

MEMORANDUM

To: **Mr. Boyce O'Brien**
Development Manager
Stockdale Capital Partners LLC

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

Date: **May 11, 2020**

Re: **Economic & Fiscal Impact of The Scottsdale Collective Master Plan**

Elliott D. Pollack & Company was retained by Stockdale Capital Partners LLC to perform an economic and fiscal impact analysis of a mixed used master planned development known as The Scottsdale Collective to be located in Downtown Scottsdale. The proposed projects total over 800,000 square feet of new space, including 150,000 square feet of retail and restaurant space, 250 residential units and 412 hotel rooms.

Summary of Impacts

The following analysis estimates the economic and fiscal impacts of the proposed Scottsdale Collective mixed-use project. The Scottsdale Collective would generate significant benefits in terms of job creation and additional tax revenues to the City of Scottsdale from construction, commercial operations and the spending of new residents and tourists throughout the year. The following are key findings resulting from the analysis.

Economic Impacts

- ❖ The mix of development within The Scottsdale Collective would have a projected construction cost of \$364.4 million (with an additional \$25.0 million in FF&E).

Elliott D. Pollack & company



Construction would generate 4,520 person years of employment, nearly \$275.5 million in wages, and an estimated \$672.4 million in economic impact throughout Greater Phoenix.

Economic Impact Summary - Construction			
The Scottsdale Collective			
	Residential	Commercial	Total^{1/}
Person years of employment	1,613	2,907	4,520
Wages	\$98,130,000	\$177,340,000	\$275,470,000
Economic Output	\$223,260,000	\$449,150,000	\$672,410,000
1/ 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 & Co.; IMPLAN			

- ❖ New residents at The Scottsdale Collective are projected to spend over \$25.6 million annually on goods and services in the local economy. This is enough to support 296 jobs, nearly \$14.0 million in wages, and nearly \$38.5 million in annual economic activity.
- ❖ Commercial operations, including the impacts of tourist spending, would create a total of 2,008 jobs throughout the region with wages of \$83.0 million and would generate nearly \$243.6 million in annual economic activity.
- ❖ In total, the proposed project has the potential to support an estimated 2,304 new jobs on an ongoing annual basis, generate over \$96.9 million in wages and create over \$282.0 million in economic output each year.

Economic Impact Summary - Annual Operations			
The Scottsdale Collective			
	Residential	Commercial	Total^{1/}
Jobs	296	2,008	2,304
Wages	\$13,966,000	\$82,967,100	\$96,933,100
Economic Output	\$38,467,000	\$243,576,900	\$282,043,900
1/ 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 & Co.; IMPLAN			



Fiscal Impacts

- ❖ **Construction of The Scottsdale Collective** would generate an estimated \$9.7 million in tax revenues for the City of Scottsdale. Significant sources of revenue would be generated from construction sales tax, speculative builders' tax, building permit and development fees, use taxes on furniture, fixtures, and equipment, and from construction employees who will spend money in the city.

Fiscal Impact Summary Construction The Scottsdale Collective City of Scottsdale

Construction sales tax	\$6,135,700
Building permit/impact fees	\$2,389,000
Use tax	\$437,700
Employee sales tax	\$348,400
Employee property tax	\$293,500
State shared revenue	\$80,700

Construction Totals **\$9,685,000**

Source: Elliott D. Pollack & Co.; IMPLAN; ADOR; ATRA

Fiscal Impact Summary Annual Operations The Scottsdale Collective City of Scottsdale

Sales tax	\$1,811,300
Bed Tax	\$2,486,900
Property Tax	\$555,200
Commercial Lease Tax	\$121,900
Resident Spending Tax	\$230,300
Utility Tax	\$33,400
State Shared Revenue (resident)	\$154,900
Tourism Spending Sales Tax	\$414,500
Employee Sales Tax	\$104,840
Employee Property Tax	\$145,370
State Shared Revenue	\$71,590

Annual Operations Totals **\$6,130,000**

Source: Elliott D. Pollack & Company; IMPLAN; ADOR

- ❖ **At build out, the City of Scottsdale** would collect over \$6.1 million each year. New revenues would be created from primary and secondary tax revenues such as sales tax, bed tax, property tax, lease tax, and state shared revenues generated by residents, commercial operations and tourists.



