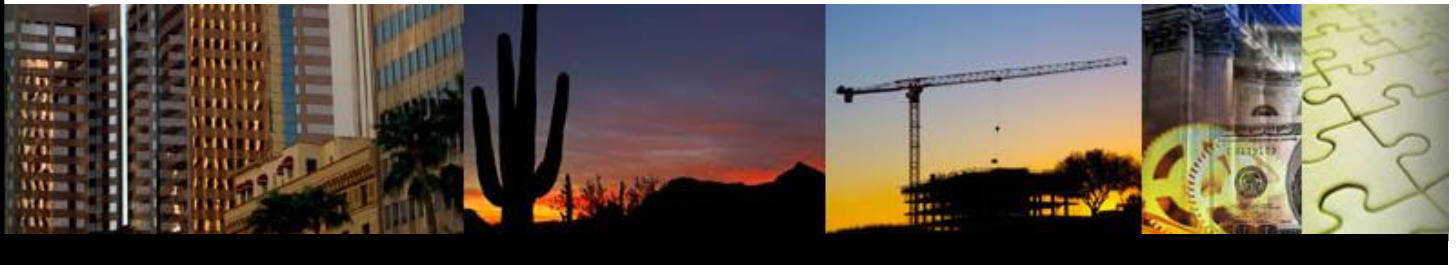


# Optima McDowell Mountain Village Residential Mixed Use Development Economic & Fiscal Impact Report Scottsdale, Arizona



**Prepared for:**

Optima, Inc.

**August 2022**

**Prepared by:**



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## Executive Summary

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The proposed Optima McDowell Mountain Village project is a mixed-use 1,390-unit luxury residential community that includes 36,000 square feet of commercial space and 100% underground parking. The site is located at the northeast corner of Scottsdale Road and Mayo Boulevard in the City of Scottsdale, adjacent to the Loop 101 freeway. The Greater Airpark Character Area Plan shows the property within the Airpark Mixed Use – Residential (AMU-R) land use category which is designed for the greatest variety of land uses including commercial, employment, institutional, cultural, hotel, and higher density residential. In addition, the Area Plan also designates the site within the Regional Core - Greatest Intensity Development Types category. This designation denotes areas for the greatest development intensity in the Airpark area based on locations served by a freeway or high-capacity transit.

Optima McDowell Mountain Village will include six residential buildings with one-, two- and three-bedroom units with an extensive amenity package in each building including rooftop amenities. An estimated 50% of the units will be condominium for sale units and 50% luxury apartments. Two scenarios in terms of projected construction costs and operating rents / sales prices are provided. Scenario 1 represents the lower end of the projected range while Scenario 2 is the upper end of the range. In Scenario 1, construction costs are projected to be 10% lower than Scenario 2. In terms of operating assumptions, sales prices of the condominiums range from an average of \$550 to \$700 per square foot and rents are expected to average \$2.75 to \$3.60 per square foot. Average household income for community residents is expected to range from an estimated \$162,100 to \$181,900 for rental units and \$175,800 to \$223,700 for condominiums. The average multifamily household size of 1.81 persons per unit in the City of Scottsdale was used for the analysis. All calculations assume a stabilized vacancy rate for the project of 6%.

The proposed project also addresses the growing need for housing in the region. Greater Phoenix is facing a substantial housing shortage of both ownership and rental inventory which has caused housing prices and rent to spike. Home prices have risen 56% and rents have increased nearly 38.2% in the last 24 months. There is huge demand and a dire need for new residential housing in all asset classes, including multifamily. The addition of Optima McDowell Mountain Village adds 1,390 luxury residential units to the market which will accommodate new arrivals to the area and help free up inventory in the market by those moving up into the proposed units. The project will create increased competition in the marketplace which can help reduce upward pressure on rents within the region.

There are also a number of other public benefits being provided by the proposed Optima McDowell Mountain Village that were not included in the economic and fiscal impact analysis. This includes high-quality architecture and construction, 77% open space within the site, 100% underground parking and loading, 3,150 linear feet of public bicycle path, and connectivity to the Scottsdale Bicycle Master Plan. These benefits should be considered in addition to the economic and monetary benefits outlined within this report.

### Summary of Economic Impacts



- Development will provide an immediate investment in direct hard construction spending ranging from \$626.2 million to \$695.8 million, generating a direct, indirect and induced total ranging from \$1.21 billion to \$1.35 billion in economic impact from construction activity. This investment will create 10,080 construction related jobs in Scenario 1 and 11,200 jobs in Scenario 2. Wages will range from \$623.1 million to \$692.3 million from construction activity.
- Upon completion of construction, the proposed mixed-use residential community will support a total of 998 to 1,109 direct, indirect and induced jobs, \$42.9 to \$47.8 million in wages, and \$117.5 million to \$130.3 million in annual economic activity (includes combined direct operations of the community, its commercial component and resident spending in the local economy).

