



Economic and Real Estate Consulting

## MEMORANDUM

**To:** Jeffrey Burt  
City of Yuma

**From:** Jill Stevenson  
Elliott D. Pollack & Company

**Date:** March 13, 2024

**Re:** Economic and Fiscal Impact of a Proposed Fast-Food Restaurant, Yuma, Arizona

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Elliott D. Pollack & 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 a proposed fast-food restaurant to be located in the Center Point Commons retail development at the intersection of 6<sup>th</sup> Avenue and 16<sup>th</sup> Street in Yuma, Arizona. The project plan calls for a 3,683 square-foot restaurant with a 411 square foot patio, dual drive through/bypass lanes and 38 parking stalls.

The property is currently located within the General Commercial (B-2) District and the Central Business District and Yuma North End–16th Street and 4th Avenue Redevelopment Area. The development agreement and lease will be in accordance with the Arizona Revised Statutes 42-6209 relating to the proposed use and abatement of the Government Property Lease Excise Tax (GPLET).

This economic and fiscal impact analysis 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 fast-food restaurant have been developed from a variety of sources. The construction costs, building size, employment, average wage, lease rates and sales per square foot were provided by the City of Yuma. 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 fast-food restaurant will employ 100 people with average annual wages estimated to be \$27,200 per year, excluding benefits. Construction at the site will total \$2.7 million with additional equipment projected to cost \$585,000. On average, the fast-food restaurant will generate an estimated \$4.5 million in sales each year. The limited property value will be about \$250 per square foot. The following table contains a summary of the primary assumptions of the study.

<b>Assumptions</b>	
<b>Yuma Fast-Food Restaurant</b>	
(2024 Dollars)	
<b><i>Project Description</i></b>	
Total building square feet	3,683
Patio square feet	411
Value of new construction	\$2,700,000
Estimated FF&E	\$585,000
<b><i>Operating Assumptions</i></b>	
Total Jobs (full & part time)	100
Average Annual Wage (excluding benefits)	\$27,200
Annual lease (years 1 - 5)	\$90,000
Annual lease (years 6-10)	\$94,500
Estimated annual sales	\$4,500,000
Projected annual utility usage	\$8,839
Locally purchased supplies	\$100,000
Projected limited property value of building per sf	\$250
<b><i>Various City of Yuma Tax Rates</i></b>	
Construction sales tax	1.7%
Retail transaction privilege tax	1.7%
Restaurant & bar sales total (including additional tax)	3.7%
Commercial Assessment Ratio (post GPLET)	15.0%
Property tax rate per \$100 assessed value (City)	2.1321
Sources: Elliott D. Pollack & Co., City of Yuma	

All dollar values presented in this report are stated in constant 2024 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. Without the proposed project, the vacant land property taxes that would be due annually are approximately \$5,020.24 (Tax Year 2023) distributed according to tax rate between Yuma County, the City of Yuma, and the school districts including Arizona Western College.

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 IMPLAN Group LLC 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 proposed fast-food restaurant on the City of Yuma, Yuma County, and other governmental entities with ad valorem (property tax) or transaction privilege (sales tax) authority. 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 Proposed Fast-food restaurant**

The economic impact of the project development is outlined in the following table. The construction would generate an estimated 24 direct jobs and approximately \$1.2 million in direct wages during the construction phase. Another 6 indirect and induced jobs would be created in the local economy and \$364,000 in wages. Altogether, the project would create approximately 30 jobs during the construction period, generating \$1.6 million in wages and over \$3.9 million in economic activity.

Once construction is complete and the fast-food restaurant is up and running, a total of 100 people will be directly employed with total wages of nearly \$2.7 million. Taking into account the ripple effect of the regional multipliers, approximately 24 permanent direct, indirect, and induced jobs are supported throughout the Yuma area as a result of the operations of the project. In total approximately \$4.0 million in wages are paid out annually to these employees and nearly \$13.1 million in economic activity is produced each year.



<b>Yuma Fast-Food Restaurant Economic Impact Summary</b> (2024 Dollars)			
<b>Construction</b>			
	<b>Jobs</b>	<b>Wages</b>	<b>Economic Output</b>
Direct	24	\$1,209,000	\$2,700,000
Indirect	2	\$139,000	\$443,000
Induced	4	\$225,000	\$754,000
<b>Total</b>	<b>30</b>	<b>\$1,573,000</b>	<b>\$3,897,000</b>
<b>Operations (annual at buildout)</b>			
	<b>Jobs</b>	<b>Wages</b>	<b>Economic Output</b>
Direct	100	\$2,720,000	\$8,754,688
Indirect	13	\$731,000	\$2,445,000
Induced	11	\$575,000	\$1,926,000
<b>Total</b>	<b>124</b>	<b>\$4,026,000</b>	<b>\$13,125,688</b>
<small><sup>1/</sup> Figures at stabilized operating levels Sources: Elliott D. Pollack &amp; Co., ACA</small>			

