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**Economic and Fiscal Impact  
Commercial Real Estate  
Greater Phoenix and Greater Tucson**

**Prepared For:**

Arizona Association of Realtors (AAR)  
Arizona Building Owners and Managers Association (AzBOMA)  
National Association of Industrial and Office Properties Arizona (NAIOP - AZ)  
Valley Partnership

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## ***EXECUTIVE SUMMARY***

### **Economic and Fiscal Impact Commercial Real Estate**

#### **Background**

Elliott D. Pollack and Company has been retained to perform an economic and fiscal impact study of the commercial real estate markets in Greater Phoenix and Greater Tucson, Arizona. Commercial real estate is defined in this report as consisting of the retail, office and industrial sub-sectors.

The report will consider both construction and the on-going operational impacts for the office, retail, and industrial commercial real estate sectors. Construction impacts are expressed as average annual impacts based construction activity over the past ten years. Operational impacts include the impact from building maintenance and management, professional fees, leasing commissions and real estate sales.

#### **Methodology**

Economic impact analysis examines the regional implications of an activity in terms of three basic measures: output, wages, and job creation. Fiscal impact analysis, on the other hand, evaluates the public revenues and costs created by a particular activity. In fiscal impact analysis, the primary revenue sources of a city, county or state government are analyzed to determine how the activity may financially affect them.

Economic impacts are categorized by type in this study as direct, indirect and induced. Fiscal impact revenues are also categorized in this analysis as either primary or secondary, depending on their source and how they flow through the economy into city tax accounts. For instance, primary revenues, such as construction sales taxes, are straightforward calculations based on the cost of construction. Secondary revenues, on the other hand, flow from the wages of those direct, indirect and induced employees who are supported by economic activity. Secondary revenues flow through less discrete revenue streams to governmental entities.

The impacts presented in this report focus solely on the real estate assets themselves and exclude the impact of the companies that occupy commercial buildings. For example, the report does not consider the impact of retail sales that occur at retail establishments or the impact of a distribution and warehousing company that occupies an industrial building. Commercial real estate only provides a place of operation for businesses, it does not create the economic impact of those businesses.

This report provides an estimate of the impact of the Greater Phoenix and Greater Tucson commercial real estate markets on the State, Maricopa County, Pima County and local municipalities. The study does not specifically provide the fiscal impact on individual cities, but instead illustrates the aggregate fiscal impact on local governments based on a weighted average of city tax rates for each county. All values in this report are expressed in constant 2006 dollars.

**Construction Impact**

The direct construction value of commercial real estate is estimated at nearly \$1.3 billion annually in Maricopa County and \$177.2 million in Pima County, based on a typical year of construction activity and the current cost of construction. Total economic activity, including direct, indirect and induced impacts, is estimated at \$2.4 billion in Maricopa County and \$319 million in Pima with the creation of more than 25,000 jobs in Maricopa County and 3,800 in Pima County (see Table A).

From a fiscal perspective, total revenues collected by the State, counties and local governments in a typical year are \$90.6 million, \$27.1 million and \$38.1 million, respectively. This revenue total includes both construction sales taxes as well as secondary revenues collected by the employees supported by the commercial real estate construction activity.

Table A  
**Commercial Real Estate Impact  
Impact of Construction Summary**

	Greater Phoenix	Greater Tucson	Total
Total value of construction	\$1,276.9	\$177.3	\$1,454.2
<b>Economic Impact</b>			
Annual jobs created	25,057	3,817	28,874
Annual economic impact (\$ mil)	\$2,423.4	\$319.0	\$2,742.3
<b>Fiscal Impact</b>			
Construction sales taxes collected (\$ mil)			
State	\$41.0	\$5.7	\$46.7
County	\$5.8	\$0.0	\$5.8
Cities	\$13.7	\$2.3	\$16.0
Secondary revenues from employment (\$ mil)			
State	\$40.2	\$5.6	\$45.8
County	\$18.3	\$3.0	\$21.3
Cities	\$19.2	\$2.8	\$22.0
Total revenues from construction (\$ mil)			
State	\$81.3	\$11.3	\$92.6
County	\$24.1	\$3.0	\$27.1
Cities	\$32.9	\$5.2	\$38.1

Source: EDPCo; Arizona Tax Research Association; Kamrath Associates; MTLUS; BOMA; ULI; NAIOP; MVS

**Annual On-Going Operational Impacts**

The commercial real estate industry creates significant impacts from operations and sales of the buildings. Operational impacts of commercial markets include maintenance & management, professional fees, leasing and sales impacts. Both economic and fiscal impacts are illustrated in the following charts.

Annual Jobs Created

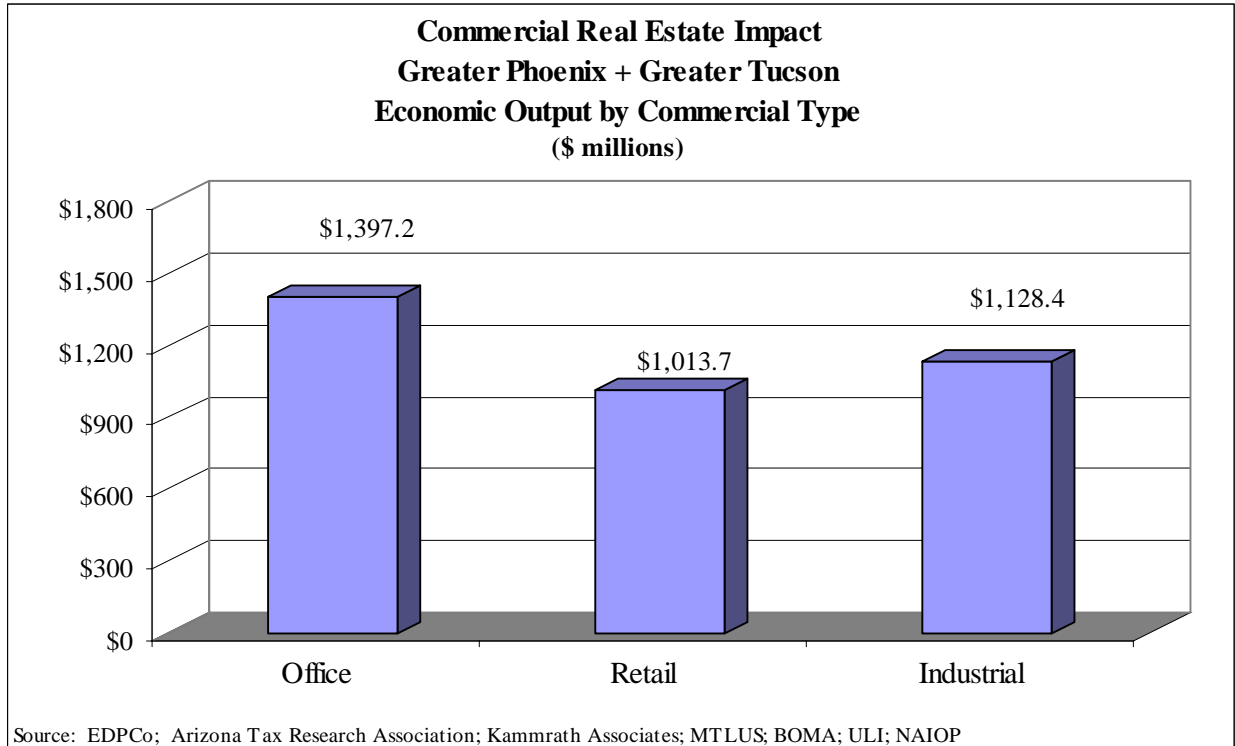
On an annual basis, the direct, indirect and induced employment created from all associated commercial real estate operations totals 37,200 jobs in Maricopa County and 8,400 in Pima County.

Table B			
<b>Commercial Real Estate Impact Summary of Annual Jobs Created</b>			
<b>Office</b>			
	Greater Phoenix	Greater Tucson	Total
Maintenance & Management	11,811	1,516	13,327
Professional fees	310	45	354
Leasing	1,269	176	1,445
Real Estate (sales)	1,900	480	2,380
Professional fees (sales)	259	45	304
<b>Totals</b>	<b>15,549</b>	<b>2,262</b>	<b>17,811</b>
<b>Retail</b>			
	Greater Phoenix	Greater Tucson	Total
Maintenance & Management	7,601	2,696	10,297
Professional fees	267	106	373
Leasing	368	141	509
Real Estate (sales)	1,209	889	2,098
Professional fees (sales)	165	84	249
<b>Totals</b>	<b>9,610</b>	<b>3,916</b>	<b>13,525</b>
<b>Industrial</b>			
	Greater Phoenix	Greater Tucson	Total
Maintenance & Management	8,794	1,425	10,219
Professional fees	490	89	579
Leasing	1,267	222	1,489
Real Estate (sales)	1,339	408	1,747
Professional fees (sales)	183	38	221
<b>Totals</b>	<b>12,072</b>	<b>2,182</b>	<b>14,254</b>
<b>Total</b>			
	Greater Phoenix	Greater Tucson	Total
Maintenance & Management	28,206	5,637	33,843
Professional fees	1,066	239	1,305
Leasing	2,904	539	3,443
Real Estate (sales)	4,448	1,777	6,225
Professional fees (sales)	607	167	774
<b>TOTAL JOBS</b>	<b>37,230</b>	<b>8,361</b>	<b>45,591</b>

Source: EDPCo; Arizona Tax Research Association; Kammrath Associates; MTLUS; BOMA; ULI; NAIOP

Annual Economic Output

Annual economic output generated by the Maricopa County and Pima County commercial real estate market operations totals more than \$3.5 billion. Office sector operations are estimated at \$1.4 billion while the retail market generates about \$1.0 billion in economic output. The industrial market is estimated to have an economic output of \$1.1 billion.



Annual Fiscal Impact of Operations

Primary revenues derived from commercial real estate in Maricopa County and Pima County includes taxes levied on the inventory of commercial buildings such as utility sales taxes, lease taxes and property taxes. Secondary impacts relate to the spending of employees supported by the commercial real estate industry. Based on current inventory levels, the Maricopa County commercial market generates \$483.1 million in tax revenue in a typical year to the State, Maricopa County and local cities. The Greater Tucson commercial real estate market generates about \$184.5 million in revenues.

Table C <b>Commercial Real Estate Fiscal Impact Summary of Operations (2006 dollars)</b>			
	<b>Greater Phoenix</b>	<b>Greater Tucson</b>	<b>Total</b>
<b>State</b>			
Primary (direct) taxes	\$37,756,500	\$7,424,900	\$45,181,400
Secondary impacts from employment	\$48,805,200	\$10,258,500	\$59,063,700
<b>Total</b>	<b>\$86,561,700</b>	<b>\$17,683,400</b>	<b>\$104,245,100</b>
<b>Counties</b>			
Primary (direct) taxes	\$203,837,100	\$124,997,400	\$328,834,500
Secondary impacts from employment	\$22,765,690	\$5,896,600	\$28,662,290
<b>Total</b>	<b>\$226,602,790</b>	<b>\$130,894,000</b>	<b>\$357,496,790</b>
<b>Local cities</b>			
Primary (direct) taxes	\$146,752,200	\$30,863,700	\$177,615,900
Secondary impacts from employment	\$23,151,230	\$5,053,850	\$28,205,080
<b>Total</b>	<b>\$169,903,430</b>	<b>\$35,917,550</b>	<b>\$205,820,980</b>
<b>Totals All Jurisdictions</b>			
Primary (direct) taxes	\$388,345,800	\$163,286,000	\$551,631,800
Secondary impacts from employment	\$94,722,120	\$21,208,950	\$115,931,070
<b>Total</b>	<b>\$483,067,920</b>	<b>\$184,494,950</b>	<b>\$667,562,870</b>
Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP			

### **Economic and Fiscal Impact Summary**

The following table summarizes the fiscal impacts of the Maricopa County and Pima County commercial real estate market for both construction and operations. In a typical year, the State, Maricopa County and local cities can be expected to collect approximately \$621.4 million in revenue from the industry comprised primarily of property taxes, sales taxes on leases and utility taxes as well as revenues collected from the employees supported by the industry. Employment supported by the industry totals more than 62,000 persons with wages of \$2.5 billion. For Pima County the State, County and local governments are expected to collect \$203.9 million in revenue. Employment totals more than 12,000 persons with wages of \$393.5 million.

