



APPLIED ECONOMICS

**FISCAL IMPACTS OF THE
WESTWARD LOOK ANNEXATION
ON THE TOWN OF ORO VALLEY**

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Executive Summary

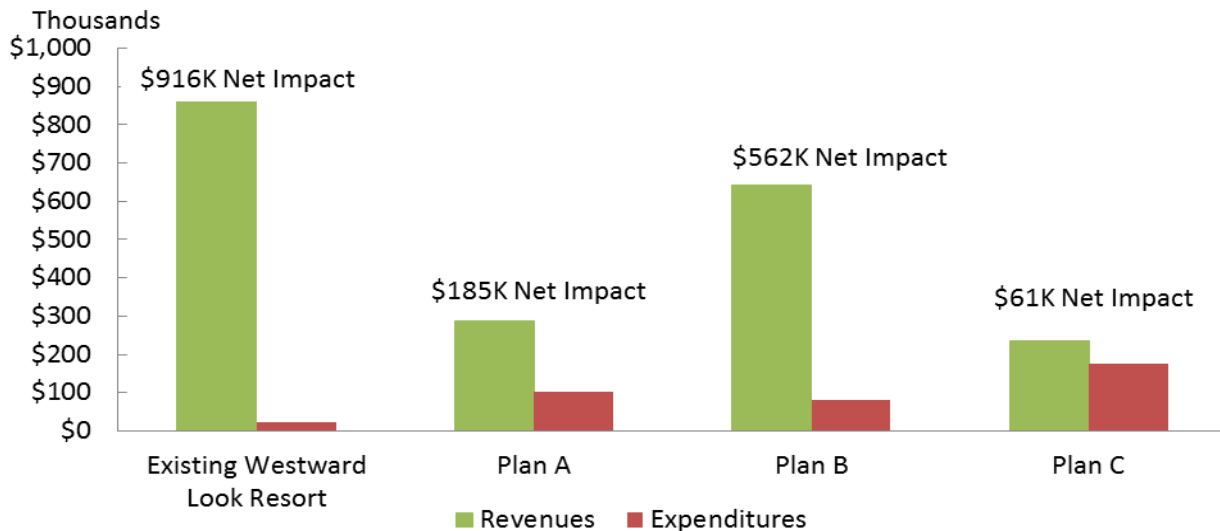
This analysis demonstrates the potential socioeconomic and fiscal impacts of the approximately 75-acre Westward Look annexation, General Plan amendment and rezoning on the Town of Oro Valley. The area includes the existing Westward Look Resort along with about 18 acres of vacant land along Ina Road that could support additional development. The property is currently part of unincorporated Pima County and is restricted to residential development under county zoning. As part of their pre-application submittal, Westward Look Resort, LLC has submitted three potential development options for the 18 acres along Ina Road. This analysis includes build out fiscal impacts for these three development options, as well as the fiscal impact to the town of annexing the existing Westward Look Resort. This independent analysis is intended to provide the Town with information on projected long term impacts of the proposed annexation on its operations and maintenance funds, as well as address state statutory requirements for any potential incentives.

The fiscal results for the annexation and development of Westward Look site show a positive annual net impact of about \$916,000 per year for the existing resort and \$61,000 to \$562,000 per year for the new development alternatives (Figure 1). These impacts include the General Fund and Streets Fund. The results are intended to reflect annual fiscal impacts for 2031, which is an approximation for build out. An annual inflation rate of 2 percent per year is included in the calculations shown in Figure 1.

In addition to these on-going impacts, there would be an estimated \$2.1 million to \$3.3 million in one-time revenues related to construction that would be spread over multiple years. One-time revenues are expressed in current dollars since the timing is unknown. These one-time impacts do not include any revenues related to the remodeling of the Westward Look Resort, which is currently underway.

Further details on the fiscal impacts of each scenario are provided in this document. In general, this study focuses on operations and maintenance revenues and expenditures. This area may require other infrastructure improvements to bring it up to current town standards. The cost of these improvements is not included in the fiscal impacts.