**Fiscal Impact of the Proposed Fast-food restaurant**

The construction and operations associated with the fast-food restaurant also creates 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 fiscal impact of the project during construction and over 10 years of operations (stated in 2024 dollars without an inflation factor). Approximately \$63,800 is estimated to be generated during the construction. This includes \$39,700 in direct construction sales taxes and taxes collected on local equipment purchases, along with nearly \$24,100 in secondary tax revenues generated by state shared revenues and 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 fast-food restaurant generate about \$265,350 in annual tax revenues for the City of Yuma. This includes an average of roughly \$170,800 in primary tax collections such as



direct sales at the fast-food restaurant, 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 if a proposed GPLET agreement is finalized. Indeed, after the 8-year abatement, real property taxes to the city will be approximately \$2,900 on average each year.

In addition to the revenues generated for the City of Yuma, nearly \$52,070 is generated annually for local school districts. This includes both the impact of direct property taxes at the proposed site (in years 9 and 10 – after the abatement) as well as additional annual taxes that will be generated by the employees on homes they occupy.

In total, during the construction period and over the 10 years of operations, the proposed fast-food restaurant is expected to generate \$2.7 million in tax revenue for the City of Yuma and \$520,700 for school districts. A detailed table by year and category is provided on the following page. All figures are in 2024 dollars, no inflation has been added to the calculations.

Not included in the following table (that provides the taxes to be collected by the City of Yuma and its local school districts) are the taxes that would be collected by the State of Arizona, Yuma County and its special districts.

The State would collect prime contracting tax (\$136,100), annual sales taxes from the fast-food sales (\$222,500 per year), as well secondary taxes generated by employees totaling an estimated \$3.9 million over 10 years.

Yuma County would similarly collect prime contracting tax (\$19,500), as well as direct sales taxes collected from the restaurant (\$50,000 annually). Yuma County and its special districts would also collect property taxes in years 9 and 10 from the site as well as property taxes generated by the employees. The total for the County and these jurisdictions is estimated to be \$1.3 million over the ten-year impact period.



**Yuma Fast-Food Restaurant  
Fiscal Impact of City of Yuma**

(2024 Dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total 10 Years
<b>Construction Impact</b>											
Total Primary Construction Impact	\$39,700	--	--	--	--	--	--	--	--	--	\$39,700
Construction sales tax	\$29,800	--	--	--	--	--	--	--	--	--	\$29,800
Permit fees	N/A	--	--	--	--	--	--	--	--	--	--
Use tax	\$9,900	--	--	--	--	--	--	--	--	--	\$9,900
Secondary impact from const. employees	\$24,100	--	--	--	--	--	--	--	--	--	\$24,100
Employee spending sales tax	\$4,000	--	--	--	--	--	--	--	--	--	\$4,000
Residents property tax	\$7,400	--	--	--	--	--	--	--	--	--	\$7,400
State shared sales tax	\$8,000	--	--	--	--	--	--	--	--	--	\$8,000
State shared income tax	\$2,800	--	--	--	--	--	--	--	--	--	\$2,800
State shared vlt	\$500	--	--	--	--	--	--	--	--	--	\$500
State shared hurf	\$1,400	--	--	--	--	--	--	--	--	--	\$1,400
<b>Total Impact from construction</b>	<b>\$63,800</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$63,800</b>
<b>Operations Impact</b>											
Total Primary Operations Impact	\$169,950	\$169,950	\$169,950	\$169,950	\$169,950	\$170,050	\$170,050	\$170,050	\$172,950	\$172,950	\$1,705,800
Direct sales taxes on restaurant sales	\$166,500	\$166,500	\$166,500	\$166,500	\$166,500	\$166,500	\$166,500	\$166,500	\$166,500	\$166,500	\$1,665,000
Utility sales tax	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,000
Local taxable purchases sales tax	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$17,000
Lease tax	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$15,500
Personal property tax	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$500
Real property tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,900	\$2,900	\$5,800
Secondary impact from DIRECT employees	\$80,100	\$74,500	\$74,500	\$74,500	\$74,500	\$74,500	\$74,500	\$74,500	\$74,500	\$74,500	\$750,600
Employee spending sales tax	\$13,500	\$13,500	\$13,500	\$13,500	\$13,500	\$13,500	\$13,500	\$13,500	\$13,500	\$13,500	\$135,000
Residents property tax	\$24,500	\$24,500	\$24,500	\$24,500	\$24,500	\$24,500	\$24,500	\$24,500	\$24,500	\$24,500	\$245,000
State shared sales tax	\$30,000	\$24,400	\$24,400	\$24,400	\$24,400	\$24,400	\$24,400	\$24,400	\$24,400	\$24,400	\$249,600
State shared income tax	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$4,100	\$41,000
State shared vlt	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200	\$2,200	\$22,000
State shared hurf	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800	\$58,000
Secondary impact from INDIRECT & INDUCED employees	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$13,600	\$136,000
Employee spending sales tax	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$40,000
Residents property tax	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700	\$57,000
State shared direct sales tax	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,000
State shared income tax	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$19,000
State shared vlt	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$5,000
State shared hurf	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$13,000
Secondary impact from operations employees	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$95,400	\$954,000
Employee spending sales tax	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$175,000
Residents property tax	\$30,200	\$30,200	\$30,200	\$30,200	\$30,200	\$30,200	\$30,200	\$30,200	\$30,200	\$30,200	\$302,000
State shared direct sales tax	\$31,900	\$31,900	\$31,900	\$31,900	\$31,900	\$31,900	\$31,900	\$31,900	\$31,900	\$31,900	\$319,000
State shared income tax	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$60,000
State shared vlt	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$27,000
State shared hurf	\$7,100	\$7,100	\$7,100	\$7,100	\$7,100	\$7,100	\$7,100	\$7,100	\$7,100	\$7,100	\$71,000
<b>Total Impact from operations</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,450</b>	<b>\$265,450</b>	<b>\$265,450</b>	<b>\$268,350</b>	<b>\$268,350</b>	<b>\$2,659,800</b>
<b>TOTAL CITY FISCAL IMPACT</b>	<b>\$329,150</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,350</b>	<b>\$265,450</b>	<b>\$265,450</b>	<b>\$265,450</b>	<b>\$268,350</b>	<b>\$268,350</b>	<b>\$2,723,600</b>
<b>Additional Impact on School Districts</b>	<b>\$64,300</b>	<b>\$49,400</b>	<b>\$49,400</b>	<b>\$49,400</b>	<b>\$49,400</b>	<b>\$49,400</b>	<b>\$49,400</b>	<b>\$49,400</b>	<b>\$55,300</b>	<b>\$55,300</b>	<b>\$520,700</b>