Table D

**Commercial Real Estate Market  
Greater Phoenix and Greater Tucson  
Summary of Total Impacts**

	Greater Phoenix			Greater Tucson		
	Annual Construction	Annual Operations	Total	Annual Construction	Annual Operations	Total
<b>Economic Impacts</b>						
Jobs	25,057	37,230	62,287	3,817	8,361	12,178
Wages (\$ mil)	\$1,145.4	\$1,332.5	\$2,477.9	\$144.3	\$249.2	\$393.5
Output (\$ mil)	\$2,423.4	\$2,959.6	\$5,383.0	\$319.0	\$579.6	\$898.6
<b>Fiscal Impacts</b>						
Primary revenues (\$ mil)						
State	\$41.0	\$37.8	\$78.8	\$5.7	\$7.4	\$13.1
County	\$5.8	\$203.8	\$209.6	\$0.0	\$125.0	\$125.0
Local governments	\$13.7	\$146.8	\$160.4	\$2.3	\$30.9	\$33.2
Secondary revenues (\$ mil)						
State	\$40.2	\$48.8	\$89.0	\$5.6	\$10.3	\$15.8
County	\$18.3	\$22.8	\$41.1	\$3.0	\$5.9	\$8.9
Local governments	\$19.2	\$23.2	\$42.4	\$2.8	\$5.1	\$7.9
<b>Total revenue impact (\$ mil)</b>						
State	<b>\$81.3</b>	<b>\$86.6</b>	<b>\$167.8</b>	<b>\$11.3</b>	<b>\$17.7</b>	<b>\$29.0</b>
County	<b>\$24.1</b>	<b>\$226.6</b>	<b>\$250.8</b>	<b>\$3.0</b>	<b>\$130.9</b>	<b>\$133.9</b>
Local governments	<b>\$32.9</b>	<b>\$169.9</b>	<b>\$202.8</b>	<b>\$5.2</b>	<b>\$35.9</b>	<b>\$41.1</b>
<b>Total All Jurisdictions</b>	<b>\$138.3</b>	<b>\$483.1</b>	<b>\$621.4</b>	<b>\$19.4</b>	<b>\$184.5</b>	<b>\$203.9</b>

Note: Includes impacts from office, retail and industrial impacts.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP

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## **1.0 Introduction**

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Elliott D. Pollack and Company has been retained to perform an economic and fiscal impact study of the commercial real estate markets in Greater Phoenix and Greater Tucson, Arizona. Commercial real estate is defined in this report as consisting of the retail, office and industrial sub-sectors.

### **1.1 Approach to Study**

The analysis of the commercial real estate market contained in this report focuses on the economic and fiscal impacts of the retail, office and industrial sub-sectors, specifically addressing both the construction of buildings as well as their operations. The three following categories of real estate activity encompass the areas that generate impacts within the local economy, providing jobs for thousands of residents.

- (1) Construction of commercial space;
- (2) Building maintenance and management;
- (3) Commercial real estate sales.

The impacts presented in this report focus solely on the real estate assets themselves and exclude the impact of the companies that occupy commercial buildings. For example, the report does not consider the impact of retail sales that occur at retail establishments or the impact of a distribution and warehousing company that occupies an industrial building. Real estate is vitally important to most businesses, either through leasing or ownership of a building. However, the operating revenue generated by a business cannot be attributed to the real estate asset. Commercial real estate only provides a place of operation for businesses, it does not create the economic impact of those businesses.

This report will provide an estimate of the impact of the Greater Phoenix and Greater Tucson commercial real estate markets on the State, Maricopa County, Pima County and local municipalities. The study does not specifically provide the fiscal impact on individual cities, but instead illustrates the aggregate fiscal impact on local governments based on a weighted average of city tax rates for each county. All values in this report are expressed in constant 2006 dollars.

### **1.2 Greater Phoenix Commercial Real Estate Market**

The commercial real estate market generates significant economic and fiscal impacts for the State, County and local cities in Greater Phoenix. According to Kamrath & Associates, as of the third quarter of 2005 there were 112.6 million square feet of office space in Greater Phoenix, 118.8 million square feet of retail space and 249.3 million square feet of industrial space. Over the ten years from 1995 through 2005 an annual average of 3.7 million square feet of office space was added to the market, 4.5 million square feet of retail space and 7.0 million square feet of industrial space.

Table 1 <b>Historical Commercial Inventory</b> <b>Greater Phoenix</b> <b>Third Quarter 2005</b>						
<b>Year</b>	<b>Office (square feet)</b>	<b>Net Change</b>	<b>Retail (square feet)</b>	<b>Net Change</b>	<b>Industrial (square feet)</b>	<b>Net Change</b>
1994	74,687,541		69,995,707		171,583,093	
1995	75,493,165	805,624	74,105,208	4,109,501	178,387,339	6,804,246
1996	75,933,084	439,919	77,023,209	2,918,001	189,815,650	11,428,311
1997	79,878,525	3,945,441	81,085,197	4,061,988	199,563,985	9,748,335
1998	84,956,638	5,078,113	85,293,476	4,208,279	208,993,257	9,429,272
1999	90,319,516	5,362,878	90,255,930	4,962,454	218,151,608	9,158,351
2000	97,120,048	6,800,532	94,672,579	4,416,649	227,073,706	8,922,098
2001	102,235,758	5,115,710	101,840,342	7,167,763	234,813,414	7,739,708
2002	105,142,858	2,907,100	106,643,457	4,803,115	238,593,126	3,779,712
2003	108,590,214	3,447,356	111,648,264	5,004,807	242,739,181	4,146,055
2004	111,429,395	2,839,181	116,810,888	5,162,624	246,028,143	3,288,962
2005 q3	112,577,439	1,148,044	118,759,040	1,948,152	249,317,105	3,288,962
Average Annual Increase 94-04		3,674,185		4,681,518		7,444,505

Source: Kammrath & Associates

Table 2 illustrates the distribution of commercial space by city in Maricopa County. As noted, the office sector is highly concentrated in three cities: Phoenix, Scottsdale and Tempe. Nearly 84% of all office space is found in these three cities. Therefore, the impact of the office sector of the commercial real estate market will be much stronger in these communities. Retail centers are more evenly dispersed across Maricopa County according to the distribution of population, affecting most cities equally. Industrial development is another sector that affects communities unequally. Approximately 72% of industrial development is found in the cities of Tempe, Phoenix and Chandler. Phoenix accounts for approximately 50% of industrial space in Greater Phoenix, but only has 40% of the population. Industrial development is drawn to sites that have freeway or rail access. Suburban cities, where freeways are just being built, will eventually see increased industrial development as their population increases, creating a labor force that will attract employers.

City	Office (square feet)	Percent of Total	Retail (square feet)	Percent of Total	Industrial (square feet)	Percent of Total
Avondale	350,742	0.31%	1,903,559	1.60%	565,049	0.23%
Buckeye	-	0.00%	-	0.00%	2,232,190	0.90%
Chandler	3,144,031	2.79%	9,389,922	7.91%	18,769,473	7.53%
Gilbert	1,414,239	1.26%	4,701,787	3.96%	5,205,005	2.09%
Glendale	2,648,737	2.35%	8,862,140	7.46%	10,892,055	4.37%
Goodyear	385,420	0.34%	1,231,289	1.04%	3,351,407	1.34%
Mesa	7,014,365	6.23%	18,230,010	15.35%	15,946,173	6.40%
Peoria	806,483	0.72%	4,544,580	3.83%	2,491,576	1.00%
Phoenix	66,723,799	59.27%	42,496,934	35.78%	125,443,870	50.31%
Scottsdale	18,086,339	16.07%	13,325,341	11.22%	11,132,758	4.47%
Surprise	281,564	0.25%	1,794,648	1.51%	948,239	0.38%
Tempe	9,657,291	8.58%	8,052,641	6.78%	34,074,856	13.67%
Tolleson	2,424	0.00%	85,978	0.07%	10,290,884	4.13%
Youngtown	50,921	0.05%	74,501	0.06%	19,899	0.01%
Other	2,011,084	1.79%	4,065,710	3.42%	4,664,709	1.87%
<b>Total</b>	<b>112,577,439</b>	<b>100.0%</b>	<b>118,759,040</b>	<b>100.0%</b>	<b>249,317,105</b>	<b>100.00%</b>

Source: Kammrath & Associates

### 1.3 Greater Tucson Commercial Real Estate Market

According to the Metropolitan Land Use Study, there are currently 14.1 million square feet of office space in Greater Tucson, 41.1 million square feet of retail space and 39.4 million square feet of industrial space. Over the ten years from 1995 through 2004 an annual average of 418,000 square feet of office space was added to the market, 755,105 square feet of retail space and 1.1 million square feet of industrial space.

Year	Office (square feet)	Net Change	Retail (square feet)	Net Change	Industrial (square feet)	Net Change
1995	10,043,150		33,905,339		28,553,597	
1996	10,206,667	163,517	34,774,614	869,275	29,436,490	882,893
1997	10,316,838	110,171	35,266,628	492,014	30,723,892	1,287,402
1998	10,479,215	162,377	35,410,919	144,291	32,001,186	1,277,294
1999	10,889,426	410,211	36,469,190	1,058,271	33,378,522	1,377,336
2000	11,308,060	418,634	37,188,632	719,442	34,601,099	1,222,577
2001	11,980,948	672,888	38,296,240	1,107,608	35,871,594	1,270,495
2002	12,828,358	847,410	38,846,119	549,879	37,131,402	1,259,808
2003	13,226,726	398,368	39,874,030	1,027,911	37,990,198	858,796
2004	13,805,188	578,462	40,701,283	827,253	38,852,918	862,720
2005	14,085,210	280,022	41,064,108	362,825	39,372,252	519,334
Average Annual Increase 95-04		418,004		755,105		1,144,369

Source: Metropolitan Tucson Land Use Study

The above figures will be utilized to determine to impact of the commercial real estate market. The average annual change in inventory in the retail, office and industrial sectors will drive the construction impact of the market. The economic impact of operations of the commercial markets is based on the inventory figures cited in Tables 2 and 2a.

As noted previously, the study does not specifically provide the fiscal impact on each individual city, but instead illustrates the aggregate fiscal impact on local governments based on a weighted average of city tax rates for each county.

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## **2.0 Methodology & Assumptions**

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### **2.1 Project Assumptions**

The assumptions used to estimate the economic and fiscal impacts of commercial real estate are outlined below. The primary inputs are based on assumptions from sources such as Kammrath & Associates, the Metropolitan Tucson Land Use Study, Arizona Building Owners and Managers Association (AzBOMA), the National Association of Industrial and Office Properties Arizona (NAIOP - AZ), Urban Land Institute (ULI), CB Richard Ellis, Lee & Associates and basic economic fundamentals regarding economic impact analysis. Costs of construction were estimated by Marshall Valuation Service. The Consumer Expenditure Survey was utilized to determine spending patterns of persons employed in the commercial real estate industry. These secondary impacts are also considered in the report.

All values are expressed in constant 2006 dollars. Fiscal and economic impact estimates represent the average annual impact of the commercial real estate market in today's dollars. Unless otherwise indicated, an inflation factor has not been included in this analysis.

In Greater Phoenix, the average annual construction over ten years has been about 3.7 million square feet for the office market, 4.7 million square feet for the retail market and 7.4 million square feet for the industrial market. In Greater Tucson, average annual construction has been about 418,000 square feet, 755,000 square feet and 1.1 million square feet for office, retail and industrial, respectively.

Construction costs per square foot were weighted by type of building within each sub-market. For example, the value for construction for class A high-rise office space averages about \$156 per square foot versus \$117 per square foot for low-rise office construction, excluding parking. The weighted cost of office construction is estimated at \$127 per square foot based on the historic mix of high-rise and garden office buildings constructed. Current weighted construction values per square foot for the retail and industrial sectors are \$82 and \$39, respectively. Surface parking spaces cost \$1,200 per space on average and structure spaces are estimated at \$15,000 per space. Parking costs have been added to the construction cost of buildings based on a ratio of four parking spaces or every 1,000 square feet of floor area. The total value of commercial construction is estimated at nearly \$1.3 billion in a typical year.

<b>Construction Impacts</b>		
<u>Average Annual Construction</u>	<u>Greater Phoenix</u>	<u>Greater Tucson</u>
Office (sf)	3,700,000	418,000
Retail (sf)	4,700,000	755,000
Industrial (sf)	7,400,000	1,144,000
Surface parking spaces	59,344	8,832
Structured parking spaces	3,856	436
<u>Construction cost</u>		
Office / sf	\$127	\$127
Retail / sf	\$82	\$82
Industrial / sf	\$39	\$39
Surface parking / space	\$1,200	\$1,200
Structured parking / space	\$15,000	\$15,000
<u>Average Annual Value of Construction</u>		
Office	\$541,500,000	\$61,171,945
Retail	\$410,300,000	\$65,909,168
Industrial	\$325,100,000	\$50,257,314
<b>Total</b>	<b>\$1,276,900,000</b>	<b>\$177,338,428</b>

Sources: Kammrath; MTLUS; ULI; BOMA; NAIOP; CBRE, MVS

Table 3b provides the assumptions used for real estate operational phase impacts. The square feet of commercial real estate sold represents an average over the past ten years according to Kammrath & Associates. For Greater Tucson, in order to estimate sales volume, the percent of inventory turnover was used. Operational phase impacts for costs per square foot were provided by AzBOMA, ULI and NAIOP - AZ. Rent per square foot was provided by CB Richard Ellis and Lee & Associates.