FIGURE 1
WESTWARD LOOK ANNEXATION ANNUAL FISCAL IMPACT AT BUILD OUT



The Westward Look property is located on the north side of Ina Road at Westward Look Drive. The existing resort property includes 36 acres with 196,526 square feet of improvements, plus 20.5 acres of undeveloped open space. The parcels along Ina Road that would be rezoned include 4.84 acres on the west side of Westward Look Drive (Gateway West) and 13.15 acres on the east side of Westward Look Drive (Gateway East). Development assumptions for this fiscal impact analysis were taken from the pre-application submittal illustrative development plans prepared by The Planning Center. The three alternative development scenarios include the following potential uses:

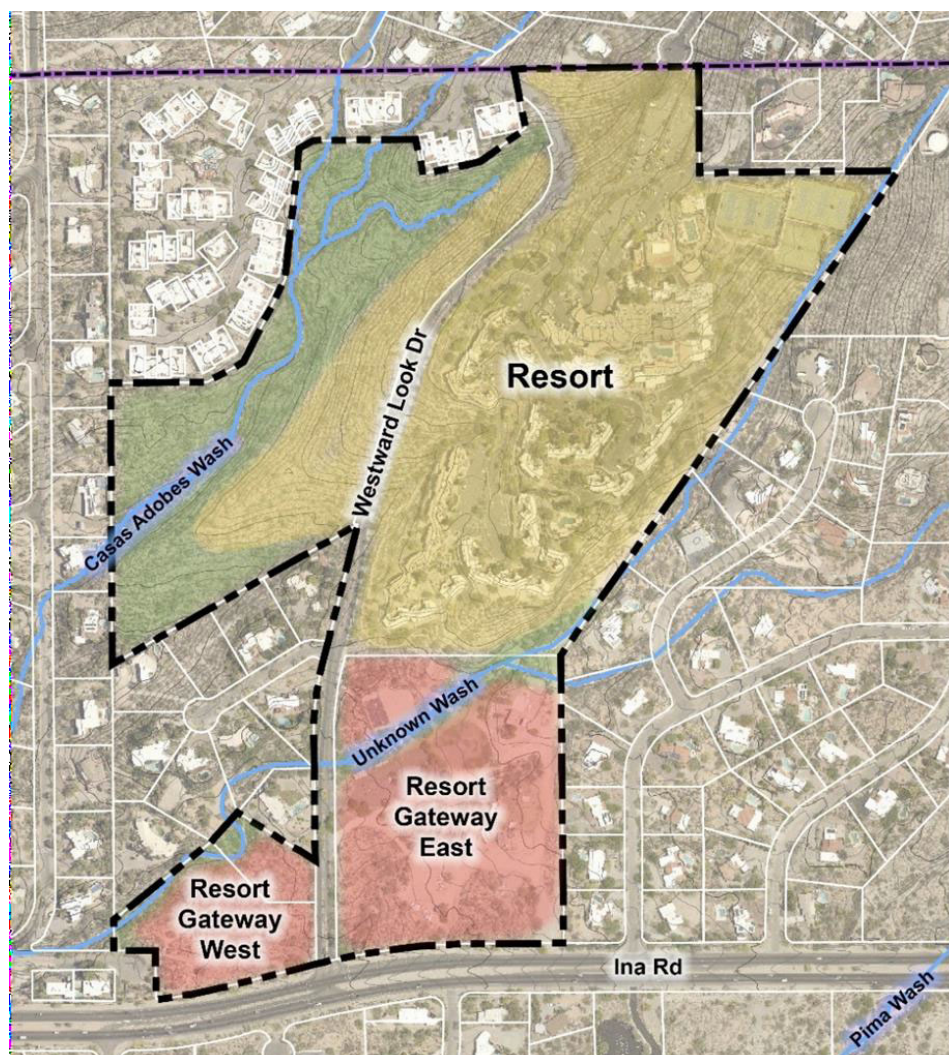
- **Plan A** – 30,000 square feet of boutique retail and restaurant space in Gateway West; 184 luxury apartments in Gateway East
- **Plan B** – 35,000 square feet of office and retail space in Gateway West; 76,000 square feet of retail, restaurant and office space and a 58,000 square foot business-class hotel in Gateway East
- **Plan C** – 38 one and two bedroom residential villas in Gateway West; 250 luxury apartment units in Gateway East

The net fiscal impacts for these alternatives are primarily dependent on the amount of acreage devoted to commercial development and the mix of retail and non-retail uses within that commercial development. While the residents in the development would generate additional demand for local retail, the model used in this analysis allocates taxable sales exclusively to commercial land uses. Given the location of the property, it is likely that a significant portion of the retail sales not captured within the development would be captured by other surrounding cities. Three of the four corners at the nearest major intersection of Ina Road and Oracle Road are not in Oro Valley. In order to provide the most conservative estimate, this analysis does not assume any additional taxable purchases elsewhere in Oro Valley related to new residential development within the Westward Look annexation.