Project Description and Assumptions

The Scottsdale Collective is expected to add residential units, hotels, new restaurants, and retail space to Downtown Scottsdale. The addition of hotel units will help bolster tourism and visitor spending within the City. Similarly, new permanent residents help support local businesses and generate new tax revenue for Scottsdale.

Information provided by Stockdale Capital Partners estimate significant capital expenditures to construct the various components of the master plan. The following table illustrates the major assumptions for the analysis of The Scottsdale Collective.

Project Assumptions The Scottsdale Collective			
Development Plan		Operations	
<u>Site plan</u>		<u>Resident Tower</u>	
Residential	250	Average SF per unit	1,400
Retail square feet	75,000	Avg. sales price per unit	\$1,200,000
Restaurant square feet	75,000	Tenant paid utilities (monthly)	\$250
Lobby/Leasing square feet	3,600	Estimated avg. HH income	\$257,000
Hotel rooms	412	Leased %	15%
<u>Construction Cost</u>		<u>Retail</u>	
Residential	\$125,000,000	Square feet per employee	400
Retail	\$22,500,000	Sales per square foot	\$400
Restaurant	\$22,500,000	Rent per square foot	\$40
Leasing/Lobby	\$1,100,000	Vacancy	5%
Hotels	\$193,300,000	<u>Restaurant</u>	
TOTAL Construction Cost	\$364,400,000	Square feet per employee	125
<u>FF&E</u>		Sales per square foot	\$1,000
Residential	\$3,750,000	<u>Hotels</u>	
Retail	\$3,750,000	Rooms per employee	1.5
Restaurant	\$5,625,000	Room rate	\$350
Hotels	\$11,890,000	Occupancy	70%
TOTAL	\$25,015,000		
<u>Tourism</u>			
Persons per room	2.0	Total tourist spending	\$31,580,000
Total tourist days	210,532	City retention of spending	75%
Spending / person / day (ex room)	\$150	Taxable purchases in City	\$23,685,000
Source: Stockdale Capital Partners; Elliott D. Pollack & Co.; ULI; SIOR; Marshall & Swift; AZ Office of Tourism; BuildingJournal.com; U.S. Census; Kirksey Architecture; Arizona Department of Revenue; LoopNet			

Economic Impact Summary

Economic impact analysis examines the economic implications of an activity in terms of output, earnings, and employment. For purposes of this study, this analysis focuses on the impact of The Scottsdale Collective during construction as well as the ongoing impact of the project once the buildings are completed, occupied, and operating.

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

Direct Employment - consists of permanent jobs held by construction workers or on-site employees.

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

Induced Employment - The spending of the wages and salaries of direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy, throughout the region.

These secondary effects (indirect and induced impacts) are captured in the analysis conducted in this study.

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

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

Economic impacts are by their nature regional in character. Such impacts are best illustrated when not assigned to a specific city or locality, although clearly the primary impact of job creation would be on the city where the project is located. However, many other communities



in Greater Phoenix would also benefit from the construction and operations of the developments. People working at the developments would commute to work from their homes in all parts of the region. Therefore, the economic impact of the development project is expressed in this report as a regional benefit.

Construction Impacts

The following impacts represent the entire construction phase. Thus, employment impacts are expressed as person years of employment. Person years of employment are the aggregate of each construction job that is recreated each year throughout the construction period. To derive the respective annual averages, employment, wages, and economic output can be divided by the expected number of years it may take to complete the development.

During construction, The Scottsdale Collective will create an estimated 2,763 person-years of direct construction employment which will equate to 4,520 person-years of total employment over the duration of construction. The construction of The Scottsdale Collective will also generate nearly \$275.5 million in wages and over \$672.4 million in total economic output.

