

MEMORANDUM

To: Matt Boone, Scannell Properties

From: Daniel Guimond and Adam Illig, Economic & Planning Systems; EPS #213067

Subject: Project Indiana Economic Impacts

Date: May 20, 2021

Introduction

Scannell Properties (Developer) is planning the development of a “last mile” distribution facility for Amazon located near West 68th Avenue and Indiana Street. The project (referred to as Project Indiana) is proposed to contain a 112,485 square foot warehouse building and associated parking for delivery vehicles and employee parking on a 33-acre site. The property, which is currently in unincorporated Jefferson County, is proposed to be annexed to the City of Arvada.

The Developer has requested Economic & Planning Systems (EPS) complete an economic impact study that quantifies the fiscal and economic benefits of the Project to the City and other affected jurisdictions. This memorandum summarizes EPS’ analysis and conclusions regarding the Project’s estimated impacts including one-time revenues associated with construction, ongoing annual property taxes, and employment wages and associated retail sales. A comparison of the Project’s fiscal impacts on the City compared to an equivalent increment of residential development is also provided. Additional information on the relative fiscal impacts of land use categories on Colorado municipalities and the importance of maintaining a land use balance is also discussed.

The Economics of Land Use



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Development Program

The proposed development program includes a 112,485 square foot warehouse distribution center, 862 delivery van parking spaces, 291 auto parking spaces, and 12 trailer parking spaces on approximately 33 acres of currently vacant land. The Project has a total construction cost of approximately \$24.25 million. In addition, the cost to open and operate the facility will include 300 delivery trucks at an average cost of \$35,000 per unit and associated sorting and handling equipment totaling \$16.4 million in value. The total combined construction and equipment costs are estimated at \$40.7 million as shown in **Table 1** below.

Table 1. Development and Personal Property Costs

Description	Factor	Cost
Site (acres)	35.23	
Building Size (sq.ft.)	112,485	
Development Costs		
Construction		\$16,000,000
Site Improvements		\$7,500,000
Off-site Improvements		<u>\$750,000</u>
Total Development Cost		\$24,250,000
Personal Property		
Vehicles (\$35,000 per vehicle)	300	\$10,500,000
Loss Prevention		\$200,000
Material Handling		\$3,000,000
Operations IT		\$675,000
Other		--
Processing		\$1,150,000
Safety		\$200,000
Storage		\$100,000
Support		<u>\$600,000</u>
Total Personal Property Cost		\$16,425,000
Total Project Costs		\$40,675,000

Source: Scannell Properties; Economic & Planning Systems

The conceptual site plan is shown in **Figure 1**. The currently vacant site is surrounded by other industrial and warehouse uses to the south and west. The Maple Valley residential neighborhood is located to the north of the site and there is vacant land to the east. The City of Arvada Comprehensive Plan Future Land Use Map identifies the subject property as suitable for office/industrial/retail uses.

Figure 1. Project Indiana Site Plan



One-Time Revenues

The construction and development Project will result in one-time tax revenues to the City of Arvada and Jefferson County from construction use taxes, building and permit fees, and sales taxes and specific ownership taxes on company-owned vehicles. Construction use taxes are calculated based on 50 percent of building construction costs assumed to be materials (the remainder is assumed to be labor). The \$16.0 million in construction value yields \$8.0 million in materials cost that result in \$276,800 in construction use taxes to the City based on the 3.46 percent local tax rate. Total development related revenues to the City total \$662,989 with the addition of vehicle sales taxes on the fleet of 300 delivery vehicles and building and permit fees as shown in **Table 2**.

One-time fees to Jefferson County are estimated at \$242,700 based on vehicle sales taxes of \$52,500 based on the applicable tax rate of 0.5 percent and vehicle registration taxes of \$190,200. Total one-time taxes and fees to the City and County are estimated at \$905,689 as shown.