1.0 INTRODUCTION

This analysis demonstrates the potential socioeconomic and fiscal impacts of the Westward Look annexation area on the Town of Oro Valley. The 75-acre property is generally located along the north side of Ina Road, just east of Oracle Road at Westward Look Drive (Figure 2). The property includes the existing Westward Look Resort and adjacent open space, as well as 18 acres along Ina Road that is currently undeveloped but is projected to include a mix of high and medium high density residential, as well as general commercial and office development and potentially a second hotel. The impact analysis shows build out conditions for the 18 acres for three different development scenarios. It is assumed that this annexation would not result in any additional public street lane miles for Oro Valley, with any new internal streets being private.

FIGURE 2
PROPOSED WESTWARD LOOK ANNEXATION AREA



Source: The Planning Center, September 2020.

1.1 General Approach

The impact assessment includes revenues and expenditures in the General Fund and Streets Fund associated with existing and future development in the annexation area. It does not specifically include capital costs for new infrastructure since capital funds are not included in this analysis.

The basic approach for the analysis is to determine the level and character of future development (measured in non-residential square footage, employment, housing units, population, etc.), and then to model the operating revenues and expenditures likely to be associated with that development. Current and historical budgets for the town were reviewed to identify revenue and expenditure line items that would be impacted by the annexation. Once identified, each line item in the General Fund and Streets Fund was analyzed to identify a socioeconomic factor that could be used to predict a corresponding impact for the annexation area. For example, the number of new residents is a good indicator of the increase in Parks and Recreation Department expenditures. Therefore, by knowing the number of new residents in the annexation area at any point in time, one could estimate the related costs in the recreation and culture department. Many of the services provided by the town are utilized by both residents and businesses, thus population and employment are drivers for a number of revenue and expenditure items.

1.2 Report Organization

The balance of this report is divided into two sections. Section 2.0 details the methodology and assumptions used in calculating the development characteristics and the fiscal assumptions used to develop the model. Section 3.0 describes the results of the fiscal impact analysis for the annexation area.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Projections made in this report are based on hypothetical assumptions and current public finance policies. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the projections and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid the Town of Oro Valley in making decisions relative to annexation. All dollar figures should be interpreted as order of magnitude estimates only.

2.0 METHODOLOGY

2.1 Development Characteristics

The socioeconomic impacts of nonresidential development can be described in terms of employment, square footage and taxable sales based on assumptions about the type of development that could be expected to occur in this area. The annual impact of residential development can be described in terms of housing units and population. The assumptions used in this analysis rely on development characteristics presented in the pre-application document submitted by the developer, as well as budget information provided by the town. The following sections briefly describe the assumptions used to estimate each of the major characteristics of the annexation area.

Nonresidential development and employment. The development scenarios for the Westward Look property are projected to include a mix of commercial/retail, office and hotel development, in addition to the existing resort. Projected employment could range from 71 employees under Plan A to 363 employees under Plan B, based on the number of acres by land use, standard assumptions for floor-area ratios (the ratio of building area to land area), occupancy rates and employment density as shown in Figure 3.

**FIGURE 3
DEVELOPMENT ASSUMPTIONS
WESTWARD LOOK ANNEXATION**

Land Use	Density	Sq Ft/ Units	House- hold Size	Sq Ft per Worker	Occupancy Rate	Construction Cost per Square Foot	Taxable Sales/ ADR	Percent Retail	Residential Utility Cost
Existing									
Westward Look Resort (241 rooms)	na	196,526	na	2,720	60%	na	\$140	na	na
Future - Plan A									
Boutique Retail/Restaurant	0.15	30,000	na	400	95%	\$148	\$225	70%	na
Luxury Apartments (184 units)	17.19	184	1.69	na	94%	\$161	\$0	na	\$1,202
Future - Plan B									
Office	0.16	60,000	na	250	92%	\$162	\$0	0%	na
Retail/Restaurant	0.40	51,000	na	400	95%	\$148	\$225	70%	na
Hotel (110 rooms)	0.35	58,000	na	2,720	69%	\$175	\$136	na	na
Future - Plan C									
Medium High Density Residential	8.28	38	2.20	na	95%	\$161	\$0	0%	\$2,004
Luxury Apartments (250 units)	23.36	250	1.69	na	94%	\$161	\$0	0%	\$1,202

Note: Sales per square foot and per unit are expressed in current dollars. Residential utility costs are annual per housing unit costs.