Table 3b

**Assumptions of Analysis  
Commercial Real Estate Impact**

<b>Real Estate Impacts</b>		
<u>Average Annual square feet sold</u>	<u>Greater Phoenix</u>	<u>Greater Tucson</u>
Office	8,600,000	1,318,000
Retail	6,000,000	2,670,000
Industrial	13,700,000	2,519,000
<u>Sales value per square foot</u>		
Office	\$153	\$153
Retail	\$140	\$140
Industrial	\$68	\$68
<u>Average Annual Value of Sales</u>		
Office	\$1,320,000,000	\$200,000,000
Retail	\$840,000,000	\$370,000,000
Industrial	\$930,000,000	\$170,000,000
<b>Operational Impacts</b>		
<u>Real Estate Sales Commissions/Costs</u>	6.0%	6.0%
<u>Current Inventory (SF)</u>		
Office	112,577,439	14,085,210
Retail	118,759,040	41,064,108
Industrial	249,317,105	39,372,252
<u>Average Assessor market value per square foot</u>		
Office	\$93	\$93
Retail	\$103	\$103
Industrial	\$64	\$64
<u>Building Maintenance &amp; Management</u>		
Office	\$3.48	\$3.48
Retail	\$2.12	\$2.12
Industrial	\$1.17	\$1.17
<u>Professional Fees per square foot</u>		
Office	\$0.14	\$0.14
Retail	\$0.11	\$0.11
Industrial	\$0.10	\$0.10
<u>Leasing commissions per square foot</u>		
Office	\$0.71	\$0.71
Retail	\$0.20	\$0.20
Industrial	\$0.32	\$0.32
<u>Rent per square foot</u>		
Office	\$19.68	\$19.50
Retail	\$13.87	\$14.63
Industrial	\$7.68	\$6.36
<u>Percent leased (versus owned)</u>		
Office	54.4%	54.0%
Retail	56.5%	42.8%
Industrial	50.0%	50.0%

Sources: Kammrath; ULI; BOMA; NAIOP; CBRE; MVS; Lee &amp; Associates

## **2.2 Economic Impact Methodology**

Economic impact analysis examines the regional implications of an activity in terms of three basic measures: output, wages, and job creation. Fiscal impact analysis, on the other hand, evaluates the public revenues and costs created by a particular activity. In fiscal impact analysis, the primary revenue sources of a city, county or state government are analyzed to determine how the activity may financially affect them.

The three following categories of real estate activity encompass the areas that generate impacts within the local economy.

- (1) Construction of commercial space;
- (2) Building maintenance and management;
- (3) Commercial real estate sales.

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 commercial real estate-related employees. Indirect employment is those jobs created by businesses that provide goods and services essential to the operation or construction of commercial real estate. 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 metropolitan area. These secondary effects 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. The Minnesota IMPLAN Group developed the multipliers used in this study. The economic impact is categorized into four 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 – the economic output, also referred to as sales or activity, relates to the gross receipts for goods or services generated by the project's operations.

The economic impact is expressed in this report as a countywide benefit.

All dollar figures, unless otherwise stated, are expressed in 2006 dollars.

## **2.3 Fiscal Impact Methodology**

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 commercial real estate on the primary governmental entities of local city and town governments, Maricopa County, Pima County and the State of Arizona, excluding special districts or other tax entities. The major sources of revenue generation for governmental entities are related to annual construction activity and commercial real estate operations.

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.

Fiscal impacts are categorized by type in this study as direct, indirect and induced, similar to economic impact analysis. However, revenues are also categorized in this analysis as either primary or secondary, depending on their source and how they flow through the economy into city tax accounts. For instance, some revenues, such as construction sales taxes, are straightforward calculations based on the cost of construction. The State of Arizona, Maricopa County, Pima County and the local governments collect the construction sales tax directly from contractors and others on the project. These revenues are described in this study as primary revenues.

Secondary revenues, on the other hand, flow from the wages of those direct, indirect and induced employees who are supported by economic activity. For instance, employees will spend part of their salaries on retail goods (thereby paying sales taxes), pay property taxes and contribute to the other revenue sources that are shared by the State with local cities. Estimates of revenue generation to governmental entities are based on typical wages of the employees working in the market, their spending patterns, projections of where they might live, and other assumptions outlined in this report. All these revenues create benefits for State and local governments. However, the revenues are more complicated to estimate and flow through less discrete revenue streams to governmental entities. They are referred to in this report as secondary impacts.

The on-going operations of the commercial buildings also create beneficial fiscal effects. Real estate agents, building managers, leasing agents and other employees will spend part of their salaries on local goods and services and pay taxes on the homes they occupy. This spending will contribute to revenues collected by the State that are ultimately shared with local governments.

Following is a description of the applicable revenue sources of the various jurisdictions that will be considered for this analysis.

- Construction Sales Tax

The State, County and cities levy a sales tax on materials used in the construction of buildings or development of land improvements. That tax is calculated by State law

under the assumption that 65% of the construction cost of the facility and its land improvements are related to construction materials with the remaining 35% devoted to labor. The sales tax rate is then applied to the 65% materials figure. The sales tax on construction materials is a one-time collection by the governmental entity. Construction sales tax is generated during any new building construction as well as from improvements.

The State currently levies a 5.6% sales tax on construction activity. Maricopa County levies a sales tax of 0.7%. Pima County does not levy a sales tax. The weighted average for cities in Maricopa County of construction sales tax rate is 1.7% and the cities in Pima County have a weighted average tax rate of 2.0%.

- Sales Tax

The State, counties and local cities charge sales tax on retail goods and services. The sales tax rate for the State is 5.6%; 0.7% for Maricopa County and for the weighted average of major cities in Maricopa County is 1.7% and cities in Pima County is 2.0%. Pima County does not charge a sales tax. These tax rates are applied to sales taxes collected on the spending of direct, indirect and induced employees along with utility and lease sales taxes estimated in the analysis.

- State Income Tax

The State of Arizona collects taxes on personal income. The tax rate used in the analysis averages about 1.6% for earnings. These percentages are based on the most recently available income tax data from the State and the projected wage levels of jobs created by the construction and operations impact. This tax is applied to the wages and earnings of direct, indirect and induced employment. Portions of this tax are redistributed through revenue sharing to cities throughout Arizona based on population.

- State Unemployment Tax

Unemployment insurance tax for employees is 2.7% on the first \$7,000 of earned income. This factor is applied to the projected wages and earnings of direct and indirect employees.

- HURF Tax

The State of Arizona Highway User Revenue Fund collects a motor vehicle fuel tax of \$0.18 per gallon. The tax revenue is calculated based on a vehicle traveling 12,000 miles per year at 20 miles per gallon. These factors are applied to the projected direct and indirect employee count. Portions of this tax are distributed to cities and counties throughout Arizona based on a formula that includes population and the origin of gasoline sales.

- Vehicle License Tax

The vehicle license tax is a personal property tax placed on vehicles at the time of annual registration. This factor is applied to the projected direct, indirect and induced employee count. The average tax used in this analysis is \$148 and funds are shared between the cities, county and state in accordance with population-based formulas.

- State Shared Revenues

Each city in Arizona receives a portion of State revenues from four different sources - State sales tax, State income tax, vehicle license tax and highway user tax. The formulas for allocating these revenues are primarily based on population. Counties also share in the revenue sources of the State, with the exception of income tax.

- Property Taxes

Commercial real estate pays a significant portion of the County and city property taxes. Commercial uses have historically been assessed at a 25% rate compared to the residential assessment rate of 10%. However, the State Legislature enacted legislation in 2005 that reduces the assessment rate for commercial real estate by ½% per year over a next ten years. This legislation will reduce the property taxes paid by commercial properties over the long term.

In addition, employees supported by the construction and operation of commercial real estate will pay property taxes on the homes they occupy. In order to estimate property taxes, the value of a typical Maricopa County housing unit has been calculated at approximately \$207,300. This value assumes that employees will occupy units in a pattern similar to the current inventory of housing in the Valley. In Maricopa County single family homes account for 68.8% of the housing stock, townhouses 8.2%, and apartments 23.0%. The average value of a home in Greater Tucson was calculated at \$138,720 based on single family homes accounting for 60% of the inventory, townhomes accounting for 10% and multi-family making up 30% of total housing inventory in Pima County.

The above tax categories represent the largest sources of revenues that will be generated to city, county and State governments.

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### **3.0 Impact of Construction – Greater Phoenix**

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This section of the report outlines the economic and fiscal impact of the annual construction of commercial real estate. Construction phase impacts are generally short-term effects related to on-site and off-site construction employment and other industries that support the construction. However, the construction impact the commercial real estate industry is an on-going, increasing annual impact, as each year new buildings are constructed and added to the market.

The amount of new space added to the commercial market varies each year. In order to estimate an annual construction impact of the commercial real estate market, this report uses a 10-year historical average by type (see Table 1 in Section 1.0 of this report). The value of construction per square foot is estimated in current (2006) dollars to provide a total value of construction for each sector.

#### **3.1 Economic Impact of Construction – Greater Phoenix**

The direct construction value of commercial real estate in Maricopa County is estimated at \$1.3 billion annually. This estimate is based on a typical year of construction activity and the current cost of construction. Office space accounts for the largest portion of this activity with \$541.5 million based on an annual average 3.7 million square feet constructed. Another 4.7 million square feet of retail space is constructed on average each year at a value of \$410.3 million. Construction of industrial space is estimated at \$325.1 million each year based on 7.4 million square feet construction on average.

The above figures have been inputted to an economic model that calculates the indirect and induced impact of commercial real estate construction activity on Maricopa County. The result is more than \$2.4 billion in total economic activity, the creation of more than 25,000 jobs and wages of \$1.1 billion.

The office sector accounts for the largest impact of more than \$1.0 billion in total economic output, generating 10,600 direct, indirect and induced jobs, annually. Annual retail sector construction output is \$778.7 million with more than 8,000 jobs created. The \$325.1 million in direct industrial construction activity creates nearly 6,400 direct, indirect and induce jobs annually and \$617.0 million in total economic output.

Table 4  
**Annual Economic Impact from New Construction in Greater Phoenix  
 Commercial Real Estate Impact  
 Maricopa County**

Impact Type	Jobs	Wages (\$ mil)	Output (\$ mil)
<b>Office</b>			
Direct	5,675	\$287.0	\$541.5
Indirect	1,678	\$74.8	\$178.4
Induced	3,273	\$123.9	\$307.8
<b>Total</b>	<b>10,626</b>	<b>\$485.7</b>	<b>\$1,027.7</b>
<b>Retail</b>			
Direct	4,300	\$217.5	\$410.3
Indirect	1,272	\$56.7	\$135.2
Induced	2,480	\$93.9	\$233.2
<b>Total</b>	<b>8,051</b>	<b>\$368.0</b>	<b>\$778.7</b>
<b>Industrial</b>			
Direct	3,407	\$172.3	\$325.1
Indirect	1,008	\$44.9	\$107.1
Induced	1,965	\$74.4	\$184.8
<b>Total</b>	<b>6,379</b>	<b>\$291.6</b>	<b>\$617.0</b>
<b>Total</b>			
Direct	13,382	\$676.8	\$1,276.9
Indirect	3,957	\$176.4	\$420.6
Induced	7,718	\$292.1	\$725.8
<b>Total</b>	<b>25,057</b>	<b>\$1,145.4</b>	<b>\$2,423.4</b>

Source: Elliott D. Pollack & Company; MTLUS, BOMA, ULI, NAIOP

### 3.2 Fiscal Impact of Construction – Greater Phoenix

The following table outlines the fiscal impact of the annual construction of commercial real estate for the State of Arizona, Maricopa County and the local governments.

#### **Fiscal Impact on the State of Arizona**

The revenues from construction sales taxes that accrue to the State total more than \$41.0 million from all commercial sectors. This figure represents the total dollars that would be collected and retained by the State during the construction. It is net of the portion of construction sales taxes that are shared with, and distributed to, Arizona’s counties and cities.

