



Economic & Real Estate Consulting

MEMORANDUM

To: **Mr. Gilbert Lopez**
Director of Development Services & Economic Development
City of Coolidge

From: **Danny Court**
Principal & Senior Economist, Elliott D. Pollack & Company

Date: **July 18, 2018**

Re: **Economic & Fiscal Impact of Project 10**

Elliott D. Pollack & Company was retained by the City of Coolidge to perform an economic and fiscal impact analysis of a business relocation/expansion known as Project 10. It is understood that this project will include the construction of a large manufacturing facility operating within the industry of vehicle and vehicle parts manufacturing.

The City of Coolidge plans to enter into a Development Agreement with the proprietors of Project 10. The Development Agreement between the City of Coolidge and Project 10 calls for the City to reimburse and pay to Project 10 property taxes and transaction privilege taxes generated by the development, including construction sales taxes. The City will reimburse 49% of the City's construction sales tax and up to \$850,000 in permit and review fees incurred from construction of Project 10. In addition, the City will reimburse 49% of the City's sales taxes imposed on any retail sales created by the company within City limits (if any). Finally, should Project 10 provide the City with additional direct benefits, the City will reimburse 49% of the City's portion of Project 10's ongoing real property tax liability up to the value of the additional benefit. It is understood that this Development Agreement will be in effect for 10 years.

Due to the fact that future sales or additional direct benefits are unknown at the writing of this report, this analysis excludes those elements of the Development Agreement and their associated reimbursements. While these benefits and their reimbursements may or may not occur within the timeframe of the Development Agreement, the structure of the reimbursement with a cap of 49% reimbursed to Project 10's owners ensures that the City of Coolidge will receive more benefit than the proposed incentives for Project 10.

Elliott D. Pollack & company

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Project Description and Assumptions

Information provided by Project 10 owners estimate significant capital expenditures to begin as early as 2019 and would continue through 2024. In total, an estimated \$800.8 million is expected to be invested in the new facility, with \$446.8 million related to construction and the remaining \$354.0 million for production equipment.

Project 10 is expected to finalize site plan design, engineering, and financing in 2019, begin construction and start purchasing production equipment in 2020 and receive its first certificate of occupancy in 2021. In that first year of operations (2021) the company is expecting to hire 213 employees. Hiring will continue for the next four years (through 2025) at which time the company is planning on 1,762 total employees at the site with average wages of \$80,000.

The following table illustrates the major assumptions for the analysis of Project 10. In addition to the capital expenditures, number of employees, and average wages described above, the analysis assumes that the project will be located within a Foreign Trade Zone and that the facility will have a net assessed value of approximately \$132 per square foot.

Assumptions Project 10								
Project Description								
Capital Expenditures (\$ mil)	2019	2020	2021	2022	2023	2024	2025	Total
New Construction	\$30.0	\$78.4	\$86.4	\$129.2	\$65.2	\$57.6	\$0.0	\$446.8
Manufacturing Equipment	\$0.0	\$15.6	\$86.4	\$129.2	\$65.2	\$57.6	\$0.0	\$354.0
Total Capital Investment^{1/}	\$30	\$94	\$173	\$258	\$130	\$115	\$0	\$800.8
Operations^{2/}								
Total jobs	-	-	213	513	1,012	1,514	1,762	
Average annual wage			\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	
Assumptions								
Taxable electricity usage (avg annual)	N/A							
Net assessed value of building per sf	\$132							
Assesment ratio (FTZ)	5.0%							
Depreciation schedule	Year 1	Year 2	Year 3	Year 4	Year 5			
Manufacturing equipment (7-year)	21.3%	29.5%	33.1%	32.1%	26.7%			
FF&E and Other equipment (10-year)	22.3%	32.8%	40.5%	44.5%	47.2%			
Computer & IT Equipment (3-year)	12.5%	12.3%	11.4%	2.5%	0.0%			
1/ Figures represent the aggregate capital investment for the project and is not a summation of the purchases as listed. The list buildout is for the puposes of modeling only.								
2/ Figures at stabilized operating levels								
Sources: Elliott D. Pollack & Co., Project 10								





Economic Impact Summary

Economic impact analysis examines the economic implications of an activity in terms of output, earnings, and employment. For purposes of this study, this analysis focuses on the impact of Project during construction as well as the ongoing impact of the project once the facility is completed and operating.

The different types of economic impacts are known as direct, indirect, and induced, according to the way the impacts are generated. For instance:

Direct Employment - consists of permanent jobs held by construction or manufacturing employees.

Indirect Employment - jobs that provide goods and services essential to the construction of the project or ongoing operations. These businesses range from other manufacturers (who make goods) to wholesalers (who deliver goods) to service based industries.

