



MEMORANDUM

Date: October 8, 2015

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Sonoran Corridor Economic and Revenue Impact Analysis**

As you know, within our Adopted Economic Development Plan for 2015 to 2017, the Sonoran Corridor is discussed in a number of chapters regarding export-based job development, as well as concentrating new employment opportunities in aerospace, defense and technology manufacturing. The County has been engaged for nearly two years in conceptual planning for the Sonoran Corridor. One small component of the transportation element that will connect the Aerospace Parkway to Interstate 10 and Rita Road is contained in Proposition 425 of the November 2015 Bond Election.

The Sonoran Corridor has also been planned as a major logistics hub for national and international trade due to multi-modal transportation systems, including freight rail, air cargo and surface transportation via an auxiliary interstate highway connecting Interstates 19 and 10. As part of our conceptual planning, we have commissioned an Economic Revenue and Impact Study for the Sonoran Corridor. We have also developed conceptual land use plans upon which to base the economic model.

Attachment 1 shows the opportunities and constraints that have developed in our planning process to date regarding the Sonoran Corridor. Attachment 2 shows the land ownership and infrastructure in the Sonoran Corridor. The land ownership is dominated by State Trust lands. We have also developed a preliminary draft land use concept for the Sonoran Corridor (Attachment 3). The applied economics summary is Attachment 4, which includes a summary of economic benefits, job development and tax revenues.

The study clearly indicates the Sonoran Corridor is perhaps the single largest economic development initiative undertaken in the last 50 years within Pima County. Its importance in creating future job growth designed to attract export-based employers and facilitate national and international trade through logistics will be a foundation for continued and sustained economic expansion within the region.

We will continue to pursue planning within this corridor with all of our partners, including the City of Tucson, Sun Corridor Inc., Tucson Airport Authority, Union Pacific Railroad, The University of Arizona, and the Arizona State Land Department.

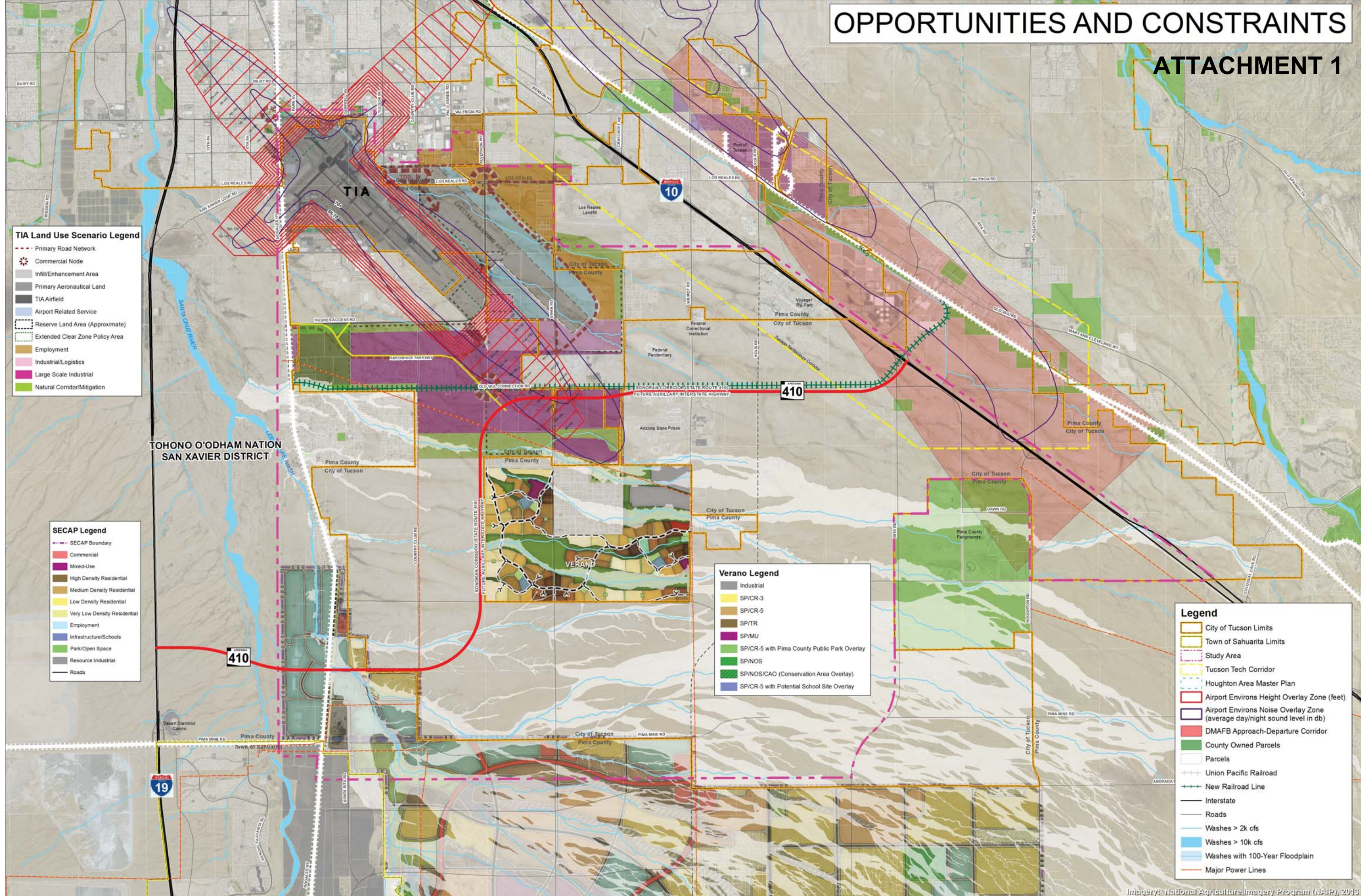
The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Sonoran Corridor Economic and Revenue Impact Analysis**
October 8, 2015
Page 2

If you have any questions regarding this matter, please contact me.