Table 2. One-Time Revenues

Description	Construction Value	Factor	Amount
City			
Use Tax @ 50% Construction Value	\$16,000,000	3.46%	\$276,800
Arvada Vehicle Sales Tax		3.46%	\$363,300
Building/Planning Permit Fees		--	<u>\$22,889</u>
City Total			\$662,989
County			
Vehicle Registration (Includes SO Tax)		--	\$190,200
County Vehicle Sales Tax		0.5%	<u>\$52,500</u>
County Total			\$242,700
City & County Total			\$905,689

Source: Jefferson County Building Safety Division Fees; Economic & Planning Systems

Annual Property Taxes

The completed distribution facility will generate annual property sales taxes to the City of Arvada, Jefferson County, and other affected districts. To estimate the taxable value of the Project, EPS analyzed assessor data from comparable warehouse and distribution facilities built over the last five years in Larimer and Jefferson counties, as shown in **Table 3**. The average value per square foot of industrial buildings (including the personal property value) was \$111, based on the analysis of comparable projects. EPS considered an Amazon facility in Loveland, that was built in 2019, as the most relevant comparable project given its similarities in use, size, and general proximity to the Project site.

Table 3. Comparable Project Value

Property	Yr. Built	City	County	Bldg. Area Sq.Ft.	Value			Assessed Value	Total Value per Sq.Ft.	
					Land	Actual Imp.	Pers. Prop. Value			
Amazon Facility DDE8	2019	Loveland	Larimer	122,597	\$3,049,000	\$10,201,000	\$1,163,660	\$14,413,660	\$4,179,961	\$118
FedEx Facility	2016	Broomfield	Jefferson	211,030	\$4,752,818	\$23,147,649	\$13,699,476	\$41,599,943	\$12,063,983	\$197
16201 Table Mountain	2019	Golden	Jefferson	68,500	\$1,525,818	\$6,763,382	\$204,811	\$8,494,011	\$2,463,263	\$124
4200 Ronald Reagan Blvd	2016	Loveland	Larimer	130,413	\$2,428,000	\$10,469,600	\$1,144,150	\$14,041,750	\$4,072,108	\$108
Ridge Road & Robb St.	2020	Arvada	Jefferson	140,094	\$2,209,320	\$5,663,401	N/A	\$7,872,721	\$2,283,089	\$56
14250 W 67th Ave	2020	Arvada	Jefferson	75,000	<u>\$1,077,324</u>	<u>\$3,460,262</u>	<u>N/A</u>	<u>\$4,537,586</u>	<u>\$1,315,900</u>	<u>\$61</u>
Average					\$2,507,047	\$9,950,882	\$4,053,024	\$15,159,945	\$4,396,384	\$111

Source: Larimer County Assessor; Economic & Planning Systems

EPS then estimated the taxable value of the Project using a value of \$120 value per square foot, as shown in **Table 4**. This is based on the nearly identical Loveland Amazon facility and accounting for a higher land value at the Arvada location. At completion, the property value for the Project is estimated at approximately \$13.5 million.

Table 4. Project Indiana Estimated Value

Description	Square Feet	Estimated Value	Value per Sq.Ft.
Project Indiana	112,485	\$13,498,200	\$120

Source: Economic & Planning Systems

Project Indiana is estimated to have a total assessed value of \$3.9 million at buildout, which is based on the State of Colorado assessment rate of 29 percent for commercial properties. Applying the City’s 4.310 mill rate, annual City property taxes are estimated at \$16,871 and Arvada Fire District property taxes are estimated at \$58,510 based on its 14.947 mill rate. Total annual property taxes for the City and Fire District are estimated at \$75,381 as shown in **Table 5**.

Table 5. Estimated Annual Property Taxes

Description	Value	Mills	Ann. Property Taxes
Statutory Actual Value	\$13,498,200		
Assessed Value	\$3,914,478		
Taxing Entities			
City			
Arvada		4.310	\$16,871
Arvada Fire District		14.947	\$58,510
City Total		19.257	\$75,381
County			
R1 School Bond Redemption Fund		6.422	\$25,139
R1 School General Fund		40.616	\$158,990
County General Fund		16.794	\$65,740
Dept of Social Services		1.152	\$4,509
Development Disability Fund		1.000	\$3,914
Library Fund		4.500	\$17,615
Road & Bridge Fund		1.132	\$4,431
County Total		71.616	\$280,339
Other			
Apex Park & Rec District		4.626	\$18,108
Urban Drainage & Flood C So Plat		0.100	\$391
Urban Drainage & Flood Cont Dist		0.900	\$3,523
Other Total		5.626	\$22,023
Total		96.499	\$377,743

Source: Jefferson County; Economic & Planning Systems

In addition, the Project is expected to generate \$280,339 annually for other Jefferson County taxing districts. The Jefferson County General Fund will receive \$65,740 per year for its general fund based on a levy of 16.794 mills and the Road and Bridge Fund will receive an additional \$4,431 annually based on 1.132 mills. The Jefferson County R1 School District will receive approximately \$185,129 per year (\$158,990 to the School General Fund and \$25,139 for bond repayments). Other County related funds make up the remainder including the Library District (\$17,615), Social Services (\$4,509) and Development Disabilities (\$3,914).