Induced Employment - 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 (indirect and induced impacts) are captured in the analysis conducted in this study.

Multipliers have been developed to estimate the indirect and induced impacts of various direct economic activities. IMPLAN developed the multipliers used in this study. The economic impact is categorized into three types of impacts:

- (1) Employment Impact** – the total wage and salary and self-employed jobs in a region. Jobs include both part time and full-time workers.
- (2) Earnings Impact** – the personal income, earnings or wages, of the direct, indirect and induced employees. Earnings include total wage and salary payments as well as benefits of health and life insurance, retirement payments and any other non-cash compensation.
- (3) Economic Output** – also referred to economic activity, relates to the gross receipts for goods or services generated by the company's operations.

Economic impacts are by their nature regional in character. Such impacts are best illustrated when not assigned to a specific city or locality, although clearly the primary impact of job





creation would be on the city where the project is located. However, many other communities in Pinal County and throughout Greater Phoenix would also benefit from the construction and operation of the project. People working at the development would commute to work from their homes in all parts of the region. Therefore, the economic impact of the development project is expressed in this report as a regional benefit.

As illustrated within the following table, Project 10 is expected to provide a significant economic impact to the region.

During construction, Project 10 will create an estimated 3,246 person-years of direct construction employment which will equate to 5,237 person-years of total employment over the 6-year construction timeframe. The construction of Project 10's facility will also generate over \$278.3 million in wages and nearly \$717.2 million in total economic output.

When initial operations begin (expected in 2021), Project 10 will employ 213 direct workers and pay over \$17 million in wages which will produce over \$110.3 million in direct economic output. The ripple effect of the first year of operations will create a total of 445 jobs, \$30.9 million in wages, and over \$150.7 million in economic output throughout the region.

The impacts from operations will continue to grow over the next four years until stabilized operations of 1,762 direct employees. At this stabilized year (expected in 2025) and each year thereafter, Project 10 will create a total of 3,685 jobs regionally, \$255.9 million in wages, and generate over \$1.2 billion in economic output.





**Project 10
Economic Impact Summary**

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total 10 Years	
Construction Economic Impact												
DIRECT	Jobs	218	570	628	939	474	418	-	-	-	-	3,246
	Wages	\$11,778,000	\$30,779,000	\$33,920,000	\$50,723,000	\$25,597,000	\$22,613,000	-	-	-	-	\$175,410,000
	Economic Output	\$27,000,000	\$70,560,000	\$77,760,000	\$116,280,000	\$58,680,000	\$51,840,000	-	-	-	-	\$402,120,000
INDIRECT/ INDUCED	Jobs	134	349	385	576	291	257	-	-	-	-	1,991
	Wages	\$6,910,000	\$18,059,000	\$19,902,000	\$29,761,000	\$15,018,000	\$13,268,000	-	-	-	-	\$102,918,000
	Economic Output	\$21,153,000	\$55,280,000	\$60,921,000	\$91,099,000	\$45,973,000	\$40,614,000	-	-	-	-	\$315,040,000
TOTAL	Jobs	352	919	1,013	1,514	764	675	-	-	-	-	5,237
	Wages	\$18,688,000	\$48,838,000	\$53,822,000	\$80,484,000	\$40,615,000	\$35,881,000	-	-	-	-	\$278,328,000
	Economic Output	\$48,153,000	\$125,840,000	\$138,681,000	\$207,379,000	\$104,653,000	\$92,454,000	-	-	-	-	\$717,160,000
Operations Economic Impact												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total annual at build out	
DIRECT	Jobs	-	-	213	513	1,012	1,514	1,762	1,762	1,762	1,762	1,762
	Wages	-	-	\$17,040,000	\$41,040,000	\$80,960,000	\$121,120,000	\$140,960,000	\$140,960,000	\$140,960,000	\$140,960,000	\$140,960,000
	Economic Output	-	-	\$110,322,000	\$265,706,000	\$524,160,000	\$784,169,000	\$912,619,000	\$912,619,000	\$912,619,000	\$912,619,000	\$912,619,000
INDIRECT/ INDUCED	Jobs	-	-	232	560	1,104	1,652	1,923	1,923	1,923	1,923	1,923
	Wages	-	-	\$13,890,000	\$33,455,000	\$65,995,000	\$98,733,000	\$114,906,000	\$114,906,000	\$114,906,000	\$114,906,000	\$114,906,000
	Economic Output	-	-	\$40,403,000	\$97,309,000	\$191,963,000	\$287,185,000	\$334,227,000	\$334,227,000	\$334,227,000	\$334,227,000	\$334,227,000
TOTAL	Jobs	-	-	445	1,073	2,116	3,166	3,685	3,685	3,685	3,685	3,685
	Wages	-	-	\$30,930,000	\$74,495,000	\$146,955,000	\$219,853,000	\$255,866,000	\$255,866,000	\$255,866,000	\$255,866,000	\$255,866,000
	Economic Output	-	-	\$150,725,300	\$363,014,800	\$716,123,300	\$1,071,353,700	\$1,246,846,100	\$1,246,846,100	\$1,246,846,100	\$1,246,846,100	\$1,246,846,100

NOTES: All figures are intended only as a general guideline as to how the region could be impacted by the project.