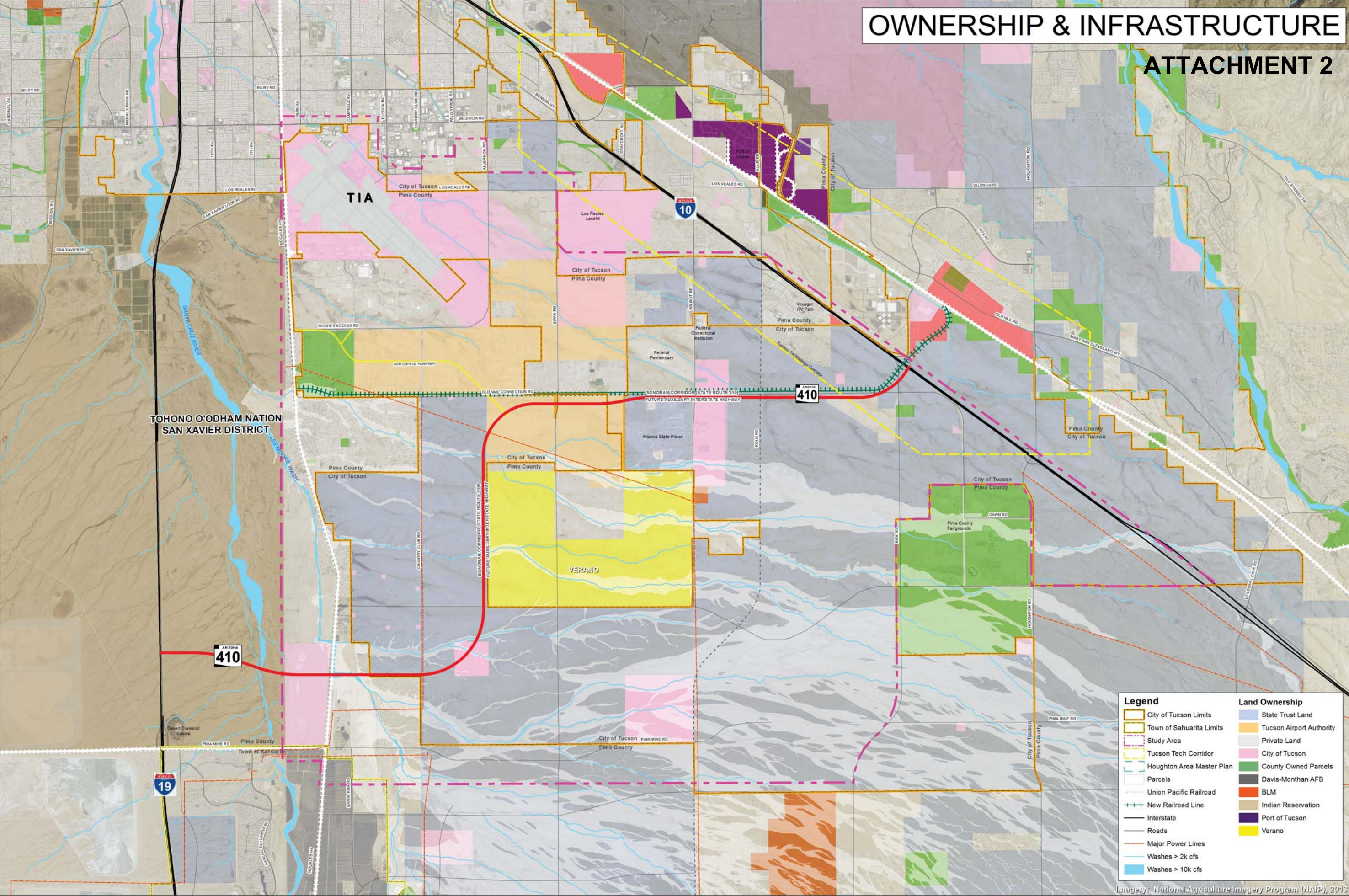
CHH/anc

Attachments

c: **John Bernal, Deputy County Administrator for Public Works**
 Tom Burke, Deputy County Administrator for Administration
 Jan Leshar, Deputy County Administrator for Community and Health Services
 Dr. John Moffatt, Director, Strategic Planning
 Nicole Fyffe, Executive Assistant to the County Administrator
 Diana Durazo, Special Staff Assistant to the County Administrator

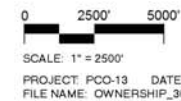


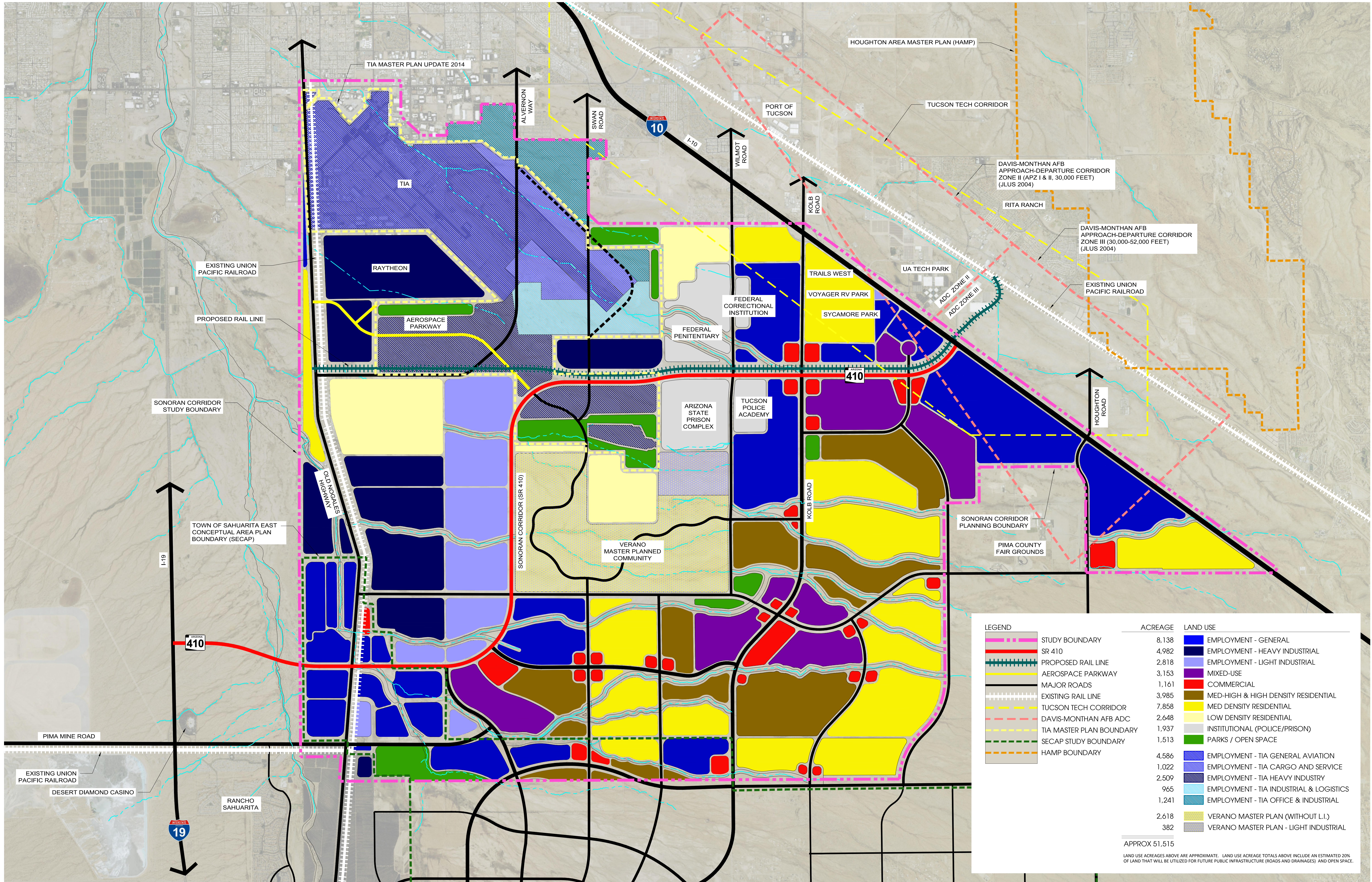
Imagery: National Agriculture Imagery Program (NAIP), 2013