The remainder of the revenues generated from construction relate to the spending of construction employees on retail goods, vehicle registration, gasoline taxes, and similar items. These are referenced as secondary revenues. Also included is an estimate of income taxes that would

accrue to the State from employees supported by the construction activity. Revenue estimates are provided for indirect and induced employment generated from the project. These revenues total over \$40.2 million from the spending of wages by employees.

Overall, the State would collect about \$81.3 million in revenue that is attributable to the annual construction of commercial real estate in Greater Phoenix.

Table 5  
**Annual Fiscal Impact from New Construction in Greater Phoenix  
Commercial Real Estate Impact  
State of Arizona  
(2006 Dollars)**

Impact Type	Primary Revenues	Secondary Revenues from Employment					Total Revenues
	Construction Sales Tax	Employees Spending Sales Tax	Income Tax	Vehicle License Tax	Unemp. Tax	HURF Tax	
<b>Office</b>							
Direct Revenues	\$17,404,400	\$3,398,500	\$4,903,400	\$204,100	\$1,072,500	\$412,700	<b>\$27,395,600</b>
Indirect Revenues	N/A	\$935,700	\$1,176,600	\$60,400	\$317,200	\$122,000	<b>\$2,611,900</b>
Induced Revenues	N/A	\$1,672,700	\$1,811,300	\$117,700	\$618,600	\$238,000	<b>\$4,458,300</b>
<b>Total Revenues: Office</b>	<b>\$17,404,400</b>	<b>\$6,006,900</b>	<b>\$7,891,300</b>	<b>\$382,200</b>	<b>\$2,008,300</b>	<b>\$772,700</b>	<b>\$34,465,800</b>
<b>Retail</b>							
Direct Revenues	\$13,187,500	\$2,575,100	\$3,715,400	\$154,600	\$812,700	\$312,700	<b>\$20,758,000</b>
Indirect Revenues	N/A	\$709,000	\$891,500	\$45,700	\$240,300	\$92,500	<b>\$1,979,000</b>
Induced Revenues	N/A	\$1,267,500	\$1,372,400	\$89,200	\$468,700	\$180,300	<b>\$3,378,100</b>
<b>Total Revenues: Retail</b>	<b>\$13,187,500</b>	<b>\$4,551,600</b>	<b>\$5,979,300</b>	<b>\$289,500</b>	<b>\$1,521,700</b>	<b>\$585,500</b>	<b>\$26,115,100</b>
<b>Industrial</b>							
Direct Revenues	\$10,449,100	\$2,040,400	\$2,943,900	\$122,500	\$643,900	\$247,800	<b>\$16,447,600</b>
Indirect Revenues	N/A	\$561,800	\$706,400	\$36,200	\$190,400	\$73,300	<b>\$1,568,100</b>
Induced Revenues	N/A	\$1,004,300	\$1,087,400	\$70,700	\$371,400	\$142,900	<b>\$2,676,700</b>
<b>Total Revenues: Industrial</b>	<b>\$10,449,100</b>	<b>\$3,606,500</b>	<b>\$4,737,700</b>	<b>\$229,400</b>	<b>\$1,205,700</b>	<b>\$464,000</b>	<b>\$20,692,400</b>
<b>Total Revenues</b>							
Direct Revenues	\$41,041,000	\$8,014,000	\$11,562,700	\$481,200	\$2,529,100	\$973,200	<b>\$64,601,200</b>
Indirect Revenues	N/A	\$2,206,500	\$2,774,500	\$142,300	\$747,900	\$287,800	<b>\$6,159,000</b>
Induced Revenues	N/A	\$3,944,500	\$4,271,100	\$277,600	\$1,458,700	\$561,200	<b>\$10,513,100</b>
<b>Total Commercial Impact</b>	<b>\$41,041,000</b>	<b>\$14,165,000</b>	<b>\$18,608,300</b>	<b>\$901,100</b>	<b>\$4,735,700</b>	<b>\$1,822,200</b>	<b>\$81,273,300</b>

**NOTES**

- The figures for the State of Arizona do not include revenues distributed to counties, cities, and towns.
- The figures are intended only as a general guideline as to how the State could be impacted by the project.
- The above figures are based on the current economic structure and tax rates of the State of Arizona.
- Two-year period assumes typical construction period.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP

**Fiscal Impact on Maricopa County**

Revenues generated to Maricopa County from commercial real estate construction activity for a typical year total \$24.2 million. This includes \$5.8 million in direct construction sales taxes (primary) and an additional \$18.3 million in employee impacts (secondary).

Table 6  
**Annual Fiscal Impact from New Construction in Greater Phoenix  
Commercial Real Estate Impact  
Maricopa County  
(2006 Dollars)**

Impact Type	Primary Revenues	Secondary Revenues from Employment			Total Revenues
	Construction Sales Tax	Employees Spending Sales Tax	Residents Property Tax	State Shared Revenues	
<b>Office</b>					
Direct Revenues	\$2,463,800	\$646,500	\$2,350,800	\$1,640,600	\$7,101,700
Indirect Revenues	N/A	\$179,200	\$695,200	\$204,800	\$1,079,200
Induced Revenues	N/A	\$323,000	\$1,355,800	\$380,800	\$2,059,600
<b>Total Revenues</b>	<b>\$2,463,800</b>	<b>\$1,148,700</b>	<b>\$4,401,800</b>	<b>\$2,226,200</b>	<b>\$10,240,500</b>
<b>Retail</b>					
Direct Revenues	\$1,866,900	\$489,900	\$1,781,200	\$1,243,100	\$5,381,100
Indirect Revenues	N/A	\$135,800	\$526,800	\$155,100	\$817,700
Induced Revenues	N/A	\$244,700	\$1,027,300	\$288,500	\$1,560,500
<b>Total Revenues</b>	<b>\$1,866,900</b>	<b>\$870,400</b>	<b>\$3,335,300</b>	<b>\$1,686,700</b>	<b>\$7,759,300</b>
<b>Industrial</b>					
Direct Revenues	\$1,479,200	\$388,200	\$1,411,300	\$984,900	\$4,263,600
Indirect Revenues	N/A	\$107,600	\$417,400	\$122,900	\$647,900
Induced Revenues	N/A	\$193,900	\$814,000	\$228,600	\$1,236,500
<b>Total Revenues</b>	<b>\$1,479,200</b>	<b>\$689,700</b>	<b>\$2,642,700</b>	<b>\$1,336,400</b>	<b>\$6,148,000</b>
<b>Total Revenues</b>					
Direct Revenues	\$5,809,900	\$1,524,600	\$5,543,300	\$3,868,600	\$16,746,400
Indirect Revenues	N/A	\$422,600	\$1,639,400	\$482,800	\$2,544,800
Induced Revenues	N/A	\$761,600	\$3,197,100	\$897,900	\$4,856,600
<b>Total Revenues</b>	<b>\$5,809,900</b>	<b>\$2,708,800</b>	<b>\$10,379,800</b>	<b>\$5,249,300</b>	<b>\$24,147,800</b>

**NOTES**

- The figures include revenues collected by the State and shared with counties.  
The figures are intended only as a general guideline as to how the County could be impacted by the project.
- The above figures are based on the current economic structure and tax rates of the County.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP

**Fiscal Impact on Maricopa County Local Governments**

In order to estimate the collections at the city and town level, a weighted average of tax rates was calculated. On average, local governments would collect \$13.7 million in primary revenues. Revenues from employee spending sales taxes, property taxes from the homes they occupy, and state shared revenues, are projected to total \$19.2 million. In total, the local governments in Maricopa County would collect an estimated \$32.9 million each year from the construction-related activity of the commercial real estate market.

Table 7

**Annual Fiscal Impact from Construction in Greater Phoenix  
Commercial Real Estate Impact  
Maricopa County City/Town Revenues  
(2006 Dollars)**

Impact Type	Primary Revenues	Secondary Revenues from Employment			Total Revenues
	Construction Sales Tax	Employees Spending Sales Tax	Residents Property Tax	State Shared Revenues	
<b>Office</b>					
Direct Revenues	\$5,801,500	\$1,522,400	\$999,500	\$2,428,200	<b>\$10,751,600</b>
Indirect Revenues	N/A	\$421,900	\$295,600	\$415,600	<b>\$1,133,100</b>
Induced Revenues	N/A	\$760,500	\$576,400	\$732,500	<b>\$2,069,400</b>
<b>Total Revenues</b>	<b>\$5,801,500</b>	<b>\$2,704,800</b>	<b>\$1,871,500</b>	<b>\$3,576,300</b>	<b>\$13,954,100</b>
<b>Retail</b>					
Direct Revenues	\$4,395,800	\$1,153,500	\$757,300	\$1,839,900	<b>\$8,146,500</b>
Indirect Revenues	N/A	\$319,700	\$224,000	\$314,900	<b>\$858,600</b>
Induced Revenues	N/A	\$576,300	\$436,800	\$555,000	<b>\$1,568,100</b>
<b>Total Revenues</b>	<b>\$4,395,800</b>	<b>\$2,049,500</b>	<b>\$1,418,100</b>	<b>\$2,709,800</b>	<b>\$10,573,200</b>
<b>Industrial</b>					
Direct Revenues	\$3,483,000	\$914,000	\$600,100	\$1,457,800	<b>\$6,454,900</b>
Indirect Revenues	N/A	\$253,300	\$177,500	\$249,500	<b>\$680,300</b>
Induced Revenues	N/A	\$456,600	\$346,100	\$439,800	<b>\$1,242,500</b>
<b>Total Revenues</b>	<b>\$3,483,000</b>	<b>\$1,623,900</b>	<b>\$1,123,700</b>	<b>\$2,147,100</b>	<b>\$8,377,700</b>
<b>Total Revenues</b>					
Direct Revenues	\$13,680,300	\$3,589,900	\$2,356,900	\$5,725,900	<b>\$25,353,000</b>
Indirect Revenues	N/A	\$994,900	\$697,100	\$980,000	<b>\$2,672,000</b>
Induced Revenues	N/A	\$1,793,400	\$1,359,300	\$1,727,300	<b>\$4,880,000</b>
<b>Total Revenues</b>	<b>\$13,680,300</b>	<b>\$6,378,200</b>	<b>\$4,413,300</b>	<b>\$8,433,200</b>	<b>\$32,905,000</b>

**NOTES**

- The figures include revenues collected by the State and shared with cities  
The figures are intended only as a general guideline as to how the cities could be impacted by the project.
- The above figures are based on the current weighted average of tax rates for the cities in Maricopa County.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP

### 3.3 Construction Impact Summary – Greater Phoenix

A summary of the construction economic and fiscal impact by sub-market is provided in Table 8. Both the economic and fiscal impacts the State, County and local governments are significant, with more than 25,000 jobs supported by the industry on average each year. Total revenue generated to governmental entities is estimated at \$138 million for a typical year.

Table 8

**Commercial Real Estate Impact  
Greater Phoenix Construction Impact Summary  
Maricopa County**

	<b>Office</b>	<b>Retail</b>	<b>Industrial</b>	<b>Total</b>
Total value of construction (\$ mil)	\$541.5	\$410.3	\$325.1	\$1,276.9
<b>Economic Impact</b>				
Annual jobs created	10,626	8,051	6,379	25,057
Annual economic impact (\$ mil)	\$1,027.7	\$778.7	\$617.0	\$2,423.4
<b>Fiscal Impact</b>				
Construction sales taxes collected (\$ mil)				
State	\$17.4	\$13.2	\$10.4	\$41.0
County	\$2.5	\$1.9	\$1.5	\$5.8
Cities	\$5.8	\$4.4	\$3.5	\$13.7
Secondary revenues from employment (\$ mil)				
State	\$17.1	\$12.9	\$10.2	\$40.2
County	\$7.8	\$5.9	\$4.7	\$18.3
Cities	\$8.2	\$6.2	\$4.9	\$19.2
Total revenues from construction (\$ mil)				
State	\$34.5	\$26.1	\$20.7	\$81.3
County	\$10.2	\$7.8	\$6.1	\$24.1
Cities	\$14.0	\$10.6	\$8.4	\$32.9

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kamrath Associates; BOMA; ULI; NAIOP; MVS

## 4.0 Operations Impact of Commercial Real Estate in Greater Phoenix

The commercial real estate industry creates significant impacts from operations and sales of the buildings. Operational impacts of commercial markets include maintenance & management, professional fees, and leasing. In addition, the sale of commercial buildings provides support for local commercial real estate companies. Both economic and fiscal impacts are illustrated in the following charts.

### 4.1 Economic Impact of Operations – Greater Phoenix

Tables 9 and 10 provide the economic impact from commercial real estate operations. Table 9 illustrates the impact by sector (office, retail and industrial) and Table 10 provides the impact by operational category (building maintenance and management, professional fees, leasing fees and real estate commissions). Overall, the annual operations of commercial real estate market in Maricopa County generates 37,230 direct, indirect and induced employees with total wages of \$1.3 billion and economic output of \$3.0 billion.