Source: IMPLAN, Elliott D. Pollack & Company





Fiscal Impact Summary

Fiscal impact analysis studies 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 section will evaluate the impact of the development and operations of Project 10 on the City of Coolidge.

The fiscal impact figures cited in this report have been generated from information provided by a variety of sources including the U.S. Bureau of the Census; the U.S. Department of Labor; the Internal Revenue Service; the State of Arizona; the Arizona Tax Research Association; and the U.S. Consumer Expenditure Survey. Elliott D. Pollack and Company has relied upon the estimates of construction cost and operating revenues outlined in this study. Unless otherwise stated, all dollar values are expressed in 2018 dollars.

Fiscal impacts are categorized by type in this study, similar to economic impact analysis. The major sources of revenue generation for governmental entities are related to the proposed construction and ongoing operations.

Construction impacts relate to the revenues generated from construction of the project and include state and local sales taxes levied on construction materials. These are the “primary” revenues generated from the construction. In addition, the direct, indirect and induced employees supported by the construction activity also generate revenues to local and state governments. For instance, employees will spend part of their salaries on retail goods (thereby paying sales taxes), pay property taxes on real estate they own and contribute to the other revenue sources that are shared by the State with counties and local cities. In addition, part of the State’s collection of sales taxes on construction materials is also shared with counties and local cities. All of these revenues create benefits for counties and local cities. They are referred to in this report as “secondary” impacts.

The ongoing operations of a real estate project also create beneficial fiscal effects for a community. The primary source of revenue for the manufacturing facility would be generated from real and personal property taxes. New employees will also create beneficial fiscal effects to the extent that they reside within the City of Coolidge. These households will spend part of their salaries on local goods and services. This spending will contribute to revenues collected by the City of Coolidge. Additionally, the City of Coolidge will benefit in terms of state shared revenue that they receive from state sales taxes, state income taxes, and other fees such as vehicle license taxes (VLT) and Highway User Revenue Funds (HURF).

These are primary revenues to governmental entities that can be calculated from the assumptions of the study. For Coolidge, the major revenue sources would include sales taxes collected directly from the project and its employees (in the form of construction sales taxes





and retail sales taxes), property taxes, and state shared revenue. These revenues have been calculated from the assumptions of the study.

The following table illustrates the expected revenue expected to accrue to the City of Coolidge from the beginning of the construction of the project (2019) extended over 20 years.

The revenues displayed for the City of Coolidge have already taken into account the reimbursement stipulated in the Development Agreement. For comparison purposes, reimbursements are illustrated as “Total Development Agreement Incentive”. The reimbursements include 49% of construction sales taxes as well as up to \$850,000 related to permit, plan, electrical, mechanical and plumbing review fees. Over the course of the Development Agreement, the reimbursement to Project 10 owners is estimated to be at least \$6.5 million.

Direct primary revenues from the construction of Project 10 (in the form of construction sales taxes) are estimated to be over \$5.9 million based on the hard cost of construction, the City’s 4% construction sales tax rate, and the 51% share of that revenue that will be retained. In addition, state shared revenue from direct construction spending as well as the impacts from employees related to construction are expected to generate an additional \$1.6 million in taxes for the City of Coolidge. In total, the City of Coolidge is estimated to receive a net tax benefit of \$6.7 million over the construction period.

City revenue from operations could occur as early as 2020 when production and other equipment is purchased and would be subject to personal property taxes. Employee impacts would start to materialize in 2021 and are expected to ramp up to full impacts in 2025 at full employment. Property taxes from the facility itself will likely start to accrue to the City beginning in 2022 when the assessor adds the value of completed construction to its property tax rolls.

City revenues from operations are expected to be modest in 2020 (\$3,200) when a small amount of production equipment will be taxed as personal property. As new employees are hired, a portion of which are expected to live and spend money within the City of Coolidge, the City will collect new sales taxes, property taxes, and state shared revenues. In its first year of operations, Project 10 is expected to create an estimated \$109,860 in taxes for the City of Coolidge. That figure increases to \$324,820 in year two of operations and \$598,430 in year three. At full employment (2025), the City is estimated to collect \$987,840. Going forward, revenues will fluctuate based on the depreciation schedules of purchased equipment.