<b>Economic Impact Summary</b>		
<b>Optima McDowell Mountain Village</b>		
<i>(2022 Dollars)</i>		
	<b>Scenario 1</b>	<b>Scenario 2</b>
<b><i>Construction Impact</i></b>		
Person Years of Employment	10,080	11,200
Wages (\$ mil)	\$623.1	\$692.3
Output (\$ mil)	\$1,213.2	\$1,347.9
<b><i>Operations Impact</i></b>		
Jobs	998	1,109
Wages (\$ mil)	\$42.9	\$47.8
Output (\$ mil)	\$117.5	\$130.3
NOTE: 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: Optima, Inc.; Elliott D. Pollack & Company; IMPLAN		

Summary of Fiscal Impacts

- Constructing the proposed mixed-use residential community would generate a range of \$49.9 million to \$58.4 million in revenues for the State of Arizona, \$9.7 million to \$11.1 million for Maricopa County and \$17.0 million to \$19.3 million for the City of Scottsdale. This equates to a total revenue impact for all jurisdictions ranging from \$76.5 million to \$88.8 million during construction. These revenues include construction sales tax, use tax, permit and development fees, and the spending of onsite construction workers.
- After the project is completed, commercial operations and residents living in the new community would create an estimated range of \$4.7 million to \$5.2 million each year for the State of Arizona, \$2.6 million to \$3.0 million for Maricopa County and an estimated



average of \$2.9 million to \$3.3 million for the City of Scottsdale. Total revenues for all jurisdictions (excluding school and other special districts) would range from \$10.3 million to \$11.5 million annually generated by direct operations of the new mixed-use community as well as from the spending of the new residents in the City of Scottsdale.

<b>Fiscal Impact Summary</b>		
<b>Optima McDowell Mountain Village</b>		
(2022 Dollars)		
	Scenario 1	Scenario 2
<b>Construction Impacts</b>		
State of Arizona		
Primary direct taxes	\$29,033,200	\$35,169,100
Secondary impacts from employees	\$20,865,100	\$23,183,400
State total	\$49,898,300	\$58,352,500
Maricopa County		
Primary direct taxes	\$4,006,700	\$4,866,200
Secondary impacts from employees	\$5,654,100	\$6,282,300
County total	\$9,660,800	\$11,148,500
City of Scottsdale		
Primary direct taxes	\$15,804,700	\$17,973,500
Secondary impacts from employees	\$1,174,000	\$1,304,500
City total	\$16,978,700	\$19,278,000
<b>Total construction tax revenues</b>	<b>\$76,537,800</b>	<b>\$88,779,000</b>
<b>Operations Impacts</b>		
State of Arizona		
Primary direct taxes	\$3,013,600	\$3,311,800
Secondary impacts from employees	\$1,698,900	\$1,898,200
State total	\$4,712,500	\$5,210,000
Maricopa County		
Primary direct taxes	\$1,864,400	\$2,123,500
Secondary impacts from employees	\$782,000	\$866,500
County total	\$2,646,400	\$2,990,000
City of Scottsdale		
Primary direct taxes	\$2,798,300	\$3,190,100
Secondary impacts from employees	\$141,700	\$157,500
City total	\$2,940,000	\$3,347,600
<b>Total operations tax revenues</b>	<b>\$10,298,900</b>	<b>\$11,547,600</b>
Source: Optima, Inc.; Elliott D. Pollack & Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association		

Over the first ten years, given a construction period and phased in operations, the City of Scottsdale is expected to receive \$30.5 to \$34.7 million in revenues. This 10-year fiscal impact measures estimated revenues to the City from speculative builders' tax, property tax, residential lease tax, resident sales tax, state shared revenues, and secondary revenues from employees.



## 1.0 Introduction

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Elliott D. Pollack & Company was retained to perform an analysis of the economic and fiscal impacts of the construction and operations of the proposed Optima McDowell Mountain Village mixed-use luxury residential community located at Scottsdale Road and Mayo Boulevard in Scottsdale, Arizona. This analysis will help to quantify the future impacts that the project will generate for the regional economy and the City of Scottsdale.

This study focuses on the economic and fiscal impacts of the following:

1. Construction of the project.
2. Impact of operations once construction is completed.
3. Impact from resident spending created in the City of Scottsdale.

Both economic and fiscal impacts of the project will be described. Economic impact analysis examines the regional implications of an activity in terms of three basic measures: output, earnings 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 municipality, county or state government are analyzed to determine how the activity may financially affect them.

This study prepared by Elliott D. Pollack & Company is subject to the following considerations and limiting conditions.

- It is our understanding that this study is for the client's and City of Scottsdale's due diligence and other planning purposes. Neither our report, nor its contents, nor any of our work were intended to be included and, therefore, may not be referred to or quoted in whole or in part, in any registration statement, prospectus, public filing, private offering memorandum, or loan agreement without our prior written approval.
- The reported recommendation(s) represent the considered judgment of Elliott D. Pollack & Company based on the facts, analyses and methodologies described in the report.
- Except as specifically stated to the contrary, this study will not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues, and the costs associated with their correction. The user of this study will be responsible for making his/her own determination about the impact, if any, of these matters.
- This study is intended to be read and used as a whole and not in parts.



- This study has not evaluated the feasibility or marketability of any site for planned uses.
- All estimates regarding construction and operating data were provided by Optima, Inc. and estimates from building professionals. Data has been reviewed and verified to determine its reasonableness and applicability to the project.
- This economic and fiscal impact study evaluates the potential “gross impacts” of construction and operations activities. The term “gross impacts” as used in this study refers to the total revenue, jobs and economic output that would be generated by the construction and operations. The study does not consider the potential impact on other businesses in the trade area that may occur as a result of the proposed project.
- This analysis does not consider the costs to local governments associated with providing services to the project. Such analysis is beyond the scope of this study. In addition, the analysis is based on the current tax structure and rates imposed by the State, counties, and local governments. Changes in those rates would alter the findings of this study.
- Many dollar amounts are stated in current dollars and, unless indicated, do not take into account the effects of inflation.
- Our analysis is based on currently available information and estimates and assumptions about immediate as well as long-term future development trends. Such estimates and assumptions are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary materially from the forecasted results. The assumptions disclosed in this study are those that are believed to be significant to the projections of future results.