Economic Impact of Construction			
The Scottsdale Collective			
Greater Phoenix			
(2020 Dollars)			
Impact Type	Person Years of Employment	Wages	Economic Output
Direct	2,763	\$174,710,000	\$364,400,000
Indirect	518	\$34,490,000	\$103,450,000
Induced	1,239	\$66,270,000	\$204,560,000
Total	4,520	\$275,470,000	\$672,410,000
1/ 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; IMPLAN			

Operations Impacts

Once construction of the commercial development and residential units are fully completed and the project is occupied, the City of Scottsdale will benefit significantly in terms of new employment.

Commercial Operations

In total, 1,587 direct, indirect, and induced employees would be supported by the commercial development of The Scottsdale Collective. This employment would create over \$65.7 million in wages and generate over \$192.9 million in economic activity each year. The following table displays the results of the economic impact analysis from annual operations with the inclusion of reasonable vacancy rates.

Annual Economic Impact of Commercial Operations The Scottsdale Collective (at Buildout) Greater Phoenix (2020 Dollars)			
Impact Type	Jobs	Wages	Economic Output
Multi-family			
Direct	6	\$181,000	\$3,922,000
Indirect	1	\$102,000	\$299,000
Induced	2	\$90,000	\$276,000
Total Impact^{1/}	9	\$373,000	\$4,497,000
Retail			
Direct	178	\$7,223,000	\$17,055,000
Indirect	46	\$2,580,000	\$8,126,000
Induced	58	\$3,106,000	\$9,590,000
Total Impact^{1/}	282	\$12,909,000	\$34,771,000
Restaurant			
Direct	600	\$16,525,000	\$46,780,000
Indirect	111	\$6,557,000	\$21,157,000
Induced	137	\$7,312,000	\$22,582,000
Total Impact^{1/}	848	\$30,394,000	\$90,519,000
Hotels			
Direct	275	\$12,487,000	\$34,509,000
Indirect	74	\$4,251,000	\$12,242,000
Induced	99	\$5,303,000	\$16,377,000
Total Impact^{1/}	448	\$22,041,000	\$63,128,000
TOTAL			
Direct	1,059	\$36,416,000	\$102,266,000
Indirect	232	\$13,490,000	\$41,824,000
Induced	295	\$15,811,000	\$48,825,000
Total Impact^{1/}	1,587	\$65,717,000	\$192,915,000
^{1/} 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; IMPLAN			





Resident Spending

As new residents move into The Scottsdale Collective, they will begin to spend a portion of their disposable income in the community and support a significant number of jobs in the industries where their spending occurs such as retail, restaurants, entertainment, and services. In total, new residents at The Scottsdale Collective are projected to spend over \$25.6 million annually on goods and services in the local economy. This is enough to support 296 new jobs, nearly \$14.0 million in wages, and nearly \$38.5 million in annual economic activity.

Annual Economic Impact of Resident Spending The Scottsdale Collective (at Buildout) Greater Phoenix (2020 Dollars)			
Impact Type	Jobs	Wages	Economic Output
Retail			
Direct	36	\$1,478,000	\$3,560,000
Indirect	10	\$560,000	\$1,781,000
Induced	12	\$647,000	\$1,993,000
Total Impact^{1/}	58	\$2,685,000	\$7,334,000
Services			
Direct	87	\$4,247,000	\$10,099,000
Indirect	29	\$1,860,000	\$6,019,000
Induced	36	\$1,934,000	\$5,971,000
Total Impact^{1/}	153	\$8,041,000	\$22,089,000
Entertainment			
Direct	25	\$835,000	\$2,153,000
Indirect	4	\$252,000	\$824,000
Induced	6	\$344,000	\$1,064,000
Total Impact^{1/}	36	\$1,431,000	\$4,041,000
Restaurants & Bars			
Direct	35	\$1,020,000	\$2,565,000
Indirect	6	\$354,000	\$1,094,000
Induced	8	\$435,000	\$1,344,000
Total Impact^{1/}	49	\$1,809,000	\$5,003,000
TOTAL			
Direct	184	\$7,580,000	\$18,377,000
Indirect	49	\$3,026,000	\$9,718,000
Induced	63	\$3,360,000	\$10,372,000
Total Impact^{1/}	296	\$13,966,000	\$38,467,000
^{1/} 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; IMPLAN			



Tourist Spending

The inclusion of hotels at The Scottsdale Collective will allow the City of Scottsdale to continue to accommodate increased tourist activity. The following table shows the additional impact that tourists staying at the planned hotels would have on the local economy. These impacts are based on the 412 hotel rooms planned at an annual 70 percent occupancy rate with each room being occupied by an average of 2.0 visitors. This equates to providing lodging to 210,532 tourist days each year at the project. Spending per person per day of \$150 (excluding lodging) will generate \$31.6 million in tourist dollars being spent in the economy.