Other property taxes generated total approximately \$22,023 annually and include the Apex Park and Recreation District and the Urban Drainage and Flood District.

Employment Wages and Income

The Amazon facility is expected to provide approximately 275 full-time jobs, 85 part-time jobs, and 691 seasonal jobs. Total annual wages across all job types are estimated at nearly \$11 million at project inception (\$10,956,000), based on a minimum starting hourly wage of \$15 per hour for all job classes. Full-time employees are estimated to earn approximately \$8.5 million in total annual wages with part time and seasonal workers accounting for approximately \$2.4 million in annual wages as shown in **Table 6**.

Table 6. Employee Mix and Salary, Project Indiana

Description	# of Employees	Avg. Wage/Hr.	Total Annual Wages
Full-Time	275	\$15	\$8,580,000
Part-Time	85	\$15	\$1,326,000
Seasonal	691	\$15	<u>\$1,050,000</u>
Total			\$10,956,000

[1] Seasonal total based on 70,000 total annual hours
 Source: Economic & Planning Systems

EPS estimated the additional annual retail spending to be generated from new jobs at the Amazon facility, as shown in **Table 7**. Colorado residents spend an average of 35.1 percent of total personal income in retail stores by category. The \$11.0 million in TPI generated by Amazon employees can be expected to generate approximately \$3.8 million in annual retail sales irrespective of location. EPS has estimated that 50 percent of the employees' retail purchases would occur in stores in the City of Arvada. Thus, these employees would be expected to generate approximately \$1.9 million annually in retail spending in the City of Arvada, and at the City's sales tax rate of 3.46 percent, this would result in approximately \$66,600 in annual sales taxes.

Table 7. Employee Retail Spending

City of Arvada	Retail Sales %TPI	Calculations	Spending	
			Arvada (50%)	Other Jeff. Co. (25%)
Total Personal Income (TPI)	100%	\$10,956,000	\$10,956,000	\$10,956,000
Total Convenience Goods	11.6%	\$1,275,365	\$637,683	\$318,841
Shopper's Goods				
General Merchandise	7.2%	\$787,160	\$393,580	\$196,790
Other Shopper's Goods	6.9%	\$761,297	\$380,649	\$190,324
Total Shopper's Goods	14.1%	\$1,548,457	\$774,229	\$387,114
Eating and Drinking	6.1%	\$667,182	\$333,591	\$166,796
Building Material & Garden				
Total Building Material & Garden	3.3%	<u>\$357,749</u>	<u>\$178,875</u>	<u>\$89,437</u>
Total Retail Goods	35.1%	\$3,848,754	\$1,924,377	\$962,188
Arvada Sales Tax @ 3.46%		--	\$66,583	--

¹Convenience Stores w/Gas (44711) are reduced by 50% to exclude gas sales, Health and Person Care sales reduced 50% to reflect non-taxable prescription sales

Source: 2012 Census of Retail Trade; Economic & Planning Systems

Residential Tax Impact Comparison

In Colorado, commercial and industrial properties are assessed at 29 percent of actual value, while residential properties are assessed at 7.15 percent. Many cities, including Arvada, rely heavily on sales tax collected from commercial properties. In Arvada, the largest revenue source is sales tax, as it pays for more than 57 percent of the General Fund services, which helps provide services to residential development.

To better gauge the relative tax impacts of Project Indiana on Arvada, EPS compared the estimated annual taxes to be paid by Amazon to the average taxes paid by a nearby single family home in Maple Valley. EPS used assessor data to establish a value for a typical single family home in Maple Valley, which was estimated at approximately \$473,849. City and Fire District mill levies were then applied to the assessed value to estimate annual property tax revenues, which totaled slightly more than \$652 per home as shown in **Table 8**.