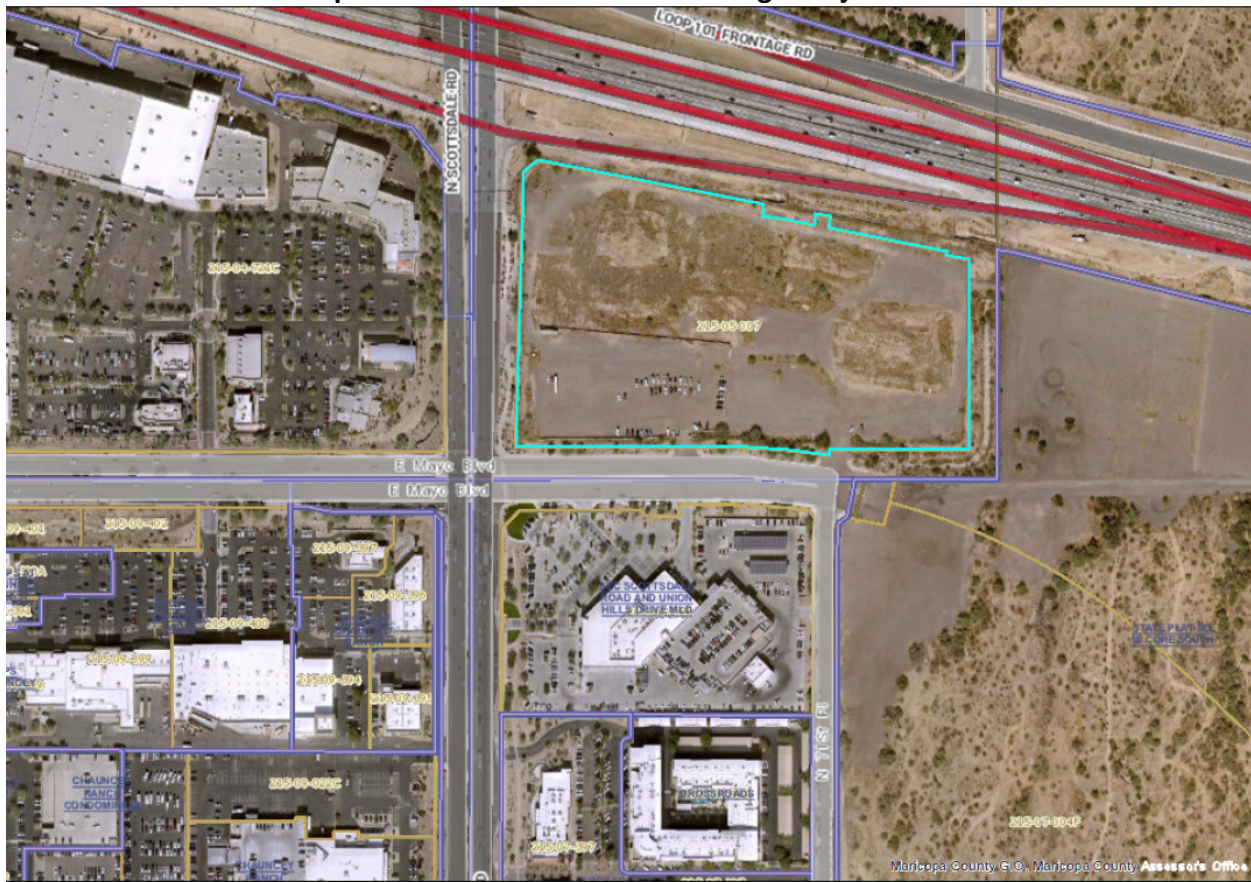
## 2.0 Assumptions & Methodology

### 2.1 Project Description & Assumptions

The proposed Optima McDowell Mountain Village project is a mixed-use 1,390-unit luxury residential community that includes 36,000 square feet of commercial space and 100% underground parking. The site is located at the northeast corner of Scottsdale Road and Mayo Boulevard in the City of Scottsdale, adjacent to the Loop 101 freeway.

The Greater Airpark Character Area Plan shows the property within the Airpark Mixed Use – Residential (AMU-R) land use category which is designed for the greatest variety of land uses including commercial, employment, institutional, cultural, hotel, and higher density residential. In addition, the Area Plan also designates the site within the Regional Core - Greatest Intensity Development Types category. This designation denotes areas for the greatest development intensity in the Airpark area based on locations served by a freeway or high-capacity transit.

**Optima McDowell Mountain Village Project Site**



The assumptions used to estimate the economic and fiscal impacts of the construction and operations of the proposed multi-family community have been developed from a variety of sources. The development plan for the property was provided by Optima, Inc., which outlined





the initial number of units, average size per unit, and a projected range for construction costs and expected rents and sales prices.

As initially conceived, the community would contain 1,390 one-, two-, and three-bedroom residential units averaging 1,474 square feet. An estimated 50% of the units will be condominium for sale units and 50% luxury apartments. Two scenarios in terms of projected construction costs and operating rents / sales prices are provided. Scenario 1 represents the lower end of the projected range while Scenario 2 is the upper end of the range. In Scenario 1, construction costs are projected to be 10% lower than Scenario 2.