Legend		Land Ownership	
[Orange outline]	City of Tucson Limits	[Light Blue]	State Trust Land
[Yellow outline]	Town of Sahuarita Limits	[Light Orange]	Tucson Airport Authority
[Purple dashed line]	Study Area	[Light Grey]	Private Land
[Yellow outline]	Tucson Tech Corridor	[Pink]	City of Tucson
[Green dashed line]	Houghton Area Master Plan	[Green]	County Owned Parcels
[White outline]	Parcels	[Dark Green]	Davis-Monthan AFB
[Black line]	Union Pacific Railroad	[Orange]	BLM
[Green dashed line]	New Railroad Line	[Brown]	Indian Reservation
[Blue line]	Interstate	[Dark Purple]	Port of Tucson
[Black line]	Roads	[Yellow]	Verano
[Red line]	Major Power Lines		
[Light Blue area]	Washes > 2k cfs		
[Dark Blue area]	Washes > 10k cfs		

Imagery: National Agriculture Imagery Program (NAIP), 2013.





SONORAN CORRIDOR



APPLIED ECONOMICS

ECONOMIC AND REVENUE IMPACTS OF THE SONORAN CORRIDOR

PREPARED BY:

**APPLIED ECONOMICS LLC
11209 N. TATUM BOULEVARD, SUITE 225
PHOENIX, AZ 85028**

OCTOBER 2015

Table of Contents

1.0 Introduction and Background 1

2.0 Impact Summary 3

3.0 Economic Impacts 5

 3.1 Construction Impacts 5

 3.2 Regional Operations Impacts 6

 3.2.1 Direct Impacts 6

 3.2.2 Indirect Impacts 6

 3.2.3 Induced Impacts 7

 3.3 Local Economic Impacts 7

4.0 Consumer Expenditure Impacts 9

5.0 Local Revenue Impacts 12

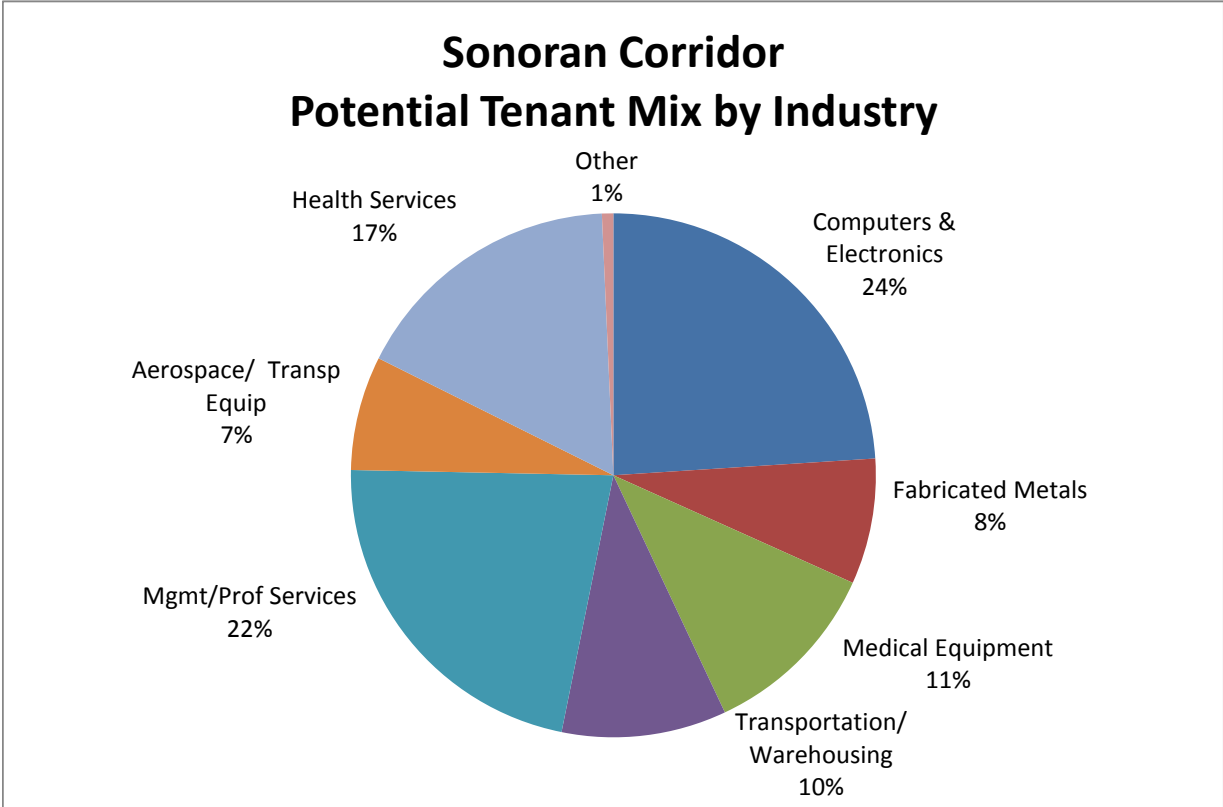
Appendix A – Project Listing 14

1.0 Introduction and Background

This analysis documents the projected economic and revenue impacts that could occur with full development of the Sonoran Corridor. The Corridor will address the increasing need for supply chain locations for the aerospace industry and other key export industries in Pima County, as well as to expand the existing employment center around the Tucson International Airport. It is located on the east side of the Nogales Highway, south of Hughes Access Road.

The analysis presents projections of the potential economic impacts of future development in the corridor in terms of jobs, wages, output and tax revenues. These projections are based on profiles of 26 selected companies that have shown an interest in, or have located in, the Tucson metro area over the past three years and are examples of potential tenants in this type of industrial park. The companies are split into three groups: light industrial, heavy industrial and general. In total, these 26 companies represent 14,400 jobs, \$704 million in payroll and \$9.8 billion in capital investment.

In order scale the economic impacts to be representative of the total number of companies that could locate in the Sonoran Corridor, the impact results for each group (light industrial, heavy industrial and general) were weighted to fit the likely mix of companies in the corridor at build out. The heavy industrial group was given a weight of 2.5, the light industrial group was given a weight of 16 and the general employment group was given a weight of 20. The weighted results show direct impacts of over 104,000 jobs, \$5.2 billion in payroll and \$20.7 billion in capital investment at build out. The potential tenant companies include a broad spectrum of industry types ranging from electronics and transportation equipment to professional services and health care (Figure 1).



ATTACHMENT 4

It is important to note that these results are based on the specific mix of industries, estimated job and wage levels and capital investment levels selected for this analysis. Estimates made in this report are based on a series of assumptions about the local economy, as well as actual data reported by the example companies included in the analysis. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results. These impacts are only intended as an order of magnitude estimate of the future impacts of the Sonoran Corridor.

2.0 Impact Summary

The new jobs created in the Sonoran Corridor will play a significant role in growing the regional economy over the long term, as each new job represents new demand for supplier inputs as well as consumer goods. These new companies and their employees also directly and indirectly generate new state and local tax revenues. A summary of the projected economic and revenue impacts are summarized below.