Table 8. Maple Valley Property Taxes

Description	Value	Mills	Ann. Property Taxes
Est. Statutory Actual Value	\$473,849		
Assessed Value	\$33,880		
Taxing Entities			
City			
Arvada		4.310	\$146
Arvada Fire District		<u>14.947</u>	<u>\$506</u>
City Total		19.257	\$652
County			
R1 School Bond Redemption Fund		6.422	\$218
R1 School General Fund		40.616	\$1,376
County General Fund		16.794	\$569
Dept of Social Services		1.152	\$39
Development Disability Fund		1.000	\$34
Library Fund		4.500	\$152
Road & Bridge Fund		<u>1.132</u>	<u>\$38</u>
County Total		71.616	\$2,426
Other			
Apex Park & Rec District		4.626	\$157
Urban Drainage & Flood C So Plat		0.100	\$3
Urban Drainage & Flood Cont Dist		<u>0.900</u>	<u>\$30</u>
Other Total		5.626	\$191
Total		96.499	\$3,269

Source: Jefferson County; Economic & Planning Systems

EPS then estimated sales taxes collected from a typical household in Arvada based on the City's average household income of \$110,858, as shown in **Table 9**. Assuming an average of 75 percent of Maple Valley household retail purchases are made in the city, a typical household spends \$29,208 annually in retail goods, with approximately \$1,011 in sales tax collected by Arvada annually.

Table 9. Maple Valley Estimated Household Sales Tax

City of Arvada	Retail Sales %TPI	Calculations	Spent in Arvada 75%
Average HH Income	100%	\$110,858	\$110,858
Convenience Goods			
Supermarkets and Other Grocery Stores	6.9%	\$7,670	\$5,753
Convenience Stores (excl. Gas Stations) ¹	2.0%	\$2,194	\$1,646
Beer, Wine, & Liquor Stores	1.1%	\$1,194	\$895
Health and Personal Care	<u>1.7%</u>	<u>\$1,846</u>	<u>\$1,385</u>
Total Convenience Goods	11.6%	\$12,905	\$9,679
Shopper's Goods			
General Merchandise			
Traditional Department Stores	0.5%	\$562	\$422
Discount Department Stores and Other	0.9%	\$973	\$730
Warehouse Clubs & Supercenters	<u>5.8%</u>	<u>\$6,430</u>	<u>\$4,822</u>
Subtotal	7.2%	\$7,965	\$5,974
Other Shopper's Goods			
Subtotal	6.9%	\$7,703	\$5,777
Total Shopper's Goods	14.1%	\$15,668	\$11,751
Eating and Drinking	6.1%	\$6,751	\$5,063
Building Material & Garden			
Total Building Material & Garden	3.3%	<u>\$3,620</u>	<u>\$2,715</u>
Total Retail Goods	35.1%	\$38,944	\$29,208
Arvada Sales Tax @ 3.46%		\$1,347	\$1,011

¹Convenience Stores w/Gas (44711) are reduced by 50% to exclude gas sales, Health and Person Care sales reduced 50% to reflect non-taxable prescription sales

Source: 2012 Census of Retail Trade; Economic & Planning Systems

A typical household in Maple Valley would pay an estimated \$652 in property taxes to the City and Fire District, and an average of \$1,011 in sales taxes which total \$1,663 annually, as shown in **Table 10**. By contrast Amazon is estimated to pay \$75,381 in property taxes to the City and Fire District. The company would also pay an undetermined amount of sales taxes on locally purchased supplies, which was not estimated.) Thus, Amazon is expected to pay the equivalent of approximately 45 Maple Valley households, which is another indicator of the importance of nonresidential properties to the tax base.