In total, 421 direct, indirect and induced jobs will be generated by this spending with total wages of \$17.3 million and additional economic output of \$50.7 million.

Annual Economic Impact of Tourism (at Buildout)			
The Scottsdale Collective			
Greater Phoenix			
(2020 Dollars)			
Impact Type	Jobs	Wages	Economic Output
Direct	282	\$9,433,100	\$26,344,900
Indirect	62	\$3,667,000	\$11,502,000
Induced	78	\$4,150,000	\$12,815,000
Total Impact^{1/}	421	\$17,250,100	\$50,661,900
^{1/} 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; IMPLAN			



Fiscal Impact Summary

Fiscal impact analysis studies the public revenues associated with a particular economic activity. The primary revenue sources of local, county, and state governments (i.e., taxes) are analyzed to determine how an activity may affect the various jurisdictions. This section will evaluate the impact of the development and operations of The Scottsdale Collective on the City of Scottsdale.

The fiscal impact figures cited in this report have been generated from information provided by a variety of sources including the U.S. Bureau of the Census; the U.S. Department of Labor; the Internal Revenue Service; the State of Arizona; the Arizona Tax Research Association; and the U.S. Consumer Expenditure Survey. Elliott D. Pollack and Company has relied upon the estimates of construction cost and operating revenues outlined in this study. Unless otherwise stated, all dollar values are expressed in 2020 dollars.

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

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

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

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





The following tables illustrate the expected revenue to accrue to the City of Scottsdale from construction, operations, resident spending, and tourism.

Construction

The following table summarizes the revenues that would ultimately flow to the City of Scottsdale from the construction of the projects. **Scottsdale is estimated to receive nearly \$9.7 million in tax revenues generated by the construction of The Scottsdale Collective project.** This includes primary revenues of nearly \$9.0 million generated by the City's construction sales tax, speculative builders' tax, building permit and impact fees, and use tax. In terms of secondary revenues, an estimated \$722,600 in city sales tax collections, property tax, and state shared revenues are expected from construction employees projected to either live or spend a portion of their incomes within city limits.

Fiscal Impact of Construction The Scottsdale Collective City of Scottsdale (2020 Dollars)							
Impact Type	Primary Revenues			Secondary Revenues			Total Revenues
	Construction/ Spec Builders Sales Tax	Building Permit Fees	Use Tax	Employee Spending Sales Tax	Employee Property Tax	State Shared Revenues	
Direct	\$6,135,700	\$2,389,000	\$437,700	\$218,000	\$179,400	\$59,600	\$9,419,400
Indirect	N/A	N/A	N/A	\$42,300	\$33,600	\$6,500	\$82,400
Induced	N/A	N/A	N/A	\$88,100	\$80,500	\$14,600	\$183,200
Total	\$6,135,700	\$2,389,000	\$437,700	\$348,400	\$293,500	\$80,700	\$9,685,000
1/ The figures are intended only as a general guideline as to how the City could be impacted by the project. The above figures are based on the current economic structure and tax rates of the City. Source: Stockdale Capital Partners; Elliott D. Pollack & Co.; IMPLAN; AZ Dept. of Revenue							

Operations

Similar to the fiscal impact of construction, the effects of operations of the proposed mixed-use development have been divided into primary and secondary impacts. The primary impacts of the project would be generated from retail sales taxes, bed taxes, lease taxes, property taxes, and utility taxes. The secondary effects of the project relate to state shared revenue from an increase in population as well as from the employees who would work in the project including employee spending (which generates sales taxes) and various other tax payments such as income taxes, vehicle license taxes, and gasoline taxes.