- **Overall Operations Impacts.** All total, the new and expanding companies that could be attracted to the Sonoran Corridor could create an annual economic impact of \$32.2 billion on the county's economy, directly and indirectly supporting close to 203,000 jobs and \$9.3 billion in annual payroll. Note that this represents the annual impact of the corridor at build out.
- **New Jobs and Income.** The tenant companies could directly employ over 104,000 people with an estimated payroll of \$5.2 billion annually, although actual wages will depend on the specific mix of industry types. Through the multiplier effect, an additional 85,000 jobs and \$3.4 billion in income could be supported annually at other businesses in the county. These additional jobs and payroll stem from the indirect impacts of local supplier spending as well as the induced impacts of employee spending.
- **Local Impacts.** While the direct impacts would all occur in the Sonoran Corridor, these tenant companies will create jobs for residents throughout the county. They will also create demand for local suppliers throughout the region. About 20 percent of the indirect and induced impacts created by these companies are likely to occur outside of the City of Tucson.
- **Construction Impacts.** Based on the capital investment made by the companies that formed the basis for this analysis and the scaling of these results to reflect the size of the Sonoran Corridor, the tenant companies could make an estimated \$21.8 billion in construction expenditures. For Pima County, this translates into a total construction impact of \$36.9 billion, close to 307,000 jobs in construction and related supplier industries and \$12.4 billion in personal income. Note that these construction impacts would be spread out over a number of years, depending on the actual absorption schedule for the corridor. These nonrecurring construction impacts are in addition to the operations impacts listed above.
- **Consumer Expenditures.** The \$8.7 billion income or earnings associated with the creation of 189,000 direct, indirect and induced jobs creates a significant amount of new consumer demand, much of which will be captured in the region. Total new consumer demand is estimated at \$7.6 billion per year at build out. About 28 percent, or \$2.2 billion, would be spent locally near where employees live. An additional 22 percent, or \$1.6 billion, would be spent on regionally goods and services like appliances, vehicles and apparel. The remaining \$3.8 billion would be spent on non-site based categories, primarily mortgages and rent, utilities and pensions, based on typical household spending patterns from the Census Consumer Expenditure Survey.
- **Local Revenue Impacts.** The tenant companies that could locate in the Sonoran Corridor could also generate a significant amount of new local taxes. These include one-time sales tax revenues on construction materials, on-going property tax revenues from real and personal property owned by the companies, and indirect annual sales and property taxes generated by employees living in the region. The tenant companies described in this analysis could directly and indirectly generate \$1.4

ATTACHMENT 4

billion in on-going annual revenues to local governments throughout the county, and \$353.9 million in one-time sales taxes over the development period.

The job creation that could occur in the Sonoran Corridor would not only provide quality jobs for local workers, but would also support a significant amount of additional economic activity, jobs and payroll at related local supplier and consumer businesses throughout the region. The development would allow the county to build on its existing aerospace and defense cluster and foster additional supplier relationships, as well as providing sites to attract new and expanding companies in related primary industries.

3.0 Economic Impacts

The economic impacts resulting from the companies that could locate in the Sonoran Corridor include both the non-recurring construction impacts and on-going operations impacts. Economic impacts measure the effects of economic stimuli or expenditures in the local economy. These impacts include direct and indirect jobs, personal income and economic activity, or output that is generated in the county. Direct impacts include the new jobs, payroll and production value that is created by the tenant companies. Indirect and induced impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in the region that benefit from these new companies and their employees.

3.1 Construction Impacts

Based on data from the 26 original companies that form the basis for this analysis, construction expenditures can be scaled to estimate the total construction impacts for the Sonoran Corridor. The construction expenditures used in this analysis are weighted based on the methodology described in the Introduction. All total, this could result in \$21.8 billion in construction expenditures. Given the size of the corridor, these impacts could be spread over a significant number of years. Although construction represents a non-recurring source of economic impacts, it creates a sizeable impact during the construction period.

The multiplier effect of this \$21.8 billion in direct construction spending in Pima County could result in a total increase in economic activity of about \$36.9 billion, including the initial investment (Figure 2). The approximately 307,000 direct and indirect jobs created by these construction projects could generate over \$12.4 billion in personal income in the region. It is important to keep in mind that these impacts would be spread over a number of years.

**FIGURE 2
REGIONAL CONSTRUCTION IMPACTS
SONORAN CORRIDOR**

Group	Direct Impacts			Total Impacts		
	Const Cost	Jobs	Income	Output	Jobs	Income
Employment-Heavy Industrial	\$10,855,500,000	87,843	\$3,682,970,025	\$18,409,642,765	152,783	\$6,189,408,373
Employment-Light Industrial	\$1,002,400,000	8,112	\$340,086,512	\$1,699,951,728	14,112	\$571,531,760
Employment-General	\$9,923,000,000	80,300	\$3,366,598,640	\$16,828,233,160	139,660	\$5,657,731,040
Total	\$21,780,900,000	176,255	\$7,389,655,177	\$36,937,827,653	306,555	\$12,418,671,173

3.2 Regional Operations Impacts

The future tenants of the Sonoran Corridor will also create on-going economic impacts through the increases in demand they generate in the local and regional economy. The companies themselves make supplier purchases, some of which are captured in the local area. In addition, their employees are purchasers of goods and services which, in turn, will support many local businesses. While the direct impacts of these companies will occur at the Sonoran Corridor, the indirect (supplier) and induced (consumer) impacts are spread throughout the region based on where local suppliers are located and where the employees live. All total, level of employment that is projected for the Sonoran Corridor at build out could create the following annual economic impacts on Pima County.

- 189,000 direct and indirect jobs
- \$8.7 billion in annual payroll
- \$32.2 billion in new annual economic output

3.2.1 Direct Impacts

Figure 3 shows the direct impacts of the projected tenant companies including 104,000 jobs and \$5.2 billion in payroll, based on information on actual prospects and locates, scaled to fit the size of the Sonoran Corridor. Industry-specific economic multipliers for Pima County for each type of company represented were applied to direct jobs and payroll to estimate the related indirect and induced impacts.