Table 9  
**Annual Economic Impact from Operations  
Commercial Real Estate in Greater Phoenix  
By Commercial Type  
Maricopa County  
(2006 Dollars)**

Impact Type	Jobs	Wages (\$ mil)	Economic Output (\$ mil)
<b>Office</b>			
<b>Direct</b>	9,925	\$335.3	\$695.3
<b>Indirect</b>	2,134	\$88.2	\$215.8
<b>Induced</b>	3,490	\$132.1	\$328.3
<b>Total</b>	15,549	\$555.7	\$1,239.3
<b>Retail</b>			
<b>Direct</b>	6,243	\$210.4	\$421.1
<b>Indirect</b>	1,224	\$50.5	\$123.1
<b>Induced</b>	2,143	\$81.1	\$201.6
<b>Total</b>	9,610	\$342.0	\$745.8
<b>Industrial</b>			
<b>Direct</b>	7,612	\$260.0	\$542.8
<b>Indirect</b>	1,709	\$70.7	\$173.0
<b>Induced</b>	2,751	\$104.1	\$258.7
<b>Total</b>	12,072	\$434.8	\$974.5
<b>Total</b>			
<b>Direct</b>	<b>23,779</b>	<b>\$805.7</b>	<b>\$1,659.3</b>
<b>Indirect</b>	<b>5,066</b>	<b>\$209.4</b>	<b>\$511.9</b>
<b>Induced</b>	<b>8,384</b>	<b>\$317.4</b>	<b>\$788.5</b>
<b>Total Annual Impact</b>	<b>37,230</b>	<b>\$1,332.5</b>	<b>\$2,959.6</b>

**NOTES**

- The total may not equal the sum of the impacts due to rounding.
- All dollar figures are in constant dollars. Inflation has not been included in these figures.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP

Table 10  
**Annual Economic Impact from Operations**  
**Commercial Real Estate in Greater Phoenix**  
**By Operational Category**  
**Maricopa County**  
**(2006 Dollars)**

Impact Type	Jobs	Wages (\$ mil)	Economic Output (\$ mil)
<b>Maintenance &amp; Management</b>			
<b>Direct</b>	19,466	\$552.4	\$935.6
<b>Indirect</b>	2,761	\$114.7	\$266.3
<b>Induced</b>	5,978	\$226.3	\$562.2
<b>Total</b>	28,206	\$893.5	\$1,764.1
<b>Professional fees (buildings)</b>			
<b>Direct</b>	586	\$33.8	\$54.3
<b>Indirect</b>	125	\$5.2	\$12.1
<b>Induced</b>	355	\$13.4	\$33.3
<b>Total</b>	1,066	\$52.4	\$99.7
<b>Leasing</b>			
<b>Direct</b>	1,123	\$45.7	\$182.9
<b>Indirect</b>	994	\$41.5	\$104.3
<b>Induced</b>	787	\$29.8	\$74.0
<b>Total</b>	2,904	\$116.9	\$361.3
<b>Real Estate Sales</b>			
<b>Direct</b>	2,271	\$154.5	\$455.6
<b>Indirect</b>	1,115	\$45.1	\$122.3
<b>Induced</b>	1,063	\$40.2	\$99.9
<b>Total</b>	4,448	\$239.8	\$677.8
<b>Professional fees (from sales)</b>			
<b>Direct</b>	334	\$19.3	\$30.9
<b>Indirect</b>	71	\$3.0	\$6.9
<b>Induced</b>	202	\$7.6	\$19.0
<b>Total</b>	607	\$29.9	\$56.8
<b>Total</b>			
<b>Direct</b>	<b>23,779</b>	<b>\$805.7</b>	<b>\$1,659.3</b>
<b>Indirect</b>	<b>5,066</b>	<b>\$209.4</b>	<b>\$511.9</b>
<b>Induced</b>	<b>8,384</b>	<b>\$317.4</b>	<b>\$788.5</b>
<b>Total Annual Impact</b>	<b>37,230</b>	<b>\$1,332.5</b>	<b>\$2,959.6</b>

**NOTES**

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kamrath Associates; BOMA; ULI; NAIOP

## 4.2 Fiscal Impact of Operations – Greater Phoenix

The fiscal impact of commercial real estate operations includes both the tax revenues generated from daily operations as well as the impact from employees supported by the industry. Revenues such as utility sales taxes, property taxes and commercial lease taxes are listed as the primary revenues.

### Fiscal Impact to the State of Arizona

The primary revenues collected by the state include utility sales taxes of \$37.8 million annually. The remainder of the revenues generated from annual operations relate to the spending of operational category employees on retail goods, vehicle registration, gasoline taxes, and similar items. These are referenced as secondary revenues. Also included is an estimate of income taxes that would accrue to the State from employees supported by the activity. Revenue estimates are provided for indirect and induced employment generated from the project. These revenues total nearly \$48.8 million from the spending of wages by employees.

Overall, the State would collect about \$86.6 million in revenue that is attributable to the annual construction of commercial real estate in Greater Phoenix.

Table 11  
**Annual Fiscal Impact from Operations**  
**Commercial Real Estate in Greater Phoenix**  
**State of Arizona Revenues**  
**(2006 Dollars)**

Impact Type	Primary Revenues	Annual Secondary Revenues from Employees					Total Annual Revenues
	Utility Sales Tax	Employees Sales Tax	Income Tax	Vehicle License Tax	Unemp. Tax	HURF Tax	
<b>Direct Revenues</b>							
Office	\$8,843,200	\$4,794,000	\$4,902,600	\$356,900	\$1,875,800	\$721,700	<b>\$21,494,200</b>
Retail	\$9,328,800	\$3,011,500	\$3,075,300	\$224,500	\$1,179,800	\$454,000	<b>\$17,273,900</b>
Industrial	\$19,584,500	\$3,696,300	\$3,801,200	\$273,800	\$1,438,700	\$553,500	<b>\$29,348,000</b>
Total	\$37,756,500	\$11,501,800	\$11,779,100	\$855,200	\$4,494,300	\$1,729,200	<b>\$68,116,100</b>
<b>Indirect Revenues</b>							
Office	N/A	\$1,141,800	\$1,386,900	\$76,700	\$403,300	\$155,200	<b>\$3,163,900</b>
Retail	N/A	\$654,500	\$794,700	\$44,000	\$231,300	\$89,000	<b>\$1,813,500</b>
Industrial	N/A	\$915,000	\$1,111,800	\$61,500	\$323,000	\$124,300	<b>\$2,535,600</b>
Total	N/A	\$2,711,300	\$3,293,400	\$182,200	\$957,600	\$368,500	<b>\$7,513,000</b>
<b>Induced Revenues</b>							
Office	N/A	\$1,783,900	\$1,931,700	\$125,500	\$659,700	\$253,800	<b>\$4,754,600</b>
Retail	N/A	\$1,095,400	\$1,186,100	\$77,100	\$405,100	\$155,900	<b>\$2,919,600</b>
Industrial	N/A	\$1,405,900	\$1,033,700	\$98,900	\$519,900	\$200,000	<b>\$3,258,400</b>
Total	N/A	\$4,285,200	\$4,151,500	\$301,500	\$1,584,700	\$609,700	<b>\$10,932,600</b>
<b>Total Revenues</b>							
Office	\$8,843,200	\$7,719,700	\$8,221,200	\$559,100	\$2,938,800	\$1,130,700	<b>\$29,412,700</b>
Retail	\$9,328,800	\$4,761,400	\$5,056,100	\$345,600	\$1,816,200	\$698,900	<b>\$22,007,000</b>
Industrial	\$19,584,500	\$6,017,200	\$5,946,700	\$434,200	\$2,281,600	\$877,800	<b>\$35,142,000</b>
Total	\$37,756,500	\$18,498,300	\$19,224,000	\$1,338,900	\$7,036,600	\$2,707,400	<b>\$86,561,700</b>

**NOTES**

- The total may not equal the sum of the impacts due to rounding.
- All dollar figures are in constant dollars. Inflation has not been included in these figures.
- All of the above figures do not include revenues distributed to counties, cities, and towns.
- All of the above figures are representative of the major revenue sources for the State of Arizona. The figures are intended only as a general guideline as to how the State could be impacted by the project.
- The above figures are based on the current economic structure and tax rates of the State of Arizona.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kamrath Associates; BOMA; ULI; NAIOP

**Fiscal Impact on Maricopa County**

The primary revenues collected by the County are utility sales taxes and direct property taxes. The market value per square foot for each commercial sub-market used to determine property taxes can be found in Table 3b of this report. In total, primary revenues collected by the County total of \$203.8 million annually. Secondary revenues generated from the employees essential to the operations of the buildings total an additional \$22.8 million for a total impact on Maricopa County \$226.6 million annually.

Table 12  
**Annual Fiscal Impact from Operations  
Commercial Real Estate in Greater Phoenix  
Maricopa County Revenues  
(2006 Dollars)**

	Primary Revenues			Secondary Revenues from Employees			Total Revenues
	Utility Sales Tax	Direct Property Tax	Total Primary	Employees Sales Tax	Residential Property Tax	State Shared Revenues	
<b>Direct</b>							
Office	\$1,105,400	\$68,796,400	<b>\$69,901,800</b>	\$931,100	\$4,111,400	\$1,120,750	<b>\$76,065,100</b>
Retail	\$1,166,100	\$80,377,700	<b>\$81,543,800</b>	\$585,000	\$2,586,000	\$704,460	<b>\$85,419,300</b>
Industrial	\$2,448,100	\$49,943,400	<b>\$52,391,500</b>	\$717,500	\$3,153,300	\$861,940	<b>\$57,124,200</b>
Total	\$4,719,600	\$199,117,500	<b>\$203,837,100</b>	\$2,233,600	\$9,850,700	\$2,687,150	<b>\$218,608,600</b>
<b>Indirect</b>							
Office	N/A	N/A	N/A	\$516,800	\$375,800	\$394,610	<b>\$1,287,200</b>
Retail	N/A	N/A	N/A	\$296,300	\$215,500	\$226,270	<b>\$738,100</b>
Industrial	N/A	N/A	N/A	\$414,100	\$301,000	\$316,160	<b>\$1,031,300</b>
Total	N/A	N/A	N/A	\$1,227,200	\$892,300	\$937,040	<b>\$3,056,600</b>
<b>Induced</b>							
Office	N/A	N/A	N/A	\$811,100	\$614,800	\$629,700	<b>\$2,055,600</b>
Retail	N/A	N/A	N/A	\$498,000	\$377,500	\$386,650	<b>\$1,262,200</b>
Industrial	N/A	N/A	N/A	\$639,200	\$484,500	\$496,250	<b>\$1,620,000</b>
Total	N/A	N/A	N/A	\$1,948,300	\$1,476,800	\$1,512,600	<b>\$4,937,800</b>
<b>Total</b>							
Office	\$1,105,400	\$68,796,400	<b>\$69,901,800</b>	\$2,259,000	\$5,102,000	\$2,145,060	<b>\$79,407,900</b>
Retail	\$1,166,100	\$80,377,700	<b>\$81,543,800</b>	\$1,379,300	\$3,179,000	\$1,317,380	<b>\$87,419,500</b>
Industrial	\$2,448,100	\$49,943,400	<b>\$52,391,500</b>	\$1,770,800	\$3,938,800	\$1,674,350	<b>\$59,775,500</b>
Total	\$4,719,600	\$199,117,500	<b>\$203,837,100</b>	\$5,409,100	\$12,219,800	\$5,136,790	<b>\$226,602,900</b>

**NOTES**

- The total may not equal the sum of the impacts due to rounding.
- All dollar figures are in constant dollars. Inflation has not been included in these figures.
- All of the above figures are representative of the major revenue sources for the county. The figures are intended only as a general guideline as to how the county could be impacted by the operations.
- The above figures are based on the current economic structure and tax rates of the county.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kamrath Associates; BOMA; ULI; NAIOP

**Fiscal Impact on Local Governments**

Similar to the fiscal impacts of construction, the operational fiscal impacts on local governments are based on weighted average tax rates of cities and towns within Maricopa County. Primary revenues collected by the local governments include utility sales taxes, lease taxes and direct property taxes. These primary revenues collected by local governments total an estimated \$146.8 million annually. Secondary revenues generated from the employees essential to the operations of the buildings total an additional \$23.2 million for a total impact on local governments in Maricopa County of \$169.9 million annually.

