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,370
Employee spending sales tax	\$4,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,300
Residents property tax	\$3,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,300
State shared construction sales tax	\$70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70
State shared employee spending sales tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State shared vlt	\$300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300
State shared hurf	\$400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$400
Total impact from construction	\$90,270	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$90,270
Operations Impact																
Total Primary Operations Impact	\$377,850	\$384,100	\$384,830	\$385,010	\$385,110	\$384,770	\$384,240	\$383,600	\$394,190	\$393,600	\$393,600	\$393,600	\$393,600	\$393,600	\$393,600	\$5,825,300
Utility sales tax	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$19,500
Local taxable purchases sales tax	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$18,000
Lease tax	\$600	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$6,200	\$87,400
Direct sales tax - retail	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$16,600	\$249,000
Direct sales tax - food for home consumption	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$357,000	\$5,355,000
Personal property tax	\$1,150	\$1,800	\$2,530	\$2,710	\$2,810	\$2,470	\$1,940	\$1,300	\$590	\$0	\$0	\$0	\$0	\$0	\$0	\$17,300
Real property tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$11,300	\$11,300	\$11,300	\$11,300	\$11,300	\$11,300	\$11,300	\$79,100
Secondary impact from DIRECT employees	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$10,722	\$160,830
Employee spending sales tax	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$67,500
Residents property tax	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$54,000
State shared direct sales tax	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$17,550
State shared income tax	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$52	\$780
State shared vlt	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$9,000
State shared hurf	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$12,000
Secondary impact from INDIRECT & INDUCED employees	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$1,711	\$25,665
Employee spending sales tax	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$13,500
Residents property tax	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$9,000
State shared employee spending sales tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State shared income tax	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$165
State shared vlt	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500
State shared hurf	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,500
Secondary impact from operations employees	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$12,433	\$186,495
Employee spending sales tax	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$81,000
Residents property tax	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$63,000
State shared direct sales tax	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$17,550
State shared employee spending sales tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State shared income tax	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$945
State shared vlt	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$10,500
State shared hurf	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$13,500
Total impact from operations	\$390,283	\$396,533	\$397,263	\$397,443	\$397,543	\$397,203	\$396,673	\$396,033	\$406,623	\$406,033	\$406,033	\$406,033	\$406,033	\$406,033	\$406,033	\$6,011,795
TOTAL CITY FISCAL IMPACT (primary & secondary)	\$480,553	\$396,533	\$397,263	\$397,443	\$397,543	\$397,203	\$396,673	\$396,033	\$406,623	\$406,033	\$406,033	\$406,033	\$406,033	\$406,033	\$406,033	\$6,102,100
Additional Impact on School Districts	\$31,200	\$17,400	\$17,400	\$17,400	\$17,400	\$17,400	\$17,400	\$17,400	\$64,600	\$64,600	\$64,600	\$64,600	\$64,600	\$64,600	\$64,600	\$605,200

NOTES:
All figures are intended only as a general guideline as to how the City could be impacted by the project(s).
The above figures are based on the current economic structure and tax rates of the City.



GPLET Payments

Sixteen & Four LLC may qualify for favorable tax treatment in the form of an eight year abatement of the Government property lease excise tax (GPLET) after deeding title to the property and improvements to the City of Yuma and entering into a government property lease with the City. The following table outlines the projected value of these GPLET payments if the abatement is not awarded. An 8-year abatement would cost the city approximately \$60,800 in foregone GPLET payments.

Sixteen & Four, LLC Redevelopment Project GPLET Payment Schedule										
		2016	2017	2018	2019	2020	2021	2022	2023	Total
Project payment per square foot		\$2.96	\$3.05	\$3.14	\$3.23	\$3.33	\$3.43	\$3.53	\$3.64	
County	13%	\$12,698	\$13,079	\$13,471	\$13,875	\$14,292	\$14,720	\$15,162	\$15,617	\$112,915
City or Town	7%	\$6,837	\$7,043	\$7,254	\$7,471	\$7,696	\$7,926	\$8,164	\$8,409	\$60,800
Community College District	7%	\$6,837	\$7,043	\$7,254	\$7,471	\$7,696	\$7,926	\$8,164	\$8,409	\$60,800
Common School District	36.5%	\$35,652	\$36,722	\$37,823	\$38,958	\$40,127	\$41,331	\$42,571	\$43,848	\$317,031
High School District	36.5%	\$35,652	\$36,722	\$37,823	\$38,958	\$40,127	\$41,331	\$42,571	\$43,848	\$317,031
	100%	\$97,677.1	\$100,607.4	\$103,625.6	\$106,734.4	\$109,936.4	\$113,234.5	\$116,631.5	\$120,130.5	\$868,577.3
NOTE: The above figures are estimated collection if the eight year abatement was not in place.										
Source: City of Yuma; Arizona Department of Revenue										

Beyond the eight year abatement period, the City of Yuma would revert back to collecting real property taxes based on the net assessed value each year from the grocery/retail building.

Summary

The proposed redevelopment of the Sixteen & Four LLC Redevelopment project will create annual economic and fiscal benefits for the City of Yuma. The economic benefits include local jobs and the ripple effect of these jobs throughout the economy. Indeed, the operations of grocery/retail project generate nearly \$5.2 million in economic activity each year in Yuma.

In terms of fiscal benefit, the redeveloped shopping center will generate more than \$9.5 million in revenues during construction and operations over the 15-year period. This includes about \$2.1 million for the State of Arizona, \$601,700 for Yuma County, over \$6.1 million for the City of Yuma and approximately \$605,200 for community college and other school districts.

Based on the above analysis, the economic and fiscal benefits derived from the Sixteen & Four LLC Redevelopment Project will exceed the incentives being offered by the City.



Sixteen & Four, LLC Redevelopment Project Summary

Economic Impact Summary

Construction (total over 15 years)

	Jobs	Wages	Economic Output
Direct	24	\$1,034,000	\$3,960,000
Indirect	6	\$269,000	\$631,000
Induced	5	\$181,000	\$530,000
Total	34	\$1,484,000	\$5,121,000

Operations (annual at buildout)

	Jobs	Wages	Economic Output
Direct	73	\$2,020,000	\$3,901,879
Indirect	4	\$147,000	\$428,000
Induced	8	\$300,000	\$879,000
Total	85	\$2,467,000	\$5,208,879

Fiscal Impact (Total over 15 years)

	Construction / FF&E	Operations	Total
State	\$293,600	\$1,801,300	\$2,094,900
County	\$39,900	\$561,800	\$601,700
City	\$90,300	\$6,011,800	\$6,102,100
School districts	\$13,900	\$591,300	\$605,200
Total	\$437,700	\$8,966,200	\$9,403,900

1/ Figures at stabilized operating levels

Sources: Elliott D. Pollack & Co., City of Yuma