**FIGURE 3
REGIONAL ECONOMIC IMPACTS
SONORAN CORRIDOR**

Group	Direct Impacts			Indirect Impacts			Induced Impacts			Total Impacts		
	Output	Jobs	Income	Output	Jobs	Income	Output	Jobs	Income	Output	Jobs	Income
Employment-Heavy	\$6,816,448,943	25,353	\$1,224,996,835	\$1,804,898,354	10,666	\$571,397,743	\$1,554,497,564	13,967	\$493,536,195 #	\$10,175,844,860	49,985	\$2,289,930,773
Employment-Light	\$4,116,220,512	28,496	\$1,035,543,296	\$1,115,032,948	6,992	\$358,984,589	\$1,185,537,701	10,660	\$376,391,542	\$6,416,791,161	46,149	\$1,770,919,428
Employment-General	\$10,689,392,380	50,380	\$2,988,149,320	\$1,917,718,321	14,845	\$677,451,440	\$3,049,657,786	27,413	\$968,204,171	\$15,656,768,486	92,638	\$4,633,804,932
Total	\$21,622,061,835	104,229	\$5,248,689,451	\$4,837,649,623	32,503	\$1,607,833,773	\$5,789,693,050	52,040	\$1,838,131,909	\$32,249,404,507	188,771	\$8,694,655,132

3.2.2 Indirect Impacts

Indirect impacts primarily represent the increase in local supplier demand. The companies in the Pima Sonoran Corridor could purchase an estimated \$7.1 billion annually in supplies. However, given the size and intent of the proposed corridor, it is likely that many companies in the corridor will become suppliers to each other. As a result, it was necessary to make adjustments to the level of indirect impacts to eliminate this double counting between the direct and indirect impacts. Supplier purchases were adjusted on an industry by industry basis, based on the presence of companies in selected industry categories that are among the assumed tenants. As a conservative estimate, it was assumed that companies could make up to 75 percent of their local supplier purchases from other companies in the corridor, to the extent that companies in the required supplier industries were represented among the tenant companies. If there were no tenant companies in a particular supplier industry category, no adjustments were made. It is also important to note that these tenant companies would make significant supplier purchases outside Pima County but these non-local purchases are excluded from the indirect impacts shown here.

After adjusting for supplier purchases likely to be made within the corridor based on supplier needs of each industry type and the mix of industries represented in the direct impacts, the indirect impacts are

estimated at \$4.8 billion per year, which could support close to 33,000 jobs and \$1.6 billion in annual payroll at other businesses in Pima County as shown in Figure 3.

3.2.3 Induced Impacts

The induced impacts primarily represent consumer purchases made by the direct employees and their families, as well as by the supported employees at local supplier companies. A large portion of this employee payroll is spent at local establishments in Pima County. All total, projected tenant companies could support over 52,000 jobs and \$1.8 billion per year in payroll at local retail and service establishments through the estimated \$5.8 billion in annual employee spending.¹

3.3 Local Economic Impacts

Although the tenant companies would all be located in a confined geographic area, the economic impacts of these companies would be felt throughout the region. These companies create jobs for residents throughout Pima County. They also create new demand for local suppliers throughout the region.

The direct impacts of these companies, including the jobs, payroll and output associated with company operations, are all attributed to the City of Tucson (although some of the Sonoran Corridor also extends into the unincorporated county). However, only 83 percent of the employees of these companies are likely to live in the City of Tucson, based on current commuting patterns. The remaining employees are distributed throughout the region. The consumer demand for goods and services created by these households is also distributed throughout the region and supports local retailers and services in each community (Figure 4).

**FIGURE 4
DIRECT IMPACT SUMMARY
SONORAN CORRIDOR**

	Tenant Companies				Community Share	
	Jobs	Payroll	Output	Capital Investment	Employed Residents*	Household Demand
Marana	0	\$0	\$0	\$0	1,708	\$79,230,263
Oro Valley	0	\$0	\$0	\$0	5,573	\$258,647,016
Sahuarita	0	\$0	\$0	\$0	1,920	\$89,203,477
South Tucson	0	\$0	\$0	\$0	3,463	\$160,701,830
Tucson	104,229	\$5,248,689,451	\$21,622,061,835	\$50,720,950,000	84,384	\$3,916,686,756
Unincorporated Pima	0	\$0	\$0	\$0	3,583	\$166,305,098
Total	104,229	\$5,248,689,451	\$21,622,061,835	\$50,720,950,000	100,632	\$4,670,774,439

* Note that 4 percent of people who work in Pima County live outside the region based on data from the Pima Association of Governments Travel Reduction Program.

The indirect impacts are somewhat more difficult to distribute by community since it is necessary to make assumptions about the type and location of local suppliers, which may change in the future as the region grows. However, using total basic industry employment by city as a proxy for supplier availability, the indirect impacts are distributed throughout the region.

¹ Adjustments were made to the induced impacts to reflect the lower number of supplier (indirect) jobs and the corresponding impacts on employee spending.

ATTACHMENT 4

The induced impacts can also be distributed throughout the region. Although people tend to shop near where they live, consumer spending patterns are also largely dictated by the location of retail and service establishments. Based on the share of consumer-serving industries, the regional induced impacts can be distributed by community. About 20 percent of the \$10.6 billion in estimated indirect and induced impacts are captured outside the City of Tucson, supporting jobs and payroll at businesses throughout the region.

The workers that fill these supported indirect and induced jobs do not all live in the communities where they work. Based on city to city commuting patterns, jobs can be converted into employed residents. Income associated with these jobs is represented as household demand based on where the workers live.

A summary of the total economic impacts by community is shown in Figure 5 along with the distribution of employed residents. The tenant companies included in this analysis could directly and indirectly support an estimated 175,000 jobs in the City of Tucson and an additional 14,000 jobs in surrounding communities. This includes the jobs created by the companies themselves, as well as the supported jobs at local supplier businesses and businesses where employees make purchases. They could bring over \$32.2 billion in increased economic activity to the region that would be spread across all of the communities in the form of new supplier demand and consumer spending impacts.

**FIGURE 5
TOTAL IMPACT SUMMARY**

	Tenant Companies				Total Economic Impacts**			Community Share	
	Jobs	Payroll	Output	Capital Investment	Jobs	Income	Output	Employed Residents*	Household Demand
Marana	0	\$0	\$0	\$0	1,296	\$52,752,250	\$169,237,816	3,416	\$141,687,854
Oro Valley	0	\$0	\$0	\$0	4,753	\$197,116,582	\$635,487,210	10,864	\$450,458,064
Sahuarita	0	\$0	\$0	\$0	824	\$37,174,199	\$121,279,246	3,811	\$158,028,285
South Tucson	0	\$0	\$0	\$0	4,000	\$166,402,220	\$536,783,565	6,295	\$260,889,381
Tucson	104,229	\$5,248,689,451	\$21,622,061,835	\$50,720,950,000	174,852	\$8,109,404,580	\$30,359,108,620	150,912	\$6,254,238,714
Unincorporated Pima	0	\$0	\$0	\$0	3,047	\$131,805,302	\$427,508,050	6,991	\$289,831,650
Total	104,229	\$5,248,689,451	\$21,622,061,835	\$50,720,950,000	188,771	\$8,694,655,132	\$32,249,404,507	182,289	\$7,555,133,948

* Note that 4 percent of people who work in Pima County live outside the region based on data from the Pima Association of Governments Travel Reduction Program, 2012.