ADR = Average daily room rate for hotels. Occupancy rates are based on PICOR Market Beat Reports for Q2 2020, with data for the Oro Valley submarket.

A summary of future acreage and square footage for the alternative development scenarios is shown in Figure 4. The following sections describe each nonresidential land use in greater detail with build out estimates for square feet.

- **Neighborhood and Community Commercial** – Future commercial development includes 4.59 gross acres in Plan A with 30,000 square feet of built space, and 2.92 total acres with 51,000 square feet in Plan B, assuming a 95% long term occupancy, 400 square feet per employee, \$225 sales per square foot (in current dollars) with 70% of the space devoted to tax-generating businesses.
- **Office** – Future office development includes 8.60 gross acres in Plan B with 60,000 square feet, a 92% long term occupancy rate and 250 square feet per employee.
- **Hotel** – Future hotel development includes 3.77 gross acres in Plan B with 58,000 new square feet; 110 rooms, 0.3 employees per room, 69 percent hotel occupancy and average daily room rates (ADR) of \$136, based on average rates for comparable hotels in the area. The assumptions for the existing resort include 196,526 square feet, 241 rooms, 0.2 employees per room, 60 percent hotel occupancy and an ADR of \$140. Since the resort is currently undergoing renovations, it is likely that the ADR will increase by the time the annexation would occur, so this is a conservative estimate. This analysis also includes estimated food and beverage revenues for the existing resort of \$83 per occupied room night.

**FIGURE 4
BUILD OUT LAND USE
WESTWARD LOOK ANNEXATION**

Land Use	Existing		Plan A		Plan B		Plan C	
	Gross Acres	Units	Gross Acres	Units	Gross Acres	Units	Gross Acres	Units
Residential	0.00	0	10.70	184	0.00	0	15.29	288
High Density	0.00	0	10.70	184	0.00	0	10.70	250
Med High Density	0.00	0	0.00	0	0.00	0	4.59	38
Medium Density	0.00	0	0.00	0	0.00	0	0.00	0
	Gross Acres	Sq Ft	Gross Acres	Sq Ft	Gross Acres	Sq Ft	Gross Acres	Sq Ft
Nonresidential	36.08	196,526	4.59	30,000	15.29	169,000	0.00	0
Hotel	36.08	196,526	0.00	0	3.77	58,000	0.00	0
Commercial	0.00	0	4.59	30,000	2.92	51,000	0.00	0
Office	0.00	0	0.00	0	8.60	60,000	0.00	0
Undeveloped	20.51	0	2.68	0	2.68	0	2.68	0
Open Space	20.51	0	2.68	0	2.68	0	2.68	0
Total	57	196,526	18	30,000	18	169,000	18	0

Residential Development and Population. The residential portions the Westward Look annexation are anticipated to include 10.7 acres of high density residential development in Plan A and 15.29 acres of medium high and high density residential development in Plan C (Figure 5). This could result in 184 new multifamily units and 283 residents in Plan A, and 250 new multifamily units along with 38 residential villas in Plan C resulting in an estimated 464 new residents. An occupancy rate of 95 percent was assumed for medium high density residential development and 91 percent for high density multi-family development. The information below details the assumptions used in the model by residential density level.

- **High Density** – 10.7 gross acres with 184 units in Plan A and 10.7 gross acres with 250 units in Plan C; 1.69 persons per unit. The high density land use category also includes taxable annual utility (electric and gas) sales of \$1,202 per occupied unit (in current dollars) based on Q1 2020 cost of living data for metro Tucson from the Council for Community and Economic Research.
- **Medium High Density** – 4.59 gross acres with 38 units in Plan C; 2.20 persons per unit; taxable annual utility sales of \$2,004 per occupied unit (in current dollars).

Other Development. This analysis assumes 20.5 acres of open space adjacent to the existing Westward Look Resort and 2.68 acres of outdoor event space in Plans A, B and C. No new lane miles of public streets or public park acres would be added for maintenance by the town based on the proposed development scenarios.