In total, over \$5.6 million in new taxes would be generated for the City of Scottsdale each year from operations and new residents at the planned Scottsdale Collective mixed-use development. Sales taxes and bed taxes make up the largest source of revenue, followed by property taxes, lease taxes and resident impacts such as state shared revenue and resident spending within Scottsdale.

Annual Ongoing Revenues (at Buildout) The Scottsdale Collective City of Scottsdale (2020 Dollars)								
	Primary Revenues				Secondary Revenues			
	Direct Sales/Bed Tax	Direct Lease Tax	Direct Property Tax	Direct Utility Tax	Employees Sales Tax	Residential Property Tax	State Shared Revenues	Total Annual Revenues
Direct								
Condominiums	-	\$22,100	\$218,700	\$13,100	\$300	\$470	\$70	\$254,740
Retail/Restaurant	\$1,811,300	\$99,800	\$64,800	\$6,500	\$40,900	\$57,900	\$33,300	\$2,114,500
Hotel	\$2,486,900	-	\$271,700	\$13,800	\$17,700	\$20,440	\$15,400	\$2,825,940
Residential	\$230,300	-	-	-	-	-	\$154,900	\$385,200
Total	\$4,528,500	\$121,900	\$555,200	\$33,400	\$58,900	\$78,810	\$203,670	\$5,580,380
Indirect								
Condominiums					\$120	\$110	\$30	\$260
Retail/Restaurant					\$3,400	\$11,680	\$2,900	\$17,980
Hotel					\$5,500	\$5,490	\$1,360	\$12,350
Residential					-	-	-	-
Total					\$9,020	\$17,280	\$4,290	\$30,590
Induced								
Condominiums					\$120	\$120	\$30	\$270
Retail/Restaurant					\$4,100	\$14,490	\$3,500	\$22,090
Hotel					\$7,000	\$7,370	\$1,760	\$16,130
Residential					-	-	-	-
Total					\$11,220	\$21,980	\$5,290	\$38,490
Total								
Condominiums	-	\$22,100	\$218,700	\$13,100	\$540	\$700	\$130	\$255,300
Retail/Restaurant	\$1,811,300	\$99,800	\$64,800	\$6,500	\$48,400	\$84,070	\$39,700	\$2,154,600
Hotel	\$2,486,900	-	\$271,700	\$13,800	\$30,200	\$33,300	\$18,520	\$2,854,400
Residential	\$230,300	-	-	-	-	\$0	\$154,900	\$385,200
Total Impact^{1/}	\$4,528,500	\$121,900	\$555,200	\$33,400	\$79,140	\$118,070	\$213,250	\$5,649,500
1/ 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 project. The above figures are based on the current economic structure and tax rates of the City.								
Source: Stockdale Capital Partners; Elliott D. Pollack & Company; IMPLAN; ADOR; AZ League of Cities & Towns								

Tourism

The visitors that will stay in the 412 new hotel rooms within The Scottsdale Collective will generate a fiscal impact on the City as well. Based on average spending of \$150 per person per day, the 210,532 visitor days will spend \$31.6 million while vacationing. An estimated 75% of this is projected to be spent within the City of Scottsdale at local restaurants, retail establishments and other places of entertainment (outside of the development), generating \$414,500 in direct sales taxes. **Including the secondary impact from tourism related employment, the City of Scottsdale will realize an additional \$480,740 each year from added tourism.**

Fiscal Impact of Tourism The Scottsdale Collective City of Scottsdale

(2020 Dollars)

	Primary Revenue	Secondary Revenue			
Impact Type	Sales Tax	Employee Spending Sales Tax	Employee Property Tax	State Shared Revenues	Total Revenues
Direct	\$414,500	\$15,500	\$18,300	\$10,700	\$459,000
Indirect	N/A	\$4,700	\$4,000	\$1,160	\$9,860
Induced	N/A	\$5,500	\$5,000	\$1,380	\$11,880
Total	\$414,500	\$25,700	\$27,300	\$13,240	\$480,740

1/ The figures are intended only as a general guideline as to how the City could be impacted by the project. The above figures are based on the current economic structure and tax rates of the City.

Source: Elliott D. Pollack & Co.; IMPLAN; ADOR; AZ League of Cities & Towns