**Includes tenant companies as well as indirect and induced impacts.

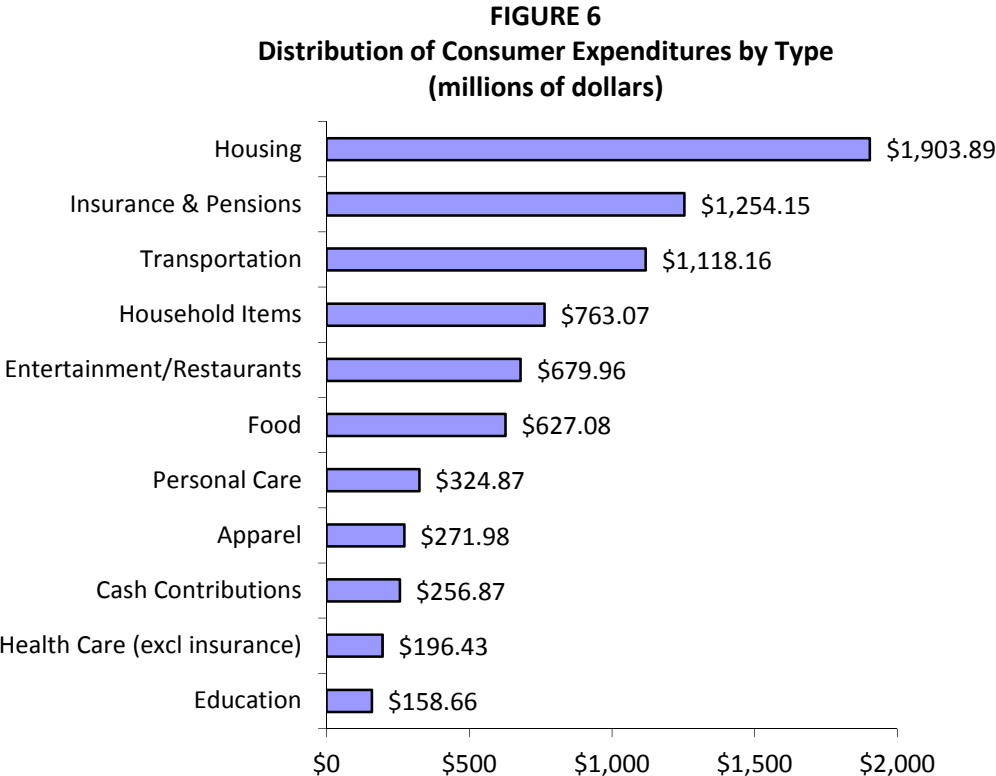
The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to Pima County. Industry specific multipliers were used for each type of industry represented among the tenant companies. On average, the output multiplier for the Pima County Sonoran Corridor, based on the types of companies described in this analysis, is 1.49. This means that for every \$1 million of goods and services produced by the tenant companies, an additional \$490,000 in economic activity could be generated in Pima County. Similarly, for every direct job created at one of these tenant companies, an additional 0.8 jobs could be supported at other local businesses.

The secondary impacts are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (generally defined as the cost of labor and inputs plus profits) into a corresponding increase in jobs and personal income. In essence, the multiplier effect represents the amplification of local spending. This process creates new business opportunities in the regional economy.

4.0 Consumer Expenditure Impacts

The income or earnings associated with the creation of nearly 189,000 direct, indirect and induced jobs creates a significant amount new consumer demand, much of which could be captured in the region. Based on regional commuting patterns, it is assumed that about 96 percent of the direct and indirect employees would live within the county. These employees and their families would spend approximately 80 percent of their income on goods and services.² The remainder is used for taxes and savings, based on estimates from the Census Consumer Expenditure Survey.

Detailed information is available on how household income is spent by type of good or service as shown in Figures 6 and 7. These figures represent annual expenditures based on the total of new personal income created by the tenant companies as well as by supported supplier and consumer businesses outside the corridor.



² Bureau of Labor Statistics, Consumer Expenditure Survey. Data represents annual consumer expenditures by type.

**FIGURE 7
CONSUMER EXPENDITURES BY TYPE
SONORAN CORRIDOR**

	Share of HH Expenditures	Marana	Oro Valley	Sahuarita	South Tucson	Tucson	Unicorp. Pima County	Region Total
Local Retail & Services	28.4%							
Groceries	8.3%	\$11,760,092	\$37,388,019	\$13,116,348	\$21,653,819	\$519,101,813	\$24,056,027	\$627,076,118
Restaurants & Bars	5.3%	\$7,509,456	\$23,874,277	\$8,375,499	\$13,827,137	\$331,474,652	\$15,361,077	\$400,422,099
Personal Services	0.8%	\$1,133,503	\$3,603,665	\$1,264,226	\$2,087,115	\$50,033,910	\$2,318,653	\$60,441,072
Other Household Expenses	1.2%	\$1,700,254	\$5,405,497	\$1,896,339	\$3,130,673	\$75,050,865	\$3,477,980	\$90,661,607
Housekeeping Supplies	1.3%	\$1,841,942	\$5,855,955	\$2,054,368	\$3,391,562	\$81,305,103	\$3,767,811	\$98,216,741
Gas & Motor Oil	5.4%	\$7,651,144	\$24,324,735	\$8,533,527	\$14,088,027	\$337,728,891	\$15,650,909	\$407,977,233
Vehicle Repairs	1.4%	\$1,983,630	\$6,306,413	\$2,212,396	\$3,652,451	\$87,559,342	\$4,057,643	\$105,771,875
Drugs	1.0%	\$1,416,879	\$4,504,581	\$1,580,283	\$2,608,894	\$62,542,387	\$2,898,316	\$75,551,339
Medical Supplies	0.2%	\$283,376	\$900,916	\$316,057	\$521,779	\$12,508,477	\$579,663	\$15,110,268
Personal Care Products	1.2%	\$1,700,254	\$5,405,497	\$1,896,339	\$3,130,673	\$75,050,865	\$3,477,980	\$90,661,607
Tobacco Products	0.6%	\$850,127	\$2,702,748	\$948,170	\$1,565,336	\$37,525,432	\$1,738,990	\$45,330,804
Misc Services	1.7%	\$2,408,694	\$7,657,787	\$2,686,481	\$4,435,119	\$106,322,058	\$4,927,138	\$128,437,277
Regional Retail & Services	21.8%							
Home repairs & maintenance	2.3%	\$15,238,774	\$7,708,641	\$4,456,203	\$894,443	\$122,541,092	\$22,928,927	\$173,768,081
Home furnishings & appliances	3.2%	\$21,201,773	\$10,725,066	\$6,199,935	\$1,244,443	\$170,491,954	\$31,901,115	\$241,764,286
Apparel & shoes	3.6%	\$23,851,995	\$12,065,699	\$6,974,927	\$1,399,998	\$191,803,449	\$35,888,755	\$271,984,822
New cars and trucks	2.6%	\$17,226,441	\$8,714,116	\$5,037,447	\$1,011,110	\$138,524,713	\$25,919,656	\$196,433,483
Used cars and trucks	2.6%	\$17,226,441	\$8,714,116	\$5,037,447	\$1,011,110	\$138,524,713	\$25,919,656	\$196,433,483
Other vehicles	0.3%	\$1,987,666	\$1,005,475	\$581,244	\$116,667	\$15,983,621	\$2,990,730	\$22,665,402
Medical services	1.4%	\$9,275,776	\$4,692,216	\$2,712,472	\$544,444	\$74,590,230	\$13,956,738	\$105,771,875
Entertainment fees & admission	2.1%	\$13,913,663	\$7,038,324	\$4,068,707	\$816,666	\$111,885,345	\$20,935,107	\$158,657,813
Audio visual equipment	2.1%	\$13,913,663	\$7,038,324	\$4,068,707	\$816,666	\$111,885,345	\$20,935,107	\$158,657,813
Pets, toys, hobbies	1.6%	\$10,600,886	\$5,362,533	\$3,099,967	\$622,222	\$85,245,977	\$15,950,558	\$120,882,143
Non-Site Based Expenditures	49.8%							
Mortgage expenses	7.6%	na	na	na	na	na	na	\$574,190,180
Property taxes	3.5%	na	na	na	na	na	na	\$264,429,688
Housing rent	6.8%	na	na	na	na	na	na	\$513,749,108
Utilities	7.3%	na	na	na	na	na	na	\$551,524,778
Vehicle finance charges	0.6%	na	na	na	na	na	na	\$45,330,804
Vehicle insurance	2.2%	na	na	na	na	na	na	\$166,212,947
Vehicle licenses	0.9%	na	na	na	na	na	na	\$67,996,206
Public transportation	1.0%	na	na	na	na	na	na	\$75,551,339
Health insurance	3.3%	na	na	na	na	na	na	\$249,319,420
Life insurance	0.6%	na	na	na	na	na	na	\$45,330,804
Education	2.1%	na	na	na	na	na	na	\$158,657,813
Cash contributions	3.4%	na	na	na	na	na	na	\$256,874,554
Pensions	10.5%	na	na	na	na	na	na	\$793,289,065
Total Consumer Expenditures		\$184,676,429	\$200,994,601	\$87,117,090	\$82,570,353	\$2,937,680,233	\$299,638,537	\$7,555,133,948
Share of Local & Regional Expenditures		4.9%	5.3%	2.3%	2.2%	77.5%	7.9%	