**FIGURE 5
SOCIOECONOMIC IMPACTS
WESTWARD LOOK ANNEXATION**

	Existing	Plan A	Plan B	Plan C
Gross Acres	57	17.97	17.97	17.97
Developed Acres	36	15.29	15.29	15.29
Housing Units	0	184	0	288
Population	0	292	0	477
Total Nonresidential Square Feet	196,526	30,000	169,000	0
Employment	72	71	363	0
Emp./Pop Ratio	na	0.24	na	na
Estimated Annual Police Calls	33	122	117	216
Taxable Sales (millions of 2031 dollars)	\$9.20	\$5.90	\$14.20	\$0.57
Town Maintained Street Lane Miles	0.00	0.00	0.00	0.00

Sources: Applied Economics, 2020.

2.2 Fiscal Assumptions

The fiscal model created to assess the impacts of the Westward Look property is based on current and historical budgets for the Town of Oro Valley for seven previous fiscal years. Revenue and expenditure line items in the General Fund and Streets Fund are included since these funds will be most impacted by the annexation. The model does not include any construction costs for new infrastructure, but does include relevant maintenance costs for new street miles, although no new street miles are included in this analysis.

Various drivers were tested for each of the revenue and expenditure items in the model. In this way, consistent rates were developed that could be applied to socioeconomic projections for the proposed annexation area. In most cases, an average of current and one or two previous years is used in the model to better reflect long term conditions. However, some revenue and expenditure items increased at rates that are less consistent over time, or experienced permanent increases or decreases due to operational or other changes. In these cases, only

rates from the current budget year are used to accurately reflect current conditions. The rates and basis for all revenue and expenditure line items are shown in Appendix A.

Many of the revenue and expenditure line items are driven by population, or by “service population”, which includes both population and employment. This is because many of the services provided by the town, as well as the various types of revenues that local governments depend on, are proportional to the number of people living and working there. In some cases, population may be weighted more heavily than employment since some services are used proportionally more by residents than businesses.

Major line items that are not driven by population or employment include sales tax which is a function of taxable retail sales and taxable residential utilities; building permits, special inspection fees, fire permits and engineering plan check fees that are a function of construction costs; and human resources and information technology that are a function of town staffing increases. The construction-related revenues do not apply to build out conditions.

On the expenditure side, planning and inspection and compliance are a function of construction value and are not assumed to generate additional expenditures once the area is built out. Transportation engineering is based on the number of lane miles added and is a one-time expenditure, while street maintenance is also a function of lane miles but is an on-going expenditure. Police services are a function of calls for service by type of land use and implied staffing at that call level based on current staffing levels in Oro Valley. It is estimated that future development in all three scenarios would require less than 1 additional officer at build out at a total annual cost of approximately \$159,691 per officer in current dollars.¹ The projected number of additional calls varies depending on the land uses included in each scenario. The existing Westward Look Resort generates about 33 police calls per year, which is the basis for police costs in the existing development scenario. Fire services would be provided by the Golder Ranch Fire District and are not part of the fiscal model.

It is important to note that market conditions over the next ten years could significantly affect the projected land use and development timing, and hence sales taxes and other revenues resulting from the annexation area. The assumptions used in this analysis are fairly conservative. However, sales taxes may be higher or lower depending on the density of commercial and hotel development and the actual mix of businesses once the area is built out.

¹The cost per officer represents the total general fund expenditures for police and support services (excluding one-time costs) divided by the existing number of sworn officers. Vehicle maintenance for police vehicles is included in fleet services, which is a separate line item in the budget.

3.0 FISCAL IMPACT RESULTS

At build out, the Westward Look annexation could result in a significant positive net impact to the town in all three scenarios ranging from \$978,000 to \$1.5 million per year (in 2031 dollars) *including the existing resort plus new development*. The new development anticipated for Gateway East and Gateway West would generate some taxable retail sales from the commercial development as well as state shared revenues from residents. Based on the assumptions used in this analysis, projected revenues are sufficient to cover the cost of providing municipal services to the area at build out for all three of the development scenarios as well as the existing resort.

