



## APPLIED ECONOMICS

January 12, 2017

Ms. Kristen Stephenson  
Economic Development Administrator  
City of Glendale  
5850 W. Glendale Avenue  
Glendale, AZ 85301

Dear Kristen,

This letter provides presents the results of our independent third party economic and fiscal impact analysis of the Bechtel Corporation. The analysis was prepared using an impact model developed for Glendale by Applied Economics. The results of this analysis provide a basis for a development agreement between the City of Glendale and Bechtel Corporation. We understand that Bechtel, which is currently located in Glendale, is considering moving to an out-of-state location versus staying in the community.

Bechtel has committed to 250 employees in Glendale with an average salary of \$84,000. They currently lease 72,000 square feet of office space in the Glendale Corporate Center. If the company remains in Glendale, they would make a capital investment of \$400,000 for tenant improvements to their existing offices. In addition, they would invest \$100,000 in new equipment.

We understand that the development agreement includes provisions for a permit fee waiver of up to \$50,000, as well as job retention incentives of \$1,750 per job or \$437,500 for 250 jobs. Both of these are post-performance incentives. The permit fees will not be reimbursed until one year after completion of construction. The job incentives will be paid in three installments in years three, six and nine following the approval of the development agreement, contingent on Bechtel maintaining the 250 positions for that time period.

We have reviewed the fiscal impact analysis and verified that all of the assumptions used in the analysis are reasonable. The results are shown in the accompanying tables. The company, and its employees in Glendale, could generate tax revenues of \$2.2 million over the next ten years, which represents the term of the lease agreement. Of this total, \$930,000 represents the sales and property taxes paid by the company directly, while the remainder represents property and sales taxes, state shared revenues and other revenues generated by Bechtel employees living in Glendale. The analysis assumes that 36 percent of employees would work and live in the city based on regional commuting data. In addition to these direct revenues shown in the accompanying table, the company would generate \$781,000 in indirect revenues through the other local businesses and employees they support through their local economic impacts.



Ms. Kristen Stephenson  
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It is important to note that the revenue estimates presented here include only general fund revenues. However, the city collects additional property and sales taxes that do not go to the general fund, but that could legitimately be included in the estimate of direct revenues generated by the company. Also, the analysis does not include any city franchise fees that are generated by the company through their telecommunications and electricity usage and that would not accrue if the company were to leave the city.

Based on the results of this analysis, the new revenues generated by the company directly over the next ten years, estimated at \$930,000, exceed the value of the \$487,500 job retention incentives and permit fee waiver. The company and their employees will continue to generate additional revenues to the city on an on-going basis, creating a significant return on investment for the city.

Based on our review, we believe the economic and fiscal benefits that would be generated by Bechtel over the next ten years to be in proportion to the value of incentives offered in the development agreement. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Sarah E. Murley  
Principal