In terms of operating assumptions, sales prices of the condominiums range from an average of \$550 to \$700 per square foot and multi-family rents are expected to average \$2.75 to \$3.60 per square foot. Average household income for community residents ranges from an estimated \$162,000 to \$182,000 for the rental units and \$175,800 to \$223,700 for the condominiums. The typical multi-family household size of 1.81 persons per unit in the City of Scottsdale was used in the analysis. All calculations assume a stabilized vacancy rate for the project of 6%. The 36,000 square feet of commercial space will have estimated rents ranging from \$25 to \$30 per square foot and generate average sales of \$385 to \$439 per square foot.

Project Assumptions Optima McDowell Mountain Village				
Construction		Operations		
Development Plan		Scenario 1	Scenario 2	
Units	1,390	Projected rents per square foot	\$2.75	\$3.60
Average size (SF)	1,474	Projected sales price per condo	\$810,700	\$1,031,800
Gross square feet	3,400,000	Stabilized Occupancy	94%	94%
Net square feet (residential)	2,050,000	Limited Property Value / sf	\$410	\$410
Square feet (commercial)	36,000	Median HH Income (Multi-family)	\$162,140	\$181,900
Units sold as condominiums	50%	Median HH Income (Condos)	\$175,800	\$223,700
<b>Construction Cost (\$ Mil)</b>		Persons per Household	1.81	1.81
		Per Capita AZ Shared Revenue (city)	\$295	\$295
Hard costs	Scenario 1: \$626.2 Scenario 2: \$695.8	Commercial lease rate per sf	\$25	\$30
Total project costs	Scenario 1: \$894.6 Scenario 2: \$994.0	Average sales per square foot	\$395	\$439
Furniture, fixtures & equipment	Scenario 1: \$13.0 Scenario 2: \$14.2			

Source: Optima, Inc.; Elliott D. Pollack & Company

## 2.2 Economic Impact Methodology

Economic impact analysis examines the economic implications of an activity in terms of output, earnings, and employment. For this study, the analysis focused on the construction impacts as well as the ongoing operations including direct expenditures by the residents.

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 project employees. Indirect employment is those jobs created by businesses that provide goods and services essential to the operation or construction of the project. These businesses range from manufacturers (who make goods) to wholesalers (who deliver goods) to janitorial firms (who clean the buildings). Finally, the spending of the wages



and salaries of direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy, throughout the region. These secondary effects are captured in 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 and were selected based on the land use type. Office space, for example, uses an average multiplier that represents various business services while the manufacturing uses used an average multiplier that represents light industrial. The multipliers used for this project represent the construction of multi-family dwellings, service to buildings, and those related to the spending of residents on retail sales, entertainment, services and restaurant and bars.

The multipliers specific to Greater Phoenix are used in this study. This means that the indirect and induced figures represent jobs created throughout the region. The direct impacts would be on the City of Scottsdale specifically. 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 municipality or locality, although clearly the primary impact of job creation would be on the municipality and county where the project is located. However, many other communities in the surrounding region would also benefit from the operations of the project.

### **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 the project on local government revenues.

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 & Company has relied upon the estimates of operating revenues outlined in this study.



Fiscal impacts are categorized by type in this study, similar to economic impact analysis. The major sources of revenue generation for governmental entities are calculated based on ongoing operations. 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.

The following is a description of the applicable revenue sources that will be considered for this analysis.

- Construction Sales Tax

The State, counties, and local governments 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. The State currently levies a temporary 5.6% sales tax on construction activity (a portion of which is shared with local governments) while Maricopa County levies a rate of 0.7% and the City of Scottsdale construction sales tax rate is 1.75%.

- Transaction Privilege Tax

The State, counties, and local cities in Arizona charge sales tax on retail goods and utility usage. Cities also levy the tax on commercial leases. The sales tax rate for the State is 5.6%. Portions of this tax are redistributed through revenue sharing to counties and cities throughout Arizona based on population. The County's sales tax rate is 0.7% (0.5% for commercial leases) while the City of Scottsdale levies a rate of 1.75% (use tax rate is 1.55%). These tax rates are applied to taxable sales, taxable purchases, direct utility usage, taxable resident spending, as well as to the spending of direct, indirect and induced employees. Most of the employees supported by the project reside within a municipality or, at the very least, purchase goods from retailers located within a municipality. Based on data from the U.S. Consumer Expenditure Survey, the projected extent of retail spending and resulting sales tax receipts was calculated.

- Residential Rental and Commercial Lease Tax

Local cities and towns in Arizona charge levy a residential rental tax on residential lease collection revenues as well as a commercial lease tax on commercial leases. The City of Scottsdale tax rate is 1.75%.

- Property Tax

The residential and commercial development will be subject to direct real property taxes. Residential properties are levied at a 10% assessment ratio while commercial properties are levied at an 18% assessment ratio. Employees supported by operations of the businesses will also pay real property taxes on the homes they occupy. In order to estimate these



secondary property taxes, the assessed full cash value along with the projected value of a typical housing unit has been calculated.

- State Shared Revenues

Each municipality in Arizona receives a portion of State revenues from four different sources - State sales tax (see description above), 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.