3.1 Annual Impacts – Existing Resort

The impacts reflect build out of the proposed annexation area, estimated at 2031, for the General Fund and Streets Fund. An annual inflation rate of 2 percent per year is included in the calculations. The levels of revenues and expenditures shown here reflect the assumed land use mix described in the previous sections. *All revenues and expenditures shown in the annual impact results are expressed in 2031 dollars.*

- The existing resort property could generate an estimated \$755,000 in revenues and \$20,000 in expenditures in 2021 dollars upon annexation. In 2031 dollars, corresponding to when the new development areas would be built out, the annual impacts of the existing resort are estimated at \$939,000 in revenues and \$23,000 in expenditures, resulting in an annual net impact of \$916,000. Detailed impact results are shown in Figure 6.
- The existing Westward Look Resort currently generates an estimated \$7.4 million in taxable room rentals. There are additional food and beverage sales estimated at \$5.0 million in current dollars. Room rentals are subject to a 6 percent bed tax in addition to the normal 2.5 percent local sales tax. Sales and bed taxes make up the majority of revenues from the existing resort.
- The largest on-going general fund expenditures for the existing resort property would be public safety, although the property does not generate a large number of calls. Annual police costs are estimated at \$22,000 in 2031, based on actual call volumes, the average annual number of calls per officer and the total police services cost per officer in Oro Valley.

FIGURE 6
ANNUAL BUILD OUT NET IMPACTS OF WESTWARD LOOK ANNEXATION
GENERAL FUND AND STREETS FUND

	Thousands of 2031 Dollars			
	Existing	Plan A	Plan B	Plan C
REVENUES	\$938.96	\$286.23	\$643.01	\$235.93
Taxes and Fees				
Local Sales Tax (2%)	\$308.89	\$121.93	\$283.31	\$17.65
Dedicated Sales Tax (0.5%)*	\$77.22	\$27.90	\$70.83	\$0.00
Bed Tax (6%)	\$551.21	\$0.00	\$280.65	\$0.00
Cable Franchise Fees	\$0.77	\$3.87	\$3.86	\$5.07
Intergovernmental				
State Income Tax	\$0.00	\$46.36	\$0.00	\$75.58
State Sales Tax	\$0.00	\$22.55	\$0.00	\$35.29
Vehicle License Tax	\$0.00	\$15.39	\$0.00	\$25.08
Highway Users Revenue	\$0.00	\$27.65	\$0.00	\$45.08
Federal and State Operating Grants	\$0.00	\$0.00	\$0.00	\$0.00
Other Intergovernmental	\$0.00	\$9.28	\$0.00	\$15.13
Licenses and Permits				
Building Permits	\$0.40	\$1.99	\$1.99	\$2.61
Sign Permits	\$0.07	\$0.07	\$0.35	\$0.00
Special Inspection Fees	\$0.00	\$0.01	\$0.01	\$0.02
Grading Permits	\$0.00	\$0.00	\$0.00	\$0.00
Fire Permit Fees	\$0.02	\$0.09	\$0.09	\$0.11
Business License	\$0.17	\$0.17	\$0.85	\$0.00
Charges for Services				
Zoning and Subdivision Fees	\$0.00	\$0.00	\$0.00	\$0.00
Engineering Plan Check	\$0.02	\$0.08	\$0.08	\$0.10
Financial Services	\$0.00	\$0.00	\$0.00	\$0.00
Copies and Publications	\$0.00	\$0.05	\$0.00	\$0.08
Administrative Fees	\$0.00	\$0.00	\$0.00	\$0.00
Police Fees	\$0.00	\$0.06	\$0.00	\$0.10
Rental Income	\$0.00	\$0.00	\$0.00	\$0.00
Recreation Fees	\$0.00	\$4.52	\$0.00	\$7.37
Court Fees	\$0.00	\$1.32	\$0.00	\$2.16
Fare Box	\$0.00	\$0.95	\$0.00	\$1.55
Fines and Forfeitures				
Fines	\$0.10	\$0.87	\$0.48	\$1.26
Other Revenues				
Misc. Revenue	\$0.10	\$1.14	\$0.53	\$1.69

*Dedicated sales tax revenues captured in Community Service Fund.