# Economic and Revenue Impact Summary - Revenue Impacts

Bechtel

City of Glendale

<i>Revenue Impacts</i>	<i>Total</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>
Direct Revenues											
Sales Tax (2.9%)	\$639,056	\$73,302	\$62,862	\$62,862	\$62,862	\$62,862	\$62,862	\$62,862	\$62,862	\$62,862	\$62,862
Construction Sales Tax	\$7,540	\$7,540	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax-population driven	\$158,816	\$15,882	\$15,882	\$15,882	\$15,882	\$15,882	\$15,882	\$15,882	\$15,882	\$15,882	\$15,882
Property Tax (primary & secondary)	\$533,173	\$53,355	\$53,373	\$53,366	\$53,334	\$53,286	\$53,286	\$53,286	\$53,295	\$53,295	\$53,295
Property Tax-population driven	\$83,481	\$8,348	\$8,348	\$8,348	\$8,348	\$8,348	\$8,348	\$8,348	\$8,348	\$8,348	\$8,348
Utility Tax	\$9,147	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915	\$915
State Shared Revenues	\$136,320	\$13,632	\$13,632	\$13,632	\$13,632	\$13,632	\$13,632	\$13,632	\$13,632	\$13,632	\$13,632
Other Local Revenues	\$873,384	\$87,338	\$87,338	\$87,338	\$87,338	\$87,338	\$87,338	\$87,338	\$87,338	\$87,338	\$87,338
<b>Total Direct Revenues</b>	<b>\$2,191,081</b>	<b>\$228,542</b>	<b>\$218,120</b>	<b>\$218,113</b>	<b>\$218,081</b>	<b>\$218,033</b>	<b>\$218,033</b>	<b>\$218,033</b>	<b>\$218,042</b>	<b>\$218,042</b>	<b>\$218,042</b>
Indirect Revenues											
Sales Tax	\$100,419	\$10,042	\$10,042	\$10,042	\$10,042	\$10,042	\$10,042	\$10,042	\$10,042	\$10,042	\$10,042
Property Tax (primary & secondary)	\$36,785	\$3,679	\$3,679	\$3,679	\$3,679	\$3,679	\$3,679	\$3,679	\$3,679	\$3,679	\$3,679
Utility Tax	\$5,784	\$578	\$578	\$578	\$578	\$578	\$578	\$578	\$578	\$578	\$578
State Shared Revenues	\$86,196	\$8,620	\$8,620	\$8,620	\$8,620	\$8,620	\$8,620	\$8,620	\$8,620	\$8,620	\$8,620
Other Local Revenues	\$552,243	\$55,224	\$55,224	\$55,224	\$55,224	\$55,224	\$55,224	\$55,224	\$55,224	\$55,224	\$55,224
<b>Total Indirect Revenues</b>	<b>\$781,427</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>	<b>\$78,143</b>
Total Revenues (Direct + Indirect)											
Sales Tax	\$739,475	\$83,344	\$72,904	\$72,904	\$72,904	\$72,904	\$72,904	\$72,904	\$72,904	\$72,904	\$72,904
Property Tax (primary & secondary)	\$569,959	\$57,034	\$57,052	\$57,045	\$57,013	\$56,965	\$56,965	\$56,965	\$56,974	\$56,974	\$56,974
Utility Tax	\$14,931	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493
State Shared Revenues	\$222,516	\$22,252	\$22,252	\$22,252	\$22,252	\$22,252	\$22,252	\$22,252	\$22,252	\$22,252	\$22,252
Other Local Revenues	\$1,425,627	\$142,563	\$142,563	\$142,563	\$142,563	\$142,563	\$142,563	\$142,563	\$142,563	\$142,563	\$142,563
<b>Total Revenues</b>	<b>\$2,972,508</b>	<b>\$306,685</b>	<b>\$296,262</b>	<b>\$296,256</b>	<b>\$296,224</b>	<b>\$296,176</b>	<b>\$296,176</b>	<b>\$296,176</b>	<b>\$296,184</b>	<b>\$296,184</b>	<b>\$296,184</b>

# Economic and Revenue Impact Summary - Economic Impacts

Bechtel

City of Glendale

<b>Economic Impacts</b>	<b>Total</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Jobs											
Direct Jobs	250	250	250	250	250	250	250	250	250	250	250
Supplier Jobs	59	59	59	59	59	59	59	59	59	59	59
Consumer Jobs	99	99	99	99	99	99	99	99	99	99	99
<b>Total Jobs</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>	<b>408</b>
Supported Resident Population											
Direct Supported Population	73	73	73	73	73	73	73	73	73	73	73
Supplier Supported Population	17	17	17	17	17	17	17	17	17	17	17
Consumer Supported Population	29	29	29	29	29	29	29	29	29	29	29
<b>Total Supported Resident Population</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>
Personal Income											
Direct Personal Income	\$210,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000
Supplier Personal Income	\$23,556,131	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613	\$2,355,613
Consumer Personal Income	\$43,181,291	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129	\$4,318,129
<b>Total Personal Income</b>	<b>\$276,737,421</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>	<b>\$27,673,742</b>
Output											
Direct Output	\$381,026,305	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631	\$38,102,631
Supplier Output	\$60,740,845	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085	\$6,074,085
Consumer Output	\$121,459,661	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966	\$12,145,966
<b>Total Output</b>	<b>\$563,226,811</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>	<b>\$56,322,681</b>