Table 13  
**Annual Fiscal Impact from Operations**  
**Commercial Real Estate in Greater Phoenix**  
**Local Government Revenues**  
**(2006 Dollars)**

	Annual Primary Revenues				Annual Secondary Revenues from Employees			Total Annual Revenues
	Utility Sales Tax	Direct Lease Tax	Direct Property Tax	Total Primary Revenues	Employees Sales Tax	Residential Property Tax	State Shared Revenues	
<b>Direct</b>								
Retail	\$2,602,800	\$19,862,900	\$29,250,300	\$51,716,000	\$2,192,400	\$1,748,000	\$2,115,090	\$57,771,500
Office	\$2,745,800	\$15,337,200	\$34,174,300	\$52,257,300	\$1,377,400	\$1,099,500	\$1,328,860	\$56,063,100
Residential	\$5,764,300	\$15,780,100	\$21,234,500	\$42,778,900	\$1,689,500	\$1,340,700	\$1,629,590	\$47,438,700
<b>Total</b>	\$11,112,900	\$50,980,200	\$84,659,100	\$146,752,200	\$5,259,300	\$4,188,200	\$5,073,540	\$161,273,300
<b>Indirect</b>								
Retail	N/A	N/A	N/A	N/A	\$516,800	\$375,800	\$509,200	\$1,401,800
Office	N/A	N/A	N/A	N/A	\$296,300	\$215,500	\$291,930	\$803,700
Residential	N/A	N/A	N/A	N/A	\$414,100	\$301,000	\$408,040	\$1,123,100
<b>Total</b>	N/A	N/A	N/A	N/A	\$1,227,200	\$892,300	\$1,209,170	\$3,328,600
<b>Induced</b>								
Retail	N/A	N/A	N/A	N/A	\$811,100	\$614,800	\$781,160	\$2,207,100
Office	N/A	N/A	N/A	N/A	\$498,000	\$377,500	\$479,650	\$1,355,200
Residential	N/A	N/A	N/A	N/A	\$639,200	\$484,500	\$615,610	\$1,739,300
<b>Total</b>	N/A	N/A	N/A	N/A	\$1,948,300	\$1,476,800	\$1,876,420	\$5,301,600
<b>Total</b>								
Retail	\$2,602,800	\$19,862,900	\$29,250,300	\$51,716,000	\$3,520,300	\$2,738,600	\$3,405,450	\$61,380,400
Office	\$2,745,800	\$15,337,200	\$34,174,300	\$52,257,300	\$2,171,700	\$1,692,500	\$2,100,440	\$58,221,900
Residential	\$5,764,300	\$15,780,100	\$21,234,500	\$42,778,900	\$2,742,800	\$2,126,200	\$2,653,240	\$50,301,100
<b>Total Annual Revenue</b>	\$11,112,900	\$50,980,200	\$84,659,100	\$146,752,200	\$8,434,800	\$6,557,300	\$8,159,130	\$169,903,400

**NOTES**

- The total may not equal the sum of the impacts due to rounding.
- All dollar figures are in constant dollars. Inflation has not been included in these figures.
- All of the above figures are representative of the major revenue sources for the city. The figures are intended only as a general guideline as to how the city could be impacted by the operations.
- The above figures are based on the current weighted average of tax rates for the cities in Maricopa County.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kammrath Associates; BOMA; ULI; NAIOP

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## **5.0 Impact of Construction – Greater Tucson**

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This section of the report outlines the economic and fiscal impact of the annual construction of commercial real estate in Greater Tucson. Construction phase impacts are generally short-term effects related to on-site and off-site construction employment and other industries that support the construction. However, the construction impact of the commercial real estate industry is an on-going, increasing annual impact, as each year new buildings are constructed and added to the market.

The amount of new space added to the commercial market varies each year. In order to estimate an annual construction impact of the commercial real estate market, this report uses a 10-year historical average by type (see Table 2a in Section 1.0 of this report). The value of construction per square foot is estimated in current (2006) dollars to provide a total value of construction for each sector.

### **5.1 Economic Impact of Construction – Greater Tucson**

The direct construction value of commercial real estate in Pima County is estimated at \$177.3 million annually. This estimate is based on a ten-year annual average of construction activity as reported by the Metro Tucson Land Use Study and the current cost of construction. Retail space accounts for the largest portion of this activity with \$65.9 million based on an annual average 755,000 square feet constructed. Another 418,000 square feet of office space is constructed on average each year at a value of \$61.2 million. Construction of industrial space is estimated at \$50.3 million each year based on 1.1 million square feet construction on average.

The above figures have been inputted to an economic model that calculates the indirect and induced impact of commercial real estate construction activity on Pima County. The result is more than \$319.0 million in total economic activity, the creation of more than 3,817 jobs and wages of \$144.3 billion.

The retail sector accounts for the largest impact of more than \$118.5 million in total economic output, generating 1,419 direct, indirect and induced jobs, annually. Annual office sector construction output is \$110.0 million with more than 1,317 jobs created. The \$50.3 million in direct industrial construction activity creates nearly 1,082 direct, indirect and induce jobs annually and \$90.4 million in total economic output.

Table 14  
**Annual Economic Impact from New Construction**  
**Commercial Real Estate Impact**  
**Pima County**

Impact Type	Jobs	Wages (\$ mil)	Output (\$ mil)
<b>Office</b>			
Direct	723	\$29.1	\$61.2
Indirect	209	\$7.9	\$19.1
Induced	385	\$12.7	\$29.8
<b>Total</b>	<b>1,317</b>	<b>\$49.8</b>	<b>\$110.0</b>
<b>Retail</b>			
Direct	779	\$31.3	\$65.9
Indirect	225	\$8.5	\$20.5
Induced	414	\$13.7	\$32.1
<b>Total</b>	<b>1,419</b>	<b>\$53.6</b>	<b>\$118.5</b>
<b>Industrial</b>			
Direct	594	\$23.9	\$50.3
Indirect	172	\$6.5	\$15.7
Induced	316	\$10.5	\$24.5
<b>Total</b>	<b>1,082</b>	<b>\$40.9</b>	<b>\$90.4</b>
<b>Total</b>			
Direct	2,096	\$84.3	\$177.3
Indirect	606	\$23.0	\$55.3
Induced	1,115	\$37.0	\$86.3
<b>Total</b>	<b>3,817</b>	<b>\$144.3</b>	<b>\$319.0</b>

Source: Elliott D. Pollack & Company; Kamrath Associates, BOMA, ULI, NAIOP

## 5.2 Fiscal Impact of Construction – Greater Tucson

The following table outlines the fiscal impact of the annual construction of commercial real estate in Greater Tucson for the State of Arizona, Pima County and the local governments.

### Fiscal Impact on the State of Arizona

The revenues from construction sales taxes that accrue to the State total more than \$5.7 million from all commercial sectors. This figure represents the total dollars that would be collected and retained by the State during the construction in Greater Tucson. It is net of the portion of construction sales taxes that are shared with, and distributed to, Arizona’s counties and cities.

The remainder of the revenues generated from construction relate to the spending of construction employees on retail goods, vehicle registration, gasoline taxes, and similar items. These are

referenced as secondary revenues. Also included is an estimate of income taxes that would accrue to the State from employees supported by the construction activity. Revenue estimates are provided for indirect and induced employment generated from the project. These revenues total an additional \$5.6 million from the spending of wages by employees.

Overall, the State would collect about \$11.3 million in revenue that is attributable to the annual construction of commercial real estate in Greater Tucson.

Table 15  
**Annual Fiscal Impact from New Construction in Greater Tucson**  
**Commercial Real Estate Impact**  
**State of Arizona**  
**(2006 Dollars)**

Impact Type	Primary Revenues	Secondary Revenues from Employment					Total Revenues
	Construction Sales Tax	Employees Spending Sales Tax	Income Tax	Vehicle License Tax	Unemp. Tax	HURF Tax	
<b>Office</b>							
Direct Revenues	\$1,966,100	\$439,100	\$457,300	\$26,000	\$136,600	\$52,600	<b>\$3,077,700</b>
Indirect Revenues	N/A	\$123,200	\$116,000	\$7,500	\$39,500	\$15,200	<b>\$301,400</b>
Induced Revenues	N/A	\$212,000	\$186,400	\$13,800	\$72,700	\$28,000	<b>\$512,900</b>
<b>Total Revenues: Office</b>	<b>\$1,966,100</b>	<b>\$774,300</b>	<b>\$759,700</b>	<b>\$47,300</b>	<b>\$248,800</b>	<b>\$95,800</b>	<b>\$3,892,000</b>
<b>Retail</b>							
Direct Revenues	\$2,118,400	\$473,100	\$492,700	\$28,000	\$147,200	\$56,600	<b>\$3,316,000</b>
Indirect Revenues	N/A	\$132,700	\$125,000	\$8,100	\$42,600	\$16,400	<b>\$324,800</b>
Induced Revenues	N/A	\$228,400	\$200,800	\$14,900	\$78,300	\$30,100	<b>\$552,500</b>
<b>Total Revenues: Retail</b>	<b>\$2,118,400</b>	<b>\$834,200</b>	<b>\$818,500</b>	<b>\$51,000</b>	<b>\$268,100</b>	<b>\$103,100</b>	<b>\$4,193,300</b>
<b>Industrial</b>							
Direct Revenues	\$1,615,300	\$360,800	\$375,700	\$21,400	\$112,300	\$43,200	<b>\$2,528,700</b>
Indirect Revenues	N/A	\$101,200	\$95,300	\$6,200	\$32,500	\$12,500	<b>\$247,700</b>
Induced Revenues	N/A	\$174,200	\$153,100	\$11,400	\$59,700	\$23,000	<b>\$421,400</b>
<b>Total Revenues: Industrial</b>	<b>\$1,615,300</b>	<b>\$636,200</b>	<b>\$624,100</b>	<b>\$39,000</b>	<b>\$204,500</b>	<b>\$78,700</b>	<b>\$3,197,800</b>
<b>Total Revenues</b>							
Direct Revenues	\$5,699,800	\$1,273,000	\$1,325,700	\$75,400	\$396,100	\$152,400	<b>\$8,922,400</b>
Indirect Revenues	N/A	\$357,100	\$336,300	\$21,800	\$114,600	\$44,100	<b>\$873,900</b>
Induced Revenues	N/A	\$614,600	\$540,300	\$40,100	\$210,700	\$81,100	<b>\$1,486,800</b>
<b>Total Commercial Impact</b>	<b>\$5,699,800</b>	<b>\$2,244,700</b>	<b>\$2,202,300</b>	<b>\$137,300</b>	<b>\$721,400</b>	<b>\$277,600</b>	<b>\$11,283,100</b>

**NOTES**

- The figures for the State of Arizona do not include revenues distributed to counties, cities, and towns.
- The figures are intended only as a general guideline as to how the State could be impacted by the project.
- The above figures are based on the current economic structure and tax rates of the State of Arizona.
- Two-year period assumes typical construction period.

Source: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOF

**Fiscal Impact on Pima County**

Revenues generated to Pima County from commercial real estate construction activity for a typical year total \$3.0 million. Pima County does not levy a construction sales tax or a retail sales tax. Thus, the impacts for the County are secondary impacts only.

Table 16

**Annual Fiscal Impact from New Construction  
Commercial Real Estate Impact  
Pima County  
(2006 Dollars)**

Impact Type	Primary Revenues	Secondary Revenues from Employment			Total Revenues
	Construction Sales Tax	Employees Spending Sales Tax	Residents Property Tax	State Shared Revenues	
<b>Office</b>					
Direct Revenues	\$0	\$0	\$532,300	\$46,300	\$578,600
Indirect Revenues	N/A	\$0	\$154,000	\$6,200	\$160,200
Induced Revenues	N/A	\$0	\$283,200	\$11,000	\$294,200
<b>Total Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$969,500</b>	<b>\$63,500</b>	<b>\$1,033,000</b>
<b>Retail</b>					
Direct Revenues	\$0	\$0	\$573,600	\$49,900	\$623,500
Indirect Revenues	N/A	\$0	\$165,900	\$6,700	\$172,600
Induced Revenues	N/A	\$0	\$305,200	\$11,800	\$317,000
<b>Total Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,044,700</b>	<b>\$68,400</b>	<b>\$1,113,100</b>
<b>Industrial</b>					
Direct Revenues	\$0	\$0	\$437,300	\$38,000	\$475,300
Indirect Revenues	N/A	\$0	\$126,500	\$5,100	\$131,600
Induced Revenues	N/A	\$0	\$232,700	\$9,000	\$241,700
<b>Total Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$796,500</b>	<b>\$52,100</b>	<b>\$848,600</b>
<b>Parking</b>					
Direct Revenues	\$0	\$0	\$0	\$0	\$0
Indirect Revenues	N/A	\$0	\$0	\$0	\$0
Induced Revenues	N/A	\$0	\$0	\$0	\$0
<b>Total Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Revenues</b>					
Direct Revenues	\$0	\$0	\$1,543,200	\$134,200	\$1,677,400
Indirect Revenues	N/A	\$0	\$446,400	\$18,000	\$464,400
Induced Revenues	N/A	\$0	\$821,100	\$31,800	\$852,900
<b>Total Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,810,700</b>	<b>\$184,000</b>	<b>\$2,994,700</b>

**NOTES**

- The figures include revenues collected by the State and shared with counties.  
The figures are intended only as a general guideline as to how the County could be impacted by the project.
- The above figures are based on the current economic structure and tax rates of the County.

Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

**Fiscal Impact on Pima County Local Governments**

In order to estimate the collections at the city and town level, a weighted average of tax rates was calculated. In total, local governments in Pima County would collect an aggregate \$2.3 million in primary revenues. Revenues from employee spending sales taxes, property taxes from the homes they occupy, and state shared revenues, are projected to total \$2.8 million. In total, the local governments in Pima County would collect an estimated \$5.2 million each year from the construction-related activity of the commercial real estate market.

Table 17  
**Annual Fiscal Impact from Construction in Greater Tucson**  
**Commercial Real Estate Impact**  
**Local Government Revenues**  
**(2006 Dollars)**

Impact Type	Primary Revenues	Secondary Revenues from Employment			Total Revenues
	Construction Sales Tax	Employees Spending Sales Tax	Residents Property Tax	State Shared Revenues	
<b>Office</b>					
Direct Revenues	\$805,600	\$242,300	\$74,200	\$276,500	\$1,398,600
Indirect Revenues	N/A	\$68,200	\$21,500	\$48,700	\$138,400
Induced Revenues	N/A	\$118,100	\$39,500	\$84,600	\$242,200
<b>Total Revenues</b>	<b>\$805,600</b>	<b>\$428,600</b>	<b>\$135,200</b>	<b>\$409,800</b>	<b>\$1,779,200</b>
<b>Retail</b>					
Direct Revenues	\$868,000	\$261,100	\$80,000	\$297,900	\$1,507,000
Indirect Revenues	N/A	\$73,500	\$23,100	\$52,500	\$149,100
Induced Revenues	N/A	\$127,300	\$42,600	\$91,100	\$261,000
<b>Total Revenues</b>	<b>\$868,000</b>	<b>\$461,900</b>	<b>\$145,700</b>	<b>\$441,500</b>	<b>\$1,917,100</b>
<b>Industrial</b>					
Direct Revenues	\$661,900	\$199,100	\$61,000	\$227,100	\$1,149,100
Indirect Revenues	N/A	\$56,000	\$17,600	\$40,000	\$113,600
Induced Revenues	N/A	\$97,100	\$32,400	\$69,500	\$199,000
<b>Total Revenues</b>	<b>\$661,900</b>	<b>\$352,200</b>	<b>\$111,000</b>	<b>\$336,600</b>	<b>\$1,461,700</b>
<b>Total Revenues</b>					
Direct Revenues	\$2,335,500	\$702,500	\$215,200	\$801,500	\$4,054,700
Indirect Revenues	N/A	\$197,700	\$62,200	\$141,200	\$401,100
Induced Revenues	N/A	\$342,500	\$114,500	\$245,200	\$702,200
<b>Total Revenues</b>	<b>\$2,335,500</b>	<b>\$1,242,700</b>	<b>\$391,900</b>	<b>\$1,187,900</b>	<b>\$5,158,000</b>

**NOTES**

1 The figures include revenues collected by the State and shared with cities  
The figures are intended only as a general guideline as to how the cities could be impacted by the project.

2 The above figures are based on the current weighted average of tax rates for the cities in Pima County.

Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

**5.3 Construction Impact Summary – Greater Tucson**

A summary of the construction economic and fiscal impact by sub-market in Greater Tucson is provided in Table 18. Both the economic and fiscal impacts the State, County and local governments are significant, with more than 3,800 jobs supported by the industry on average each year. Total revenue generated to governmental entities is estimated at \$19.4 million for a typical year.

Table 18  
**Commercial Real Estate Impact**  
**Impact of Construction in Greater Tucson Summary**  
**Pima County**

	<u>Office</u>	<u>Retail</u>	<u>Industrial</u>	<u>Total</u>
Total value of construction	\$61.2	\$65.9	\$50.3	\$177.3
<b>Economic Impact</b>				
Annual jobs created	1,317	1,419	1,082	3,817
Annual economic impact (\$ mil)	\$110.0	\$118.5	\$90.4	\$319.0
<b>Fiscal Impact</b>				
Construction sales taxes collected (\$ mil)				
State	\$2.0	\$2.1	\$1.6	\$5.7
County	\$0.0	\$0.0	\$0.0	\$0.0
Cities	\$0.8	\$0.9	\$0.7	\$2.3
Secondary revenues from employment (\$ mil)				
State	\$1.9	\$2.1	\$1.6	\$5.6
County	\$1.0	\$1.1	\$0.8	\$3.0
Cities	\$1.0	\$1.0	\$0.8	\$2.8
Total revenues from construction (\$ mil)				
State	\$3.9	\$4.2	\$3.2	\$11.3
County	\$1.0	\$1.1	\$0.8	\$3.0
Cities	\$1.8	\$1.9	\$1.5	\$5.2

Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

## 6.0 Operations Impact of Commercial Real Estate in Greater Tucson

The commercial real estate industry creates significant impacts from operations and sales of the buildings. Operational impacts of commercial markets include maintenance and management, professional fees, and leasing. In addition, the sale of commercial buildings provides support for local commercial real estate companies. Both economic and fiscal impacts are illustrated in the following charts.

### 6.1 Economic Impact of Operations – Greater Tucson

Tables 19 and 20 provide the economic impact from commercial real estate operations. Table 19 illustrates the impact by sector (office, retail and industrial) and Table 20 provides the impact by operational category (building maintenance and management, professional fees, leasing fees and real estate commissions). Overall, the annual operations of commercial real estate market in Pima County generates 8,361 direct, indirect and induced employees with total wages of \$249.2 million and economic output of \$579.6 million.

Table 19  
**Annual Economic Impact from Operations  
Commercial Real Estate in Greater Tucson  
By Commercial Type  
Pima County  
(2006 Dollars)**

Impact Type	Jobs	Wages (\$ mil)	Economic Output (\$ mil)
<b>Office</b>			
<b>Direct</b>	1,455	\$40.4	\$93.2
<b>Indirect</b>	329	\$11.1	\$27.6
<b>Induced</b>	479	\$15.9	\$37.1
<b>Total</b>	2,262	\$67.3	\$157.9
<b>Retail</b>			
<b>Direct</b>	2,558	\$71.1	\$159.5
<b>Indirect</b>	536	\$18.0	\$44.8
<b>Induced</b>	822	\$27.2	\$63.6
<b>Total</b>	3,916	\$116.3	\$267.9
<b>Industrial</b>			
<b>Direct</b>	1,385	\$39.0	\$90.0
<b>Indirect</b>	325	\$11.0	\$27.4
<b>Induced</b>	472	\$15.7	\$36.6
<b>Total</b>	2,182	\$65.7	\$153.9
<b>Total</b>			
<b>Direct</b>	<b>5,397</b>	<b>\$150.5</b>	<b>\$342.6</b>
<b>Indirect</b>	<b>1,190</b>	<b>\$40.0</b>	<b>\$99.8</b>
<b>Induced</b>	<b>1,773</b>	<b>\$58.8</b>	<b>\$137.3</b>
<b>Total Annual Impact</b>	<b>8,361</b>	<b>\$249.2</b>	<b>\$579.6</b>

**NOTES**

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.

Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

Table 20

**Annual Economic Impact from Operations  
Commercial Real Estate in Greater Tucson  
By Operational Category  
Pima County  
(2006 Dollars)**

Impact Type	Jobs	Wages (\$ mil)	Economic Output (\$ mil)
<b>Maintenance &amp; Management</b>			
Direct	3,790	\$94.6	\$182.3
Indirect	643	\$21.8	\$51.8
Induced	1,205	\$39.9	\$93.3
<b>Total</b>	<b>5,637</b>	<b>\$156.3</b>	<b>\$327.3</b>
<b>Professional fees (buildings)</b>			
Direct	131	\$6.8	\$10.6
Indirect	27	\$0.9	\$2.2
Induced	81	\$2.7	\$6.3
<b>Total</b>	<b>239</b>	<b>\$10.4</b>	<b>\$19.1</b>
<b>Leasing</b>			
Direct	214	\$7.3	\$30.6
Indirect	183	\$6.3	\$16.1
Induced	142	\$4.7	\$11.0
<b>Total</b>	<b>539</b>	<b>\$18.4</b>	<b>\$57.7</b>
<b>Real Estate Sales</b>			
Direct	1,170	\$37.0	\$111.7
Indirect	319	\$10.3	\$28.1
Induced	289	\$9.6	\$22.3
<b>Total</b>	<b>1,777</b>	<b>\$56.9</b>	<b>\$162.2</b>
<b>Professional fees (from sales)</b>			
Direct	92	\$4.7	\$7.4
Indirect	19	\$0.6	\$1.5
Induced	56	\$1.9	\$4.4
<b>Total</b>	<b>167</b>	<b>\$7.3</b>	<b>\$13.3</b>
<b>Total</b>			
Direct	<b>5,397</b>	<b>\$150.5</b>	<b>\$342.6</b>
Indirect	<b>1,190</b>	<b>\$40.0</b>	<b>\$99.8</b>
Induced	<b>1,773</b>	<b>\$58.8</b>	<b>\$137.3</b>
<b>Total Annual Impact</b>	<b>8,361</b>	<b>\$249.2</b>	<b>\$579.6</b>

**NOTES**

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.

Sources: Elliott D. Pollack &amp; Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

## **6.2 Fiscal Impact of Operations – Greater Tucson**

The fiscal impact of commercial real estate operations in Greater Tucson includes both the tax revenues generated from daily operations as well as the impact from employees supported by the industry. Revenues such as utility sales taxes, property taxes and commercial lease taxes are listed as the primary revenues.

### **Fiscal Impact to the State of Arizona**

The primary revenues collected by the state include utility sales taxes of \$7.4 million annually. The remainder of the revenues generated from annual operations relate to the spending of operational category employees on retail goods, vehicle registration, gasoline taxes, and similar items. These are referenced as secondary revenues. Also included is an estimate of income taxes that would accrue to the State from employees supported by the activity. Revenue estimates are provided for indirect and induced employment generated from the project. These revenues total nearly \$10.3 million from the spending of wages by employees.

Overall, the State would collect about \$17.7 million in revenue that is attributable to the annual construction of commercial real estate in Greater Tucson.

Table 21

**Annual Fiscal Impact from Operations  
Commercial Real Estate in Greater Tucson  
State of Arizona Revenues  
(2006 Dollars)**

Impact Type	Primary Revenues	Annual Secondary Revenues from Employees					Total Annual Revenues
	Utility Sales Tax	Employees Sales Tax	Income Tax	Vehicle License Tax	Unemp. Tax	HURF Tax	
<b>Direct Revenues</b>							
Office	\$1,106,400	\$739,500	\$538,900	\$52,300	\$274,900	\$105,800	<b>\$2,817,800</b>
Retail	\$3,225,700	\$1,300,700	\$948,200	\$92,000	\$483,500	\$186,000	<b>\$6,236,100</b>
Industrial	\$3,092,800	\$708,700	\$521,000	\$49,800	\$261,700	\$100,700	<b>\$4,734,700</b>
Total	\$7,424,900	\$2,748,900	\$2,008,100	\$194,100	\$1,020,100	\$392,500	<b>\$13,788,600</b>
<b>Indirect Revenues</b>							
Office	N/A	\$182,500	\$161,700	\$11,800	\$62,100	\$23,900	<b>\$442,000</b>
Retail	N/A	\$297,000	\$262,600	\$19,300	\$101,300	\$39,000	<b>\$719,200</b>
Industrial	N/A	\$180,800	\$160,400	\$11,700	\$61,500	\$23,700	<b>\$438,100</b>
Total	N/A	\$660,300	\$584,700	\$42,800	\$224,900	\$86,600	<b>\$1,599,300</b>
<b>Induced Revenues</b>							
Office	N/A	\$263,900	\$232,000	\$17,200	\$90,500	\$34,800	<b>\$638,400</b>
Retail	N/A	\$452,900	\$398,200	\$29,600	\$155,300	\$59,800	<b>\$1,095,800</b>
Industrial	N/A	\$260,300	\$160,400	\$17,000	\$89,300	\$34,300	<b>\$561,300</b>
Total	N/A	\$977,100	\$790,600	\$63,800	\$335,100	\$128,900	<b>\$2,295,500</b>
<b>Total Revenues</b>							
Office	<b>\$1,106,400</b>	<b>\$1,185,900</b>	<b>\$932,600</b>	<b>\$81,300</b>	<b>\$427,500</b>	<b>\$164,500</b>	<b>\$3,898,200</b>
Retail	<b>\$3,225,700</b>	<b>\$2,050,600</b>	<b>\$1,609,000</b>	<b>\$140,900</b>	<b>\$740,100</b>	<b>\$284,800</b>	<b>\$8,051,100</b>
Industrial	<b>\$3,092,800</b>	<b>\$1,149,800</b>	<b>\$841,800</b>	<b>\$78,500</b>	<b>\$412,500</b>	<b>\$158,700</b>	<b>\$5,734,100</b>
Total	<b>\$7,424,900</b>	<b>\$4,386,300</b>	<b>\$3,383,400</b>	<b>\$300,700</b>	<b>\$1,580,100</b>	<b>\$608,000</b>	<b>\$17,683,400</b>

**NOTES**

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.
- 3 All of the above figures do not include revenues distributed to counties, cities, and towns.
- 4 All of the above figures are representative of the major revenue sources for the State of Arizona. The figures are intended only as a general guideline as to how the State could be impacted by the project.
- 5 The above figures are based on the current economic structure and tax rates of the State of Arizona.