FIGURE 6 (continued)
ANNUAL BUILD OUT NET IMPACTS OF WESTWARD LOOK ANNEXATION
GENERAL FUND AND STREETS FUND

	Thousands of 2031 Dollars			
	Existing	Plan A	Plan B	Plan C
EXPENDITURES	\$22.56	\$100.93	\$81.28	\$174.50
Management & Policy				
Mayor & Council	\$0.00	\$0.00	\$0.00	\$0.00
Town Manager	\$0.00	\$0.00	\$0.00	\$0.00
General Administration	\$0.00	\$2.26	\$0.00	\$3.54
Town Clerk	\$0.02	\$0.22	\$0.12	\$0.31
Legal	\$0.00	\$0.00	\$0.00	\$0.00
Magistrate Court	\$0.00	\$6.96	\$0.00	\$11.34
Administrative Services				
Finance	\$0.04	\$0.31	\$0.18	\$0.45
Human Resources	\$0.12	\$1.05	\$0.58	\$1.53
Information Technology	\$0.14	\$1.24	\$0.69	\$1.80
Parks and Recreation				
Administration	\$0.00	\$0.50	\$0.00	\$0.82
Park Maintenance	\$0.00	\$0.00	\$0.00	\$0.00
Aquatics	\$0.00	\$1.43	\$0.00	\$2.33
Recreation Centers & Culture	\$0.00	\$1.63	\$0.00	\$2.66
Community & Economic Development				
Administration, Permits	\$0.00	\$0.00	\$0.00	\$0.00
Planning Services	\$0.00	\$0.00	\$0.00	\$0.00
Inspection and Compliance	\$0.00	\$0.00	\$0.00	\$0.00
Economic Development	\$0.00	\$0.00	\$0.00	\$0.00
Public Safety				
Police Services	\$21.84	\$80.89	\$77.67	\$143.13
Public Works				
Public Works/Streets Admin	\$0.05	\$0.43	\$0.24	\$0.63
Street Maintenance	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Engineering	\$0.00	\$0.00	\$0.00	\$0.00
Facilities & Fleet Maintenance	\$0.36	\$3.24	\$1.79	\$4.71
Transit Services	\$0.00	\$0.76	\$0.00	\$1.24
OVERALL NET OPERATING IMPACT	\$916.40	\$185.29	\$561.73	\$61.43
as percent of revenue	98%	65%	87%	26%

3.2 Annual Impacts – Plan A New Development

- Plan A, which is a mix of commercial and multifamily development could generate an estimated \$286,000 in annual revenues and \$101,000 in annual expenditures at build out, resulting in annual net impacts of \$185,000 in 2031 dollars.
- With the addition of 30,000 square feet of commercial space at a 95 percent occupancy rate, the increase in taxable retail sales is estimated at \$5.6 million per year in 2031 dollars, plus \$258,000 per year in residential utilities from the 173 new multifamily households (occupied units), resulting in a total of about \$150,000 in annual sales tax collections including general and dedicated sales taxes. Utility expenditures are not included for the retail and office development due to lack of information about specific types of tenants, resulting in a more conservative estimate.
- Sales taxes from commercial space assume average sales per square foot of \$225 (inflated to 2031 dollars) for 30,000 square feet of commercial space at 95 percent occupancy, 70 percent of which would be used for retail. Depending on the mix of tenants and level of taxable sales, these results could vary and could make a significant difference in the net fiscal results. Note that all taxable retail sales in this model are associated with commercial space and not households; however households do generate taxable utility expenditures. No sales tax associated with resident purchases outside the annexation area at other existing establishments in Oro Valley is included.
- There would be interim construction sales tax and other construction-related fee revenues that are included in the one-time impacts in Section 3.2. The results in Figure 6 are intended to reflect long term annual impacts.
- Other major revenues include state shared income and sales taxes, vehicle license tax and highway user revenues that could total about \$112,000 per year based on current per capita distribution levels inflated to 2031 dollars, and a projected population of about 292. State shared revenues are important to the town and make up close to one third of current General Fund revenues.
- The largest on-going general fund expenditures for the proposed annexation area under Plan A would be public safety. Annual police costs are estimated at \$81,000 to serve the new development, based on the level of calls typically generated by the types of residential and commercial development in the proposed scenario, the average annual number of calls per officer and the total police services cost per officer in Oro Valley.
- There would also be a modest increase in other overhead and administrative costs for the town including court operations, fleet maintenance and general administration. All new development adds to these costs in an incremental fashion. It is also important to note that some of these expenditures like the court and transit services also have some off-setting revenues.