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**

The proposed fast-food restaurant 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 by jurisdiction if the abatement is not awarded. An eight-year abatement would cost the city approximately \$2,900 each year in foregone GPLET payments (or a total of \$23,200 over the eight-year period).

Beyond the eight-year abatement period, taxes would revert back to taxes based on the net assessed value each year from the site. Not including inflation and using current property tax rates, the figures in the table also represent what would be collected by jurisdiction in years 9 and 10 after the abatement.

<b>Yuma Fast-Food Restaurant Estimated Property Taxes (2024 Dollars)</b>		
<b>Taxing Authority</b>	<b>Rate / \$100</b>	<b>Projected Annual Tax</b>
City of Yuma	2.1321	\$2,900
City of Yuma School Districts	4.3054	\$5,900
Arizona Western College	2.3458	\$3,200
Southwest Technical Education	0.0500	\$100
Yuma County	2.4206	\$3,300
Yuma County Hospital District	0.1219	\$200
Fire District Assistance Tax	0.0042	\$10
Yuma County Library Fund	0.8815	\$1,200
Flood Control District	0.2487	\$300
<b>Total</b>	<b>12.5102</b>	<b>\$17,110</b>

Source: Yuma County Assessor, City of Yuma, EDPCo.

**Summary**

The proposed fast-food restaurant 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 generate nearly \$13.1 million in economic activity each year in Yuma.

In terms of fiscal benefit, the site will generate more than \$8.5 million in revenues during construction and operations over the 10-year period. This includes about \$3.9 million for the State of Arizona, \$1.3 million for Yuma County and its special districts, \$2.7 million for the City of Yuma and approximately \$520,700 for local school districts.

***Based on the above analysis, the economic and fiscal benefits derived from the proposed fast-food restaurant will exceed the incentives being offered by the City.***



<b>Yuma Fast-Food Restaurant Summary</b>			
<b>Economic Impact Summary</b>			
<b>Construction (total over ten years)</b>			
	<b>Jobs</b>	<b>Wages</b>	<b>Economic Output</b>
Direct	24	\$1,209,000	\$2,700,000
Indirect	2	\$139,000	\$443,000
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<b>Total</b>	<b>30</b>	<b>\$1,573,000</b>	<b>\$3,897,000</b>
<b>Operations (annual at buildout)</b>			
	<b>Jobs</b>	<b>Wages</b>	<b>Economic Output</b>
Direct	100	\$2,720,000	\$8,754,688
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Induced	11	\$575,000	\$1,926,000
<b>Total</b>	<b>124</b>	<b>\$4,026,000</b>	<b>\$13,125,688</b>
<b>Fiscal Impact (Total over ten years)</b>			
	<b>Construction / FF&amp;E</b>	<b>Operations</b>	<b>Total</b>
State	\$170,700	\$3,752,000	\$3,922,700
County	\$37,300	\$1,282,400	\$1,319,700
City	\$63,800	\$2,659,800	\$2,723,600
Local school districts	--	\$520,700	\$520,700
<b>Total</b>	<b>\$271,800</b>	<b>\$7,694,200</b>	<b>\$8,486,700</b>
<p><u>1/</u> Figures at stabilized operating levels                      Sources: Elliott D. Pollack &amp; Co., ACA</p>			