Over the first 10 years, Project 10 is expected to generate nearly \$12.6 million in net revenues for the City of Coolidge. Over 20 years, the total is nearly \$21.2 million for the City.





Project 10
City of Coolidge Fiscal Impact Summary - Project 10

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total 10 Years
Construction Impact											
Construction Sales Tax	\$397,800	\$1,039,600	\$1,145,700	\$1,713,200	\$864,600	\$763,800	-	-	-	-	\$5,924,700
State Shared Revenue	\$70	\$180	\$200	\$300	\$150	\$140	-	-	-	-	\$1,040
Construction Employee Impact	\$55,070	\$143,840	\$158,580	\$237,030	\$119,660	\$105,720	-	-	-	-	\$819,900
Employee Spending TPT	\$38,300	\$100,100	\$110,400	\$165,000	\$83,300	\$73,600	-	-	-	-	\$570,700
Residential Property Tax	\$16,600	\$43,300	\$47,700	\$71,300	\$36,000	\$31,800	-	-	-	-	\$246,700
State Shared Revenue	\$170	\$440	\$480	\$730	\$360	\$320	-	-	-	-	\$2,500
Total Construction Impact	\$453,010	\$1,183,800	\$1,304,680	\$1,950,830	\$984,560	\$869,800	-	-	-	-	\$6,746,680
Operations Impact											
Total Primary Operations Impact	-	\$3,200	\$23,200	\$116,200	\$186,900	\$237,600	\$271,300	\$276,300	\$264,300	\$239,600	\$1,618,600
Real property tax	-	-	-	\$55,500	\$92,200	\$110,800	\$127,200	\$127,200	\$127,200	\$127,200	\$767,300
Personal property tax	-	\$3,200	\$23,200	\$60,700	\$94,700	\$126,800	\$144,100	\$149,100	\$137,100	\$112,400	\$851,300
Secondary Impact from operations employees	-	-	\$86,660	\$208,620	\$411,530	\$615,730	\$716,540	\$716,540	\$716,540	\$716,540	\$4,188,700
Employee spending sales tax	-	-	\$65,400	\$157,500	\$310,600	\$464,700	\$540,800	\$540,800	\$540,800	\$540,800	\$3,161,400
Residents property tax	-	-	\$21,000	\$50,500	\$99,700	\$149,200	\$173,600	\$173,600	\$173,600	\$173,600	\$1,014,800
State Shared Revenue	-	-	\$260	\$620	\$1,230	\$1,830	\$2,140	\$2,140	\$2,140	\$2,140	\$12,500
Total Impact from operations	-	\$3,200	\$109,860	\$324,820	\$598,430	\$853,330	\$987,840	\$992,840	\$980,840	\$956,140	\$5,807,300
TOTAL CITY FISCAL IMPACT	\$453,010	\$1,187,000	\$1,414,540	\$2,275,650	\$1,582,990	\$1,723,130	\$987,840	\$992,840	\$980,840	\$956,140	\$12,553,980
TOTAL DEVELOPMENT AGREEMENT INCENTIVE	\$439,300	\$1,148,000	\$1,265,100	\$1,891,800	\$954,700	\$843,400	\$0	\$0	\$0	\$0	\$6,542,300
	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Total 20 Years
Total Construction Impact	-	-	-	-	-	-	-	-	-	-	\$6,746,680
Operations Impact											
Total Primary Operations Impact	\$208,200	\$175,200	\$149,600	\$135,100	\$128,400	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$3,051,100
Real property tax	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$127,200	\$2,039,300
Personal property tax	\$81,000	\$48,000	\$22,400	\$7,900	\$1,200	-	-	-	-	-	\$1,011,800
Secondary Impact from operations employees	\$716,540	\$716,540	\$716,540	\$716,540	\$716,540	\$716,540	\$716,540	\$716,540	\$716,540	\$716,540	\$11,354,100
Employee spending sales tax	\$540,800	\$540,800	\$540,800	\$540,800	\$540,800	\$540,800	\$540,800	\$540,800	\$540,800	\$540,800	\$8,569,400
Residents property tax	\$173,600	\$173,600	\$173,600	\$173,600	\$173,600	\$173,600	\$173,600	\$173,600	\$173,600	\$173,600	\$2,750,800
State Shared Revenue	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$33,900
Total Impact from operations	\$924,740	\$891,740	\$866,140	\$851,640	\$844,940	\$843,740	\$843,740	\$843,740	\$843,740	\$843,740	\$14,405,200
TOTAL CITY FISCAL IMPACT	\$924,740	\$891,740	\$866,140	\$851,640	\$844,940	\$843,740	\$843,740	\$843,740	\$843,740	\$843,740	\$21,151,880
TOTAL DEVELOPMENT AGREEMENT INCENTIVE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,542,300

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