3.3 Annual Impacts – Plan B New Development

- Plan B, which is a mix of hotel, commercial and office development, could generate an estimated \$643,000 in annual revenues and \$81,000 in annual expenditures at build out, resulting in annual net impacts of \$562,000 in 2031 dollars. This plan yields the highest net impacts given the concentration of tax generating uses, including a second hotel.
- With the addition of 51,000 square feet of commercial space at 95 percent occupancy, the increase in taxable retail sales is estimated at \$9.5 million per year in 2031 dollars, plus \$4.7 million per year in hotel sales from a 110-room hotel, resulting in a total of about \$354,000 in annual sales tax collections and \$281,000 in bed tax collections.
- This estimate is based on average retail sales per square foot of \$225 (inflated to 2031 dollars) for 51,000 square feet of commercial space at 95 percent occupancy, 70 percent of which would be used for retail. Depending on the mix of tenants and level of taxable sales, these results could vary and could make a significant difference in the net fiscal results. In addition, this scenario includes a 110-room business class hotel with estimated average room rates of \$169 (in 2031 dollars) and an occupancy rate of 69 percent, based on 2019 and 2020 data for Oro Valley from Visit Tucson. Sales and bed taxes make up the majority of annual revenues from Plan B.
- The largest on-going general fund expenditures for the proposed annexation area under Plan B would be public safety. Annual police costs are estimated at \$78,000 to serve the new development, based on the level of calls typically generated by the types of commercial, office and hotel development in the proposed annexation, the average annual number of calls per officer and the total police services cost per officer in Oro Valley.

3.4 Annual Impacts – Plan C New Development

- Plan C, which is a mix of single family and multifamily development could generate an estimated \$236,000 in annual revenues and \$175,000 in annual expenditures at build out, resulting in annual net impacts of \$61,000 in 2031 dollars. This scenario, with no nonresidential development, has the lowest net impact of the three scenarios.
- With the addition of 288 housing units at an occupancy rate of 94 to 95 percent, the increase in residential utilities is estimated at \$441,000 per year in 2031 dollars, resulting in a total of about \$18,000 in annual sales tax collections.
- This estimate is based on annual utility costs of \$1,202 for occupied multifamily units and \$2,004 for occupied single family units. No other sales taxes associated with resident purchases outside the annexation area at other existing establishments in Oro Valley are included.
- Other major revenues include state shared income and sales taxes, vehicle license tax and highway user revenues that could total about \$181,000 per year based on current per capita distribution levels inflated to 2031 dollars, and a projected population of 477 residents. State shared revenues are important to the town and make up close to one third of current General Fund revenues.

- The largest on-going general fund expenditures for the proposed annexation area under Plan C would be public safety. Annual police costs are estimated at \$143,000 based on the level of calls typically generated by the types of residential development in the proposed annexation, the average annual number of calls per officer and the total police services cost per officer in Oro Valley.
- There would also be a modest increase in other overhead and administrative costs for the town including court operations, fleet maintenance and general administration. All new development adds to these costs in an incremental fashion. It is also important to note that some of these expenditures like the court and transit services also have some off-setting revenues.

3.5 One-Time Impacts

The impact results in the previous section reflect on-going annual revenues and expenditures at build out. However, there will also be one-time construction sales tax and other fees associated with new construction for Plans A, B and C estimated at \$2.1 million to \$3.3 million in current dollars, depending on the scenario (Figure 7). The rate at which this area will develop, and the timing of these one-time revenues, is unknown. However, it is possible to estimate total construction sales tax, development impact fees and planning and permitting fees in current dollars.

The model estimates construction costs based on per square foot costs for different types of development. The proposed annexation area could generate an estimated \$1.1 million to \$1.9 million in construction sales tax, assuming materials make up 65 percent of total construction costs and that the taxes are paid in Oro Valley. Construction costs would be highest for Plan C which has the highest overall development density, and lowest for Plan B.

Applying the town's new impact fee rates that will take effect in July 2022, the proposed development plans could generate \$452,000 to \$529,000 in non-utility development impact fees for transportation, police and parks, which are captured in dedicated funds. Finally, the build out of this area could generate an estimated \$509,000 to \$865,000 in permit, plan check and other related fees in the General Fund during the construction period, depending on the scenario. Note that these are rough estimates based on the historical relationship between construction value and building-related fees in the town. Actual results could vary significantly depending on the specific type and intensity of development. There would also be costs to the town associated with planning and permitting activities and infrastructure construction that are not included here.

**FIGURE 7