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 and indirect employment. Portions of this tax are redistributed through revenue sharing to cities throughout Arizona based on population.

HURF Taxes

The State of Arizona collects specific taxes for the Highway User Revenue Fund (HURF). Both the registration fees and the motor vehicle fuel tax (gas tax) are considered in this analysis. The motor vehicle fuel tax is \$0.18 per gallon and is calculated based on a vehicle traveling the Arizona statewide average of 12,735 miles per year at 16.6 miles per gallon. Registration fees average \$65 per employee in the State of Arizona. These factors are applied to the projected direct and indirect employee count. Portions of these taxes 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 \$343 and portions of the total collections are distributed to the Highway User Revenue Fund. The remaining funds are shared between cities and counties in accordance with population-based formulas.

The above tax categories represent the largest sources of revenues that would be generated to the various jurisdictions. The revenue impacts do not include certain revenue sources such as corporate income taxes. All tax collections represented in this analysis are gross collections and do not take into consideration any incentives or development agreements that may occur.



### 3.0 Construction Impacts

This section of the report outlines the economic and fiscal impact for the construction of the proposed mixed-use residential community. Construction phase impacts are generally short-term effects related to onsite and offsite construction employment and other supporting industries. The long-term consequences of a project are the operational impacts that are described in Section 4.0.

The total hard construction cost of the project is estimated to range \$626.2 million to \$695.8 million. The economic impacts are expressed over the entire duration of the construction.

#### 3.1 Economic Impact of Construction

The project would generate 6,691 direct person years of employment during the construction phase under Scenario 1 and 7,413 person years of employment under Scenario 2. Person years of employment are the aggregate of each construction job that is recreated year after year throughout the construction time 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. Including indirect and induced person years of employment, a total of 10,080 to 11,200 person years of employment would be created in the local economy. Wages for these indirect and induced employees would range from \$623.1 million to \$692.2 million. Altogether, the project would generate an estimated \$1.21 billion to \$1.35 billion in economic activity.

<b>Economic Impact of Construction</b> <b>Optima McDowell Mountain Village</b> <b>Greater Phoenix</b> (2022 Dollars)			
Impact Type	Person Years of Employment	Wages	Economic Output
<b>Scenario 1</b>			
Direct	6,671	\$434,626,000	\$626,220,000
Indirect	637	\$37,442,000	\$114,530,000
Induced	2,772	\$151,002,000	\$472,402,000
<b>Total</b>	<b>10,080</b>	<b>\$623,070,000</b>	<b>\$1,213,152,000</b>
<b>Scenario 2</b>			
Direct	7,413	\$482,917,000	\$695,800,000
Indirect	707	\$41,602,000	\$127,255,000
Induced	3,080	\$167,780,000	\$524,892,000
<b>Total</b>	<b>11,200</b>	<b>\$692,299,000</b>	<b>\$1,347,947,000</b>
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: Optima, Inc.; Elliott D. Pollack & Company; IMPLAN			



### 3.2 Fiscal Impact of Construction

Construction of the proposed community would create significant tax revenues for the State, Maricopa County and the City of Scottsdale as shown on the following tables. Revenues have been defined in this analysis as either primary or secondary, depending on their source and how the dollars flow through the economy into tax accounts. For instance, some revenues, such as construction sales taxes, are straightforward calculations based on the cost of construction. These revenues are described in this study as primary revenues.

Secondary revenues, on the other hand, flow from the wages of those direct, indirect and induced employees who are supported by the project. Revenue projections are based on typical wages of the employees working on the project, their spending patterns, and projections of where they might live.

The State of Arizona will receive an estimated \$29.0 million to \$35.2 million from construction sales tax and use taxes generated during construction. An additional \$20.9 million to \$23.2 million is projected to be generated by the spending of employees for a total fiscal impact on the State of \$49.9 million to \$58.4 million.

Fiscal Impact of Construction Optima McDowell Mountain Village State of Arizona (2022 Dollars)								
Impact Type	Primary Revenues		Secondary Revenues					Total Revenues
	Construction / Spec Builder's Sales Tax	Use Tax	Spending Sales Tax	Income Tax	Unemp. Tax	Vehicle Tax	Gas Revenues	
<b>Scenario 1</b>								
Direct	\$28,304,000	\$729,200	\$4,664,000	\$6,867,500	\$1,260,900	\$975,700	\$512,500	<b>\$43,313,800</b>
Indirect	N/A	N/A	\$423,400	\$591,600	\$120,300	\$93,100	\$48,900	<b>\$1,277,300</b>
Induced	N/A	N/A	\$1,779,000	\$2,386,000	\$523,900	\$405,400	\$212,900	<b>\$5,307,200</b>
<b>Total</b>	<b>\$28,304,000</b>	<b>\$729,200</b>	<b>\$6,866,400</b>	<b>\$9,845,100</b>	<b>\$1,905,100</b>	<b>\$1,474,200</b>	<b>\$774,300</b>	<b>\$49,898,300</b>
<b>Scenario 2</b>								
Direct	\$34,375,700	\$793,400	\$5,182,200	\$7,630,600	\$1,401,000	\$1,084,100	\$569,400	<b>\$51,036,400</b>
Indirect	N/A	N/A	\$470,400	\$657,400	\$133,700	\$103,400	\$54,300	<b>\$1,419,200</b>
Induced	N/A	N/A	\$1,976,700	\$2,651,100	\$582,100	\$450,400	\$236,600	<b>\$5,896,900</b>
<b>Total</b>	<b>\$34,375,700</b>	<b>\$793,400</b>	<b>\$7,629,300</b>	<b>\$10,939,100</b>	<b>\$2,116,800</b>	<b>\$1,637,900</b>	<b>\$860,300</b>	<b>\$58,352,500</b>
<p><small>1/ 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.</small></p> <p><small>Source: Optima, Inc.; Elliott D. Pollack &amp; Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association</small></p>								



Maricopa County is projected to receive a total of \$9.7 million to \$11.1 million in tax revenues during construction, including \$4.0 million under Scenario 1 and \$4.9 million under Scenario 2 from construction sales tax.

<b>Fiscal Impact of Construction</b>					
<b>Optima McDowell Mountain Village</b>					
<b>Maricopa County</b>					
(2022 Dollars)					
Impact Type	Primary Revenues	Secondary Revenues			Total Revenues
	Construction / Spec Builder's Sales Tax	Employee Spending Sales Tax	Employee Property Tax	State Shared Revenues	
<b>Scenario 1</b>					
Direct	\$4,006,700	\$669,300	\$1,233,500	\$2,199,700	<b>\$8,109,200</b>
Indirect	N/A	\$60,800	\$117,700	\$106,700	<b>\$285,200</b>
Induced	N/A	\$255,300	\$512,500	\$498,600	<b>\$1,266,400</b>
<b>Total</b>	<b>\$4,006,700</b>	<b>\$985,400</b>	<b>\$1,863,700</b>	<b>\$2,805,000</b>	<b>\$9,660,800</b>
<b>Scenario 2</b>					
Direct	\$4,866,200	\$743,600	\$1,370,600	\$2,444,100	<b>\$9,424,500</b>
Indirect	N/A	\$67,500	\$130,800	\$118,500	<b>\$316,800</b>
Induced	N/A	\$283,700	\$569,500	\$554,000	<b>\$1,407,200</b>
<b>Total</b>	<b>\$4,866,200</b>	<b>\$1,094,800</b>	<b>\$2,070,900</b>	<b>\$3,116,600</b>	<b>\$11,148,500</b>
<p><u>1/</u> 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.</p> <p>Source: Optima, Inc.; Elliott D. Pollack &amp; Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association</p>					



Primary revenues generated to the City of Scottsdale from construction sales tax, use tax (from FF&E) and permit fees total an estimated \$15.8 million at the lower range of the estimates and \$18.0 million under the upper range of construction cost estimates.

In addition, the city would benefit from the spending of construction workers within city limits. Other secondary revenues include property taxes and State shared revenues. In total, the City of Scottsdale would expect to collect an estimated \$17.0 million to \$19.3 million in tax revenue from construction and construction-related activity.

<b>Fiscal Impact of Construction</b> <b>Optima McDowell Mountain Village</b> <b>City of Scottsdale</b> (2022 Dollars)							
Impact Type	Primary Revenues			Secondary Revenues			Total Revenues
	Construction / Spec Builder's Sales Tax	Use Tax	Permit Fees	Employee Spending Sales Tax	Employee Property Tax	State Shared Revenues	
<b>Scenario 1</b>							
Direct	\$10,016,800	\$227,900	\$5,560,000	\$322,000	\$313,600	\$168,400	<b>\$16,608,700</b>
Indirect	N/A	N/A	N/A	\$29,200	\$29,900	\$11,100	<b>\$70,200</b>
Induced	N/A	N/A	N/A	\$122,800	\$130,300	\$46,700	<b>\$299,800</b>
<b>Total</b>	<b>\$10,016,800</b>	<b>\$227,900</b>	<b>\$5,560,000</b>	<b>\$474,000</b>	<b>\$473,800</b>	<b>\$226,200</b>	<b>\$16,978,700</b>
<b>Scenario 2</b>							
Direct	\$12,165,600	\$247,900	\$5,560,000	\$357,800	\$348,400	\$187,100	<b>\$18,866,800</b>
Indirect	N/A	N/A	N/A	\$32,500	\$33,200	\$12,400	<b>\$78,100</b>
Induced	N/A	N/A	N/A	\$136,500	\$144,800	\$51,800	<b>\$333,100</b>
<b>Total</b>	<b>\$12,165,600</b>	<b>\$247,900</b>	<b>\$5,560,000</b>	<b>\$526,800</b>	<b>\$526,400</b>	<b>\$251,300</b>	<b>\$19,278,000</b>
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: Optima, Inc.; Elliott D. Pollack & Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association							





## 4.0 Ongoing Operations Impacts

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Once construction is completed, the impact of the community's operations and from the residents living at the Optima McDowell Mountain Village would begin to produce jobs and tax revenue. The project would generate taxes to the City of Scottsdale. The residents occupying the 1,390 dwelling units would also spend their disposable income within the local economy as well as increase the city's proportion of state shared revenue. Additionally, this spending will support a significant number of jobs locally.

### 4.1 Economic Impact of Operations & Resident Spending

The assumptions for the operations of the residential community and commercial development are the same under both scenarios. That is, the number of projected employees is the same in terms of projected units per employee and square feet per employee. Thus, the difference between Scenario 1 and Scenario 2 is generated by the projected spending by the residents. Under Scenario 1, average household incomes are lower than under Scenario 2. This would mean less taxable spending in Scenario 1 versus Scenario 2.

#### Community Operations Impact

An estimated 28 direct employees would be employed at the 1,390-unit community. Taking into account the ripple effect of the regional multipliers, approximately 42 permanent direct, indirect, and induced jobs would be supported throughout the area as a result of the project. The majority of these jobs would be related to resident services, building services and maintenance. A total of \$1.9 million in annual wages would be created and \$4.9 million in annual economic output would be added to the regional economy.

#### Commercial Operations Impact

The 36,000 square feet of commercial space would support 218 direct, indirect, and induced jobs, \$7.7 million in wages, and an estimated \$23.9 million in annual economic activity.

#### Resident Spending Impact

Residents spending in the local economy would also create an impact. Based on the \$67.8 million to \$77.5 million in estimated direct spending, this would create approximately 738 to 849 permanent direct, indirect, and induced jobs earning \$33.3 million to \$38.2 million in wages, and \$88.7 million to \$101.5 million in annual economic output.

#### TOTAL Impact

In total, the mixed-use residential community and its new residents along with the retail square footage are projected to support a range of 998 to 1,109 jobs, \$42.9 million to \$47.8 million in wages, and \$117.5 million to \$130.3 million in annual economic activity. The tables below detail the economic impact of operations as well as resident spending by category that is expected to occur on an annual basis.



<b>Annual Economic Impact of Operations (at Stabilization)</b> <b>Optima McDowell Mountain Village</b> <b>Scenario 1</b> (2022 Dollars)				
	Impact Type	Jobs	Wages	Economic Output
<b>Residential Operations</b>	Direct	28	\$1,020,000	\$2,453,000
	Indirect	6	\$386,000	\$1,068,000
	Induced	8	\$450,000	\$1,408,000
	<b>Total</b>	<b>42</b>	<b>\$1,856,000</b>	<b>\$4,929,000</b>
<b>Retail / Restaurant Operations</b>	Direct	152	\$3,998,000	\$11,712,000
	Indirect	32	\$1,870,000	\$6,312,000
	Induced	34	\$1,877,000	\$5,877,000
	<b>Total</b>	<b>218</b>	<b>\$7,745,000</b>	<b>\$23,901,000</b>
<b>Employment Supported by Resident Spending</b>	Direct	497	\$19,479,000	\$45,187,000
	Indirect	93	\$5,715,000	\$18,276,000
	Induced	148	\$8,062,000	\$25,230,000
	<b>Total</b>	<b>738</b>	<b>\$33,256,000</b>	<b>\$88,693,000</b>
<b>GRAND TOTAL</b>	Direct	676	\$24,497,000	\$59,352,000
	Indirect	131	\$7,971,000	\$25,656,000
	Induced	191	\$10,389,000	\$32,515,000
	<b>Total Impact<sup>1/</sup></b>	<b>998</b>	<b>\$42,857,000</b>	<b>\$117,523,000</b>
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				



<b>Annual Economic Impact of Operations (at Stabilization)</b>				
<b>Optima McDowell Mountain Village</b>				
<b>Scenario 2</b>				
<b>(2022 Dollars)</b>				
	<b>Impact Type</b>	<b>Jobs</b>	<b>Wages</b>	<b>Economic Output</b>
<b>Residential Operations</b>	Direct	28	\$1,020,000	\$2,453,000
	Indirect	6	\$386,000	\$1,068,000
	Induced	8	\$450,000	\$1,408,000
	<b>Total</b>	<b>42</b>	<b>\$1,856,000</b>	<b>\$4,929,000</b>
<b>Retail / Restaurant Operations</b>	Direct	152	\$3,998,000	\$11,712,000
	Indirect	32	\$1,870,000	\$6,312,000
	Induced	34	\$1,877,000	\$5,877,000
	<b>Total</b>	<b>218</b>	<b>\$7,745,000</b>	<b>\$23,901,000</b>
<b>Employment Supported by Resident Spending</b>	Direct	573	\$22,387,000	\$51,700,000
	Indirect	106	\$6,516,000	\$20,832,000
	Induced	170	\$9,247,000	\$28,942,000
	<b>Total</b>	<b>849</b>	<b>\$38,150,000</b>	<b>\$101,474,000</b>
<b>GRAND TOTAL</b>	Direct	753	\$27,405,000	\$65,865,000
	Indirect	144	\$8,772,000	\$28,212,000
	Induced	212	\$11,574,000	\$36,227,000
	<b>Total Impact<sup>1/</sup></b>	<b>1,109</b>	<b>\$47,751,000</b>	<b>\$130,304,000</b>
<p><sup>1/</sup>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.</p> <p>Source: Elliott D. Pollack &amp; Company; IMPLAN</p>				

#### 4.2 Fiscal Impact of Operations & Resident Spending

Once the project is completed and occupied to a stabilized level, the operations of the community and residents living onsite would produce tax revenue for the State of Arizona, Maricopa County and the City of Scottsdale.

The following tables show the ongoing tax revenue that each of the jurisdictions would expect to collect from the community as well as from the spending of residents. Sales tax collections on resident incomes are based on the estimated average household income ranging from \$162,100 to \$181,900 for the multi-family units to \$175,800 to \$223,700 for the condominiums and spending patterns outlined in the U.S. Consumer Expenditure Survey. While residents will likely spend the majority of their disposable incomes in the City of Scottsdale, they will also shop in neighboring cities. For this analysis, a 25% leakage rate was used for the capture of city sales tax revenue (i.e. 75% of spending will occur in Scottsdale).



The State of Arizona is projected to receive \$4.7 million to \$5.2 million in primary and secondary revenues generated by the residential community and ground floor retail. This includes \$3.0 million to \$3.3 million in primary revenues from operations as well as impacts from residents. Secondary revenues are projected to be \$1.7 million to \$1.9 million from employees.

<b>Annual Fiscal Impact of Operations</b> <b>Optima McDowell Mountain Village</b> <b>State of Arizona</b> <b>Scenario 1 versus Scenario 2</b> (2022 Dollars)		
	Scenario 1	Scenario 2
<b>Primary Revenue</b>		
Property tax	\$244,900	\$297,500
Sales tax	\$2,664,700	\$2,910,300
Utility Tax	\$104,000	\$104,000
<b>Sub-Total</b>	<b>\$3,013,600</b>	<b>\$3,311,800</b>
<b>Secondary Revenue</b>		
Employee Spending Sales Tax	\$712,400	\$794,200
Income Tax	\$592,500	\$664,300
Unemployment Tax	\$180,700	\$201,700
Vehicle Tax	\$139,800	\$156,000
Gas Tax	\$73,500	\$82,000
<b>Sub-Total</b>	<b>\$1,698,900</b>	<b>\$1,898,200</b>
<b>Total Revenue</b>		
<b>GRAND TOTAL</b>	<b>\$4,712,500</b>	<b>\$5,210,000</b>
1/ The total may not equal the sum of the impacts due to rounding. All of the above figures are representative of the current major revenue sources for the State. The figures are intended only as a general guideline as to how the State could be impacted by the project.		
Source: Optima, Inc.; Elliott D. Pollack & Co.; ADOR; ATRA		

Maricopa County is projected to receive an estimated total of \$2.6 million to \$3.0 million each year at stabilization, including \$1.9 million to \$2.1 million in primary taxes such as property taxes, lease taxes and sale taxes as well as \$782,000 to \$866,500 from secondary revenues.



<b>Annual Fiscal Impact of Operations</b> <b>Optima McDowell Mountain Village</b> <b>Maricopa County</b> <b>Scenario 1 versus Scenario 2</b> (2022 Dollars)		
	<b>Scenario 1</b>	<b>Scenario 2</b>
<b>Primary Revenue</b>		
Property Tax	\$773,300	\$939,200
Lease tax	\$173,200	\$226,400
Sales tax	\$434,900	\$474,900
Utility Tax	\$17,000	\$17,000
Increased state shared revenue	\$466,000	\$466,000
<b>Sub-Total</b>	<b>\$1,864,400</b>	<b>\$2,123,500</b>
<b>Secondary Revenue</b>		
Employee Spending Sales Tax	\$102,200	\$113,900
Employee Property Tax	\$258,900	\$288,200
State Shared Revenues	\$420,900	\$464,400
<b>Sub-Total</b>	<b>\$782,000</b>	<b>\$866,500</b>
<b>Total Revenue</b>		
<b>GRAND TOTAL</b>	<b>\$2,646,400</b>	<b>\$2,990,000</b>
1/ The total may not equal the sum of the impacts due to rounding. All of the above figures are representative of the current 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 project.		
Source: Optima, Inc.; Elliott D. Pollack & Co.; ADOR; ATRA		



In total, an estimated \$2.9 million to \$3.3 million would be collected each year by the City of Scottsdale. Sales tax, increased state shared revenues, property taxes and lease taxes making up a major part of the primary tax collections. Secondary impacts from employee spending and other taxes would be an estimated \$141,700 to \$157,500 each year. This figure takes into account that only about 16.9% of employees will live and spend their disposable income within the City of Scottsdale.

<b>Annual Fiscal Impact of Operations                      Optima McDowell Mountain Village                      City of Scottsdale                      Scenario 1 versus Scenario 2                      (2022 Dollars)</b>		
	<b>Scenario 1</b>	<b>Scenario 2</b>
<b>Primary Revenue</b>		
Property Tax	\$579,200	\$703,500
Lease tax	\$606,400	\$792,300
Sales tax	\$873,800	\$955,400
Utility Tax	\$42,500	\$42,500
Increased State Shared Revenue	\$696,400	\$696,400
<b>Sub-Total</b>	<b>\$2,798,300</b>	<b>\$3,190,100</b>
<b>Secondary Revenue</b>		
Employee Spending Sales Tax	\$49,200	\$54,800
Employee Property Tax	\$65,900	\$73,300
State Shared Revenues	\$26,600	\$29,400
<b>Sub-Total</b>	<b>\$141,700</b>	<b>\$157,500</b>
<b>Total Revenue</b>		
<b>GRAND TOTAL</b>	<b>\$2,940,000</b>	<b>\$3,347,600</b>
<p><sup>1/</sup> The total may not equal the sum of the impacts due to rounding. All of the above figures are representative of the current 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.</p> <p>Source: Optima, Inc.; Elliott D. Pollack &amp; Co.; ADOR; ATRA</p>		

Over the first ten years, given a construction period and phased in operations, the City of Scottsdale is expected to receive \$30.5 to \$34.7 million in revenues. This 10-year fiscal impact measures estimated revenues to the City from speculative builders’ tax, property tax, residential lease tax, resident sales tax, state shared revenues, and secondary revenues from employees.