Note: Excludes household expenditures for the 4 percent of workers that live outside Pima County.

The range of goods and services purchased is divided into three categories:

- **Local** – items such as groceries and household supplies and services that are typically purchased within a three to seven mile radius from home
- **Regional** – larger items such as vehicles, appliances, home furnishings, apparel and entertainment that are purchased from a regional mall or a specialized provider located throughout the urban area
- **Non-Site Based** – expenditures like housing, utilities and insurance that may ultimately flow outside the region, or do not necessarily impact local business establishments

ATTACHMENT 4

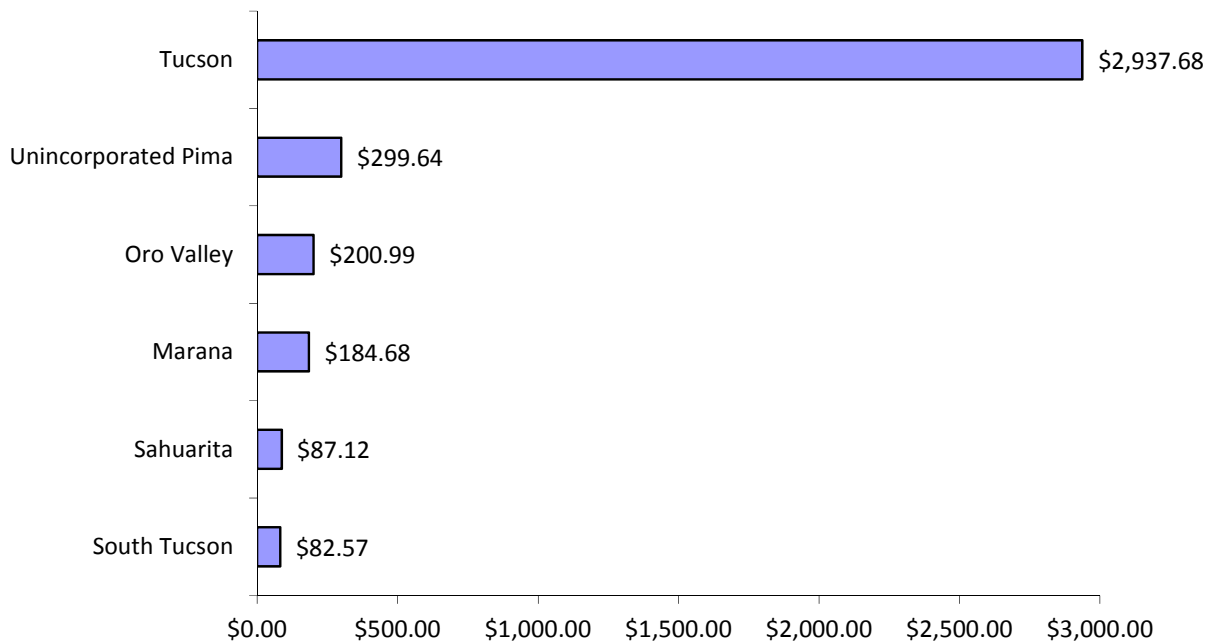
Local retail and services expenditures are distributed to the communities where employees live based on the distribution of employed residents in Figure 5. An estimated 28 percent, or \$2.2 billion, of the personal income generated by the direct, indirect and induced impacts from the Sonoran Corridor is spent locally based on where employees live. These expenditures are shown in the first section of Figure 7.

An additional 22 percent, or \$1.6 billion, in personal income is spent on regional goods and services. These regional expenditures, shown in the second section of Figure 7 are distributed based on the share of regional taxable retail sales by city as a proxy for the location of these types of regional establishments.

The remaining \$3.8 billion is spent on non-site based categories, primarily mortgages and rents, utilities and pensions. These non-site based expenditures are shown in the third section of Figure 7.

About \$2.9 billion in total local and regional retail and service expenditures could be spent in the City of Tucson. The remaining \$855.0 million is distributed throughout the surrounding communities (Figure 8).

FIGURE 8
Distribution of Local and Regional Consumer Expenditures by Community
(millions of dollars)



5.0 Local Revenue Impacts

In addition to supporting jobs and output at local businesses throughout the region, the tenant companies in the Sonoran Corridor could generate significant local tax benefits. These benefits include taxes paid directly by the tenant companies, as well as taxes generated by the supported employees and businesses in the region.

Figure 9 details the projected direct and indirect local property and sales tax revenues. These figures represent annual tax revenues that could be generated once the corridor is fully built out. There would be additional sales and income taxes generated at the state level that are not included here.

**FIGURE 9
LOCAL REVENUE IMPACTS BY INDUSTRY CATEGORY
SONORAN CORRIDOR**

	Local Revenues					
	Direct Revenues		Indirect Revenues			Total
	Property Tax	Sales Tax	Property Tax	Sales Tax	State Shared Revenues	
Employment-Heavy Industrial	\$409,509,137	\$176,401,875	\$72,406,439	\$15,490,441	\$28,066,977	\$701,874,869
Employment-Light Industrial	\$44,530,375	\$16,289,000	\$66,709,361	\$11,983,031	\$25,938,675	\$165,450,442
Employment-General	\$500,690,009	\$161,248,750	\$134,088,933	\$31,350,973	\$52,044,930	\$879,423,596
Total	\$954,729,522	\$353,939,625	\$273,204,733	\$58,824,445	\$106,050,582	\$1,746,748,907

Note: Direct property taxes represent annual impacts while direct sales tax impacts are one-time.