Sources: Elliott D. Pollack &amp; Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

**Fiscal Impact on Pima County**

The primary revenues collected by the County are direct property taxes (Pima County does not levy a sales tax). The market value per square foot for each commercial sub-market used to determine property taxes can be found in Table 3b of this report. In total, primary revenues collected by the County total of \$125.0 million annually. Secondary revenues generated from the employees essential to the operations of the buildings total an additional \$5.9 million for a total impact on Pima County \$130.9 million annually.

Table 22

**Annual Fiscal Impact from Operations  
Commercial Real Estate in Greater Tucson  
Pima County Revenues  
(2006 Dollars)**

	Primary Revenues			Secondary Revenues from Employees			Total Revenues
	Utility Sales Tax	Direct Property Tax	Total Primary	Employees Sales Tax	Residential Property Tax	State Shared Revenues	
<b>Direct</b>							
Office	\$0	\$20,047,100	<b>\$20,047,100</b>	\$0	\$1,071,200	\$39,770	<b>\$21,158,100</b>
Retail	\$0	\$64,729,800	<b>\$64,729,800</b>	\$0	\$1,883,600	\$69,940	<b>\$66,683,300</b>
Industrial	\$0	\$40,220,500	<b>\$40,220,500</b>	\$0	\$1,019,700	\$37,990	<b>\$41,278,200</b>
Total	\$0	\$124,997,400	<b>\$124,997,400</b>	\$0	\$3,974,500	\$147,700	<b>\$129,119,600</b>
<b>Indirect</b>							
Office	N/A	N/A	N/A	\$101,600	\$33,800	\$62,050	<b>\$197,500</b>
Retail	N/A	N/A	N/A	\$165,400	\$55,000	\$101,060	<b>\$321,500</b>
Industrial	N/A	N/A	N/A	\$100,700	\$33,400	\$61,420	<b>\$195,500</b>
Total	N/A	N/A	N/A	\$367,700	\$122,200	\$224,530	<b>\$714,500</b>
<b>Induced</b>							
Office	N/A	N/A	N/A	\$147,100	\$49,200	\$90,000	<b>\$286,300</b>
Retail	N/A	N/A	N/A	\$252,400	\$84,400	\$154,490	<b>\$491,300</b>
Industrial	N/A	N/A	N/A	\$145,100	\$48,500	\$88,780	<b>\$282,400</b>
Total	N/A	N/A	N/A	\$544,600	\$182,100	\$333,270	<b>\$1,060,000</b>
<b>Total</b>							
Office	\$0	\$20,047,100	<b>\$20,047,100</b>	\$248,700	\$1,154,200	\$191,820	<b>\$21,641,800</b>
Retail	\$0	\$64,729,800	<b>\$64,729,800</b>	\$417,800	\$2,023,000	\$325,490	<b>\$67,496,100</b>
Industrial	\$0	\$40,220,500	<b>\$40,220,500</b>	\$245,800	\$1,101,600	\$188,190	<b>\$41,756,100</b>
Total	\$0	\$124,997,400	<b>\$124,997,400</b>	\$912,300	\$4,278,800	\$705,500	<b>\$130,894,000</b>

**NOTES**

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.
- 3 All of the above figures are representative of the major revenue sources for the county. The figures are intended only as a general guideline as to how the county could be impacted by the operations.
- 4 The above figures are based on the current economic structure and tax rates of the county.

Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

**Fiscal Impact on Local Governments**

Similar to the fiscal impacts of construction, the operational fiscal impacts on local governments are based on weighted average tax rates of cities and towns within Pima County. Primary revenues collected by the local governments include utility sales taxes, lease taxes and direct property taxes. These primary revenues collected by local governments total an estimated \$30.9 million annually. Secondary revenues generated from the employees essential to the operations of the buildings total an additional \$5.1 million for a total impact on local governments in Pima County of \$35.9 million annually.

Table 23  
**Annual Fiscal Impact from Operations**  
**Commercial Real Estate Impact**  
**Local Government Revenues**  
**(2006 Dollars)**

	Annual Primary Revenues				Annual Secondary Revenues from Employees			Total Annual Revenues
	Utility Sales Tax	Direct Lease Tax	Direct Property Tax	Total Primary Revenues	Employees Sales Tax	Residential Property Tax	State Shared Revenues	
<b>Direct</b>								
Retail	\$400,300	\$3,005,500	\$2,795,300	\$6,201,100	\$415,800	\$149,400	\$291,880	<b>\$7,058,200</b>
Office	\$1,167,100	\$5,205,800	\$9,025,700	\$15,398,600	\$731,400	\$262,600	\$513,360	<b>\$16,906,000</b>
Residential	\$1,119,000	\$2,536,800	\$5,608,200	\$9,264,000	\$398,200	\$142,200	\$279,400	<b>\$10,083,800</b>
Total	\$2,686,400	\$10,748,100	\$17,429,200	\$30,863,700	\$1,545,400	\$554,200	\$1,084,640	<b>\$34,048,000</b>
<b>Indirect</b>								
Retail	N/A	N/A	N/A	N/A	\$101,600	\$33,800	\$72,740	<b>\$208,100</b>
Office	N/A	N/A	N/A	N/A	\$165,400	\$55,000	\$118,410	<b>\$338,800</b>
Residential	N/A	N/A	N/A	N/A	\$100,700	\$33,400	\$72,040	<b>\$206,100</b>
Total	N/A	N/A	N/A	N/A	\$367,700	\$122,200	\$263,190	<b>\$753,000</b>
<b>Induced</b>								
Retail	N/A	N/A	N/A	N/A	\$147,100	\$49,200	\$105,270	<b>\$301,600</b>
Office	N/A	N/A	N/A	N/A	\$252,400	\$84,400	\$180,700	<b>\$517,500</b>
Residential	N/A	N/A	N/A	N/A	\$145,100	\$48,500	\$103,850	<b>\$297,500</b>
Total	N/A	N/A	N/A	N/A	\$544,600	\$182,100	\$389,820	<b>\$1,116,600</b>
<b>Total</b>								
Retail	\$400,300	\$3,005,500	\$2,795,300	\$6,201,100	\$664,500	\$232,400	\$469,890	<b>\$7,567,900</b>
Office	\$1,167,100	\$5,205,800	\$9,025,700	\$15,398,600	\$1,149,200	\$402,000	\$812,470	<b>\$17,762,300</b>
Residential	\$1,119,000	\$2,536,800	\$5,608,200	\$9,264,000	\$644,000	\$224,100	\$455,290	<b>\$10,587,400</b>
<b>Total Annual Revenue</b>	<b>\$2,686,400</b>	<b>\$10,748,100</b>	<b>\$17,429,200</b>	<b>\$30,863,700</b>	<b>\$2,457,700</b>	<b>\$858,500</b>	<b>\$1,737,650</b>	<b>\$35,917,600</b>

**NOTES**

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.
- 3 All of the above figures are representative of the major revenue sources for the city. The figures are intended only as a general guideline as to how the city could be impacted by the operations.
- 4 The above figures are based on the current weighted average of tax rates for the cities in Pima County.

Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP

## 7.0 Summary of Total Impacts

The economic and fiscal impact of annual construction and operations of the commercial real estate market in Greater Phoenix and in Greater Tucson is significant. Each year, new space is added to each sub-market. Operational impacts of these buildings include maintenance and management, professional fees, leasing fees and real estate commissions and professional fees on building sales.

### 7.1 Summary of Total Impacts – Greater Phoenix

Each year on average, an additional 3.4 million square of office space, 4.4 million square feet of retail space and 7.4 million square feet of industrial space is added to the market.

In total, estimated annual construction and annual operations of the Greater Phoenix commercial real estate market creates 62,600 jobs with \$3.2 billion in wages and \$5.4 billion in economic output. Total revenues to the State, Maricopa County and local governments within the County are \$167.8 million, \$250.8 million and \$202.8 million, respectively for a total of \$621 million annually.

Table 24

**Commercial Real Estate Market  
Maricopa County  
Summary of Total Impacts**

	Annual Construction	Annual Operations	Total
<b>Economic Impacts</b>			
Jobs	25,057	37,230	62,287
Wages (\$ mil)	\$1,145.4	\$1,332.5	\$2,477.9
Output (\$ mil)	\$2,423.4	\$2,959.6	\$5,383.0
<b>Fiscal Impacts</b>			
Primary revenues (\$ mil)			
State	\$41.0	\$37.8	\$78.8
County	\$5.8	\$203.8	\$209.6
Local governments	\$13.7	\$146.8	\$160.4
Secondary revenues (\$ mil)			
State	\$40.2	\$48.8	\$89.0
County	\$18.3	\$22.8	\$41.1
Local governments	\$19.2	\$23.2	\$42.4
<b>Total revenue impact (\$ mil)</b>			
<b>State</b>	<b>\$81.3</b>	<b>\$86.6</b>	<b>\$167.8</b>
<b>County</b>	<b>\$24.1</b>	<b>\$226.6</b>	<b>\$250.8</b>
<b>Local governments</b>	<b>\$32.9</b>	<b>\$169.9</b>	<b>\$202.8</b>
<b>Total All Jurisdictions</b>	<b>\$138.3</b>	<b>\$483.1</b>	<b>\$621.4</b>

Note: Includes impacts from office, retail and industrial impacts.  
Source: Elliott D. Pollack & Company; Arizona Tax Research Association; Kamrath Associates; BOMA; ULF; NAIOP

## 7.2 Summary of Total Impacts – Greater Tucson

Each year on average, an additional 418,000 square of office space, 755,000 square feet of retail space and 1.1 million square feet of industrial space is added to the market.

In total, estimated annual construction and annual operations of the Greater Tucson commercial real estate market creates 12,200 jobs with \$393.5 million in wages and \$898.6 million in economic output. Total revenues to the State, Pima County and local governments within the County are \$29.0 million, \$133.9 million and \$41.1 million, respectively for a total of \$203.9 million annually.

Table 25

**Commercial Real Estate Market in Greater Tucson  
Pima County  
Summary of Total Impacts**

	Annual Construction	Annual Operations	Total
<b>Economic Impacts</b>			
Jobs	3,817	8,361	12,178
Wages (\$ mil)	\$144.3	\$249.2	\$393.5
Output (\$ mil)	\$319.0	\$579.6	\$898.6
<b>Fiscal Impacts</b>			
Primary revenues (\$ mil)			
State	\$5.7	\$7.4	\$13.1
County	\$0.0	\$125.0	\$125.0
Local governments	\$2.3	\$30.9	\$33.2
Secondary revenues (\$ mil)			
State	\$5.6	\$10.3	\$15.8
County	\$3.0	\$5.9	\$8.9
Local governments	\$2.8	\$5.1	\$7.9
<b>Total revenue impact (\$ mil)</b>			
<b>State</b>	<b>\$11.3</b>	<b>\$17.7</b>	<b>\$29.0</b>
<b>County</b>	<b>\$3.0</b>	<b>\$130.9</b>	<b>\$133.9</b>
<b>Local governments</b>	<b>\$5.2</b>	<b>\$35.9</b>	<b>\$41.1</b>

Note: Includes impacts from office, retail and industrial impacts.  
Sources: Elliott D. Pollack & Company; Arizona Tax Research Association; MTLUS; BOMA; ULI; NAIOP