Table 10. Estimated Annual Tax Comparison

Description	Prop. Tax	Sales Tax	Annual Total Tax
Project Indiana	\$75,381	--	\$75,381
Avg. Maple Valley Household	\$652	\$1,011	\$1,663
Number of Household Equivalents	--	--	45

Source: Jefferson County Assessor; ESRI; Economic & Planning Systems

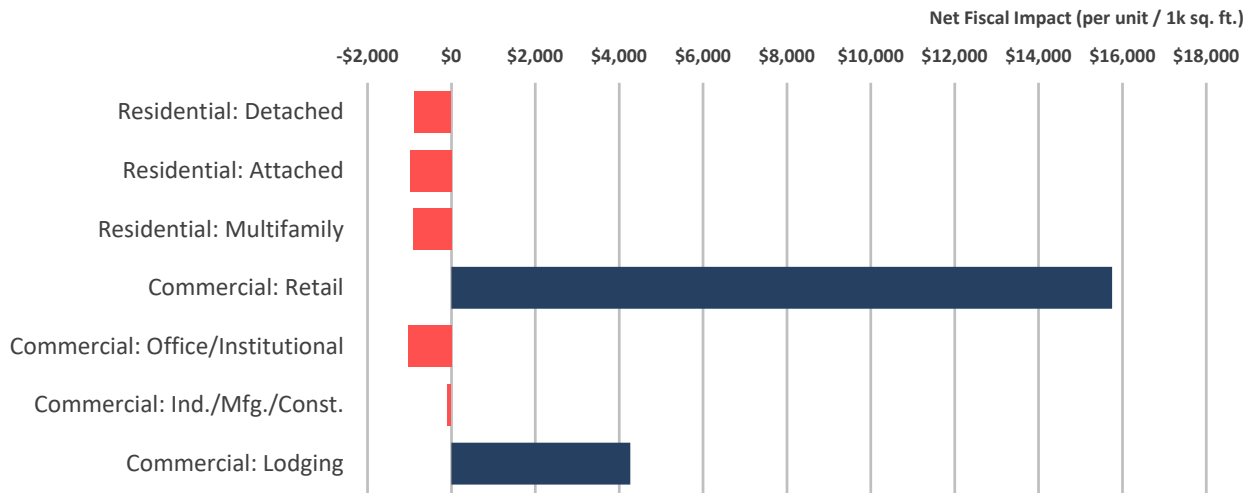
Other Economic Considerations

As indicated by the data above, the fiscal impacts of land use categories on Colorado municipalities and other governmental jurisdictions involves a number of interrelated factors and conditions. Most importantly, cities need to maintain a balance of residential and nonresidential land uses in order to maintain fiscal balance. In virtually every Colorado city, the extreme differential in assessment rates results in residential properties having average costs to provide services in excess of generated revenues from sales and property taxes, while nonresidential properties, at least in aggregate, run a surplus of revenues to expenses. The relative distribution of residential deficits and nonresidential surpluses vary due to each community’s individual tax structure. The City of Arvada has a very low property tax rate (4.31 mills), but many services provided by other cities including Fire, Libraries and Open Space are provided by special districts with their own tax rates. The total tax rate in Arvada for all taxing districts is 96.499 mills (not including any Title 32 metro districts that may apply to individual communities or subdivisions).

The other factor that allows for relatively low property tax rates in the state is the dependence of Colorado cities on sales tax revenues, particularly for supporting general fund functions. Sales taxes account for 71.9 percent of total tax revenues in the City of Arvada, compared to 8.9 percent for property taxes, with auto and building use taxes making up the remainder. Thus, sales tax generating development, particularly retail stores, restaurants, and hotels, are responsible for the largest revenue surpluses in most cities.

EPS has completed citywide fiscal impact studies and models for many communities, including a number of cities in the Denver metro area with similar tax structures to Arvada. And while the cost of providing services vary, the relative distribution of fiscal surpluses and deficits by land use category are generally very similar. Using one recent model, and applying Arvada’s low mill rate, all of the residential categories show a significant deficit (even after allocating a portion of retail sales tax revenues to residential) as shown in **Figure 2**. By contrast, retail space shows the largest revenue surplus followed by accommodations. Office uses show a lower deficit and industrial properties are shown as close to revenue neutral. As indicated, the actual number will vary based on the total amount of development and statutory actual values by land use category, applicable City mill rates, and amount of retail sales credited to the customer rather than the point of sale. The example is provided only to emphasize the importance of a healthy land use balance to maintaining a fiscally balanced City budget.

Figure 2. Net Fiscal Impact per Unit/ 1,000 Sq. Ft., Denver Metro Area Example



Source: Economic & Planning Systems