For each of the tenant companies, information regarding the breakdown of capital investment for construction versus machinery and equipment was estimated based on actual company data from Sun Corridor Inc. prospects and locates. Using these breakdowns for construction and machinery, along with the average property tax rate in the area where the corridor is located, it is possible to estimate the amount of new property taxes that could be generated by these companies.³ The tenant companies could generate the potential for approximately \$954.7 million in direct local property tax revenues each year on their buildings and equipment based on a total capital investment of \$50.7 billion.

An additional \$353.9 million in local sales taxes on construction materials could also be generated by the tenant companies, based on the assumptions used in this analysis. Note that these sales taxes are one-time and would be spread over a number of years, whereas property taxes represent an on-going annual revenue source.

Employees of the tenant companies and supported employees at other local businesses outside the Sonoran Corridor would also generate local taxes. Based on where the employees live and residential assessed value per capita and tax rates in each community, it is possible to estimate the residential portion of indirect local property tax revenues. Additional indirect local property tax revenues would be associated with supported supplier and consumer business in the region, but are not included in the estimates shown here. The job creation activity associated with the Sonoran Corridor could result in an estimated \$273.2 million in annual indirect property tax revenues once the corridor is fully developed.

The direct and supported employees could also generate sales tax revenue based on consumer spending on taxable items. The sum of *taxable* local and regional expenditures by community from Figure 7 is

³ Since equipment would depreciate over time, only 50 percent of the estimated equipment value was included to reflect average depreciated values.

ATTACHMENT 4

multiplied by the combined city and county sales tax rate in each community to arrive at indirect sales tax revenues. Indirect local sales tax revenues are estimated at \$58.8 million per year. Unlike direct sales tax revenues from the companies, these represent on-going annual revenues.

All total, the tenant companies in the Sonoran Corridor could directly and indirectly generate \$1.4 billion in recurring annual direct and indirect property and sales tax revenues and \$353.9 million in one-time sales tax revenues. These figures are based on the level of job creation, payroll and capital investment assumed in this analysis.

These revenue impacts can be further distributed by community based on general commuting patterns for companies located in the City of Tucson and the estimated residency patterns for their employees. Figure 10 shows the projected local revenue impacts by community. The largest share of revenues would be in the City of Tucson, but the other communities and the county could add over \$99.2 million in annual property and sales tax revenues as a result of new development in the Sonoran Corridor.

**FIGURE 10
LOCAL REVENUE IMPACTS
SONORAN CORRIDOR**

	Local Revenues					Total
	Direct Revenues		Indirect Revenues			
	Property Tax	Sales Tax	Property Tax	Sales Tax	State Shared Revenues	
Marana	\$0	\$0	\$7,613,901	\$3,540,019	\$1,670,848	\$12,824,768
Oro Valley	\$0	\$0	\$37,351,654	\$3,239,593	\$6,356,936	\$46,948,183
Sahuarita	\$0	\$0	\$7,890,406	\$1,481,168	\$1,585,046	\$10,956,619
South Tucson	\$0	\$0	\$3,325,015	\$1,408,649	\$4,721,595	\$9,455,259
Tucson	\$954,729,522	\$353,939,625	\$200,504,782	\$48,031,091	\$90,296,272	\$1,647,501,292
Unincorporated Pima	\$0	\$0	\$16,518,976	\$1,123,925	\$1,419,887	\$19,062,787
Total	\$954,729,522	\$353,939,625	\$273,204,733	\$58,824,445	\$106,050,582	\$1,746,748,907

Note: Direct property taxes represent annual impacts while direct sales tax impacts are one-time.

The Sonoran Corridor could create significant economic and revenue impacts throughout the county through the attraction of new and expanding businesses to the region. The tenant companies shown in this analysis could support close to 189,000 jobs and \$1.7 billion in new local tax revenues (both recurring and one-time). This new economic activity not only enhances the regional economy but also creates prosperity and continues to improve the quality of life for local residents.

ATTACHMENT 4

APPENDIX A SUMMARY OF SUN CORRIDOR INC. PROJECTS USED AS A BASIS FOR THE IMPACT ANALYSIS

Projects	Industry	Jobs	Payroll	Capital Investment		Square Feet
				Construction	Machinery & Equipment	
Employment - Heavy Industrial						
Project 1	R&D	40	\$3,600,000	\$0	\$500,000	20,000
Project 2	Utilities	14	\$707,000	\$30,000,000	\$0	na
Project 3	Transportation Equipment	150	\$9,000,000	\$5,600,000	\$10,000,000	75,000
Project 4	Fabricated Metals	377	\$21,489,000	\$0	\$19,000,000	220,000
Project 5	Computers & Electronics	6,500	\$325,000,000	\$3,900,000,000	\$2,400,000,000	5,500,000
Project 6	Fabricated Metals	114	\$6,644,034	\$5,000,000	\$2,000,000	79,800
Project 7	Computers & Electronics	80	\$6,323,200	\$2,000,000	\$2,500,000	9,000
Project 8	Metal Forging	703	\$25,308,000	\$149,600,000	\$540,700,000	492,100
Project 9	Aerospace	2,163	\$91,927,500	\$250,000,000	\$950,000,000	3,500,000
Employment - Light Industrial						
Project 10	Communication Equipment	55	\$3,300,000	\$5,050,000	\$5,200,000	55,000
Project 11						
Warehouse	Warehousing	900	\$26,769,000	\$40,000,000	\$39,000,000	725,000
Mgmt	Management	100	\$6,113,120	\$0	\$0	25,000
Project 12	Computers & Electronics	200	\$7,500,000	\$2,000,000	\$1,500,000	35,000
Project 13	Computers & Electronics	183	\$6,879,336	\$0	\$4,900,000	na
Project 14	Computers & Electronics	300	\$12,010,000	\$10,000,000	\$35,000,000	101,226
Project 15	Computers & Electronics	43	\$2,150,000	\$5,600,000	\$0	55,000
Employment - General						
Project 16	Medical Equipment	501	\$38,813,986	\$117,900,000	\$74,500,000	400,000
Project 17	Transportation Svcs	30	\$1,500,000	\$7,000,000	\$11,500,000	125,000
Project 18	Medical Equipment	160	\$11,400,000	\$3,500,000	\$6,200,000	35,000
Project 19	Health Svcs	25	\$2,275,000	\$0	\$300,000	12,500
Project 20	Fabricated Metals	30	\$1,330,000	\$0	\$6,000,000	5,000
Project 21	Aerospace	1,300	\$71,500,000	\$330,000,000	\$770,000,000	1,300,000
Project 22	Health Svcs	150	\$5,912,850	\$13,400,000	\$10,600,000	67,950
Project 23	Prof Services	31	\$2,910,000	\$0	\$3,485,000	3,000
Project 24	Health Svcs	192	\$8,165,630	\$18,650,000	\$1,350,000	129,000
Project 25	Management	50	\$2,600,000	\$3,700,000	\$0	25,000
Project 26	Prof Services	50	\$3,000,000	\$2,000,000	\$600,000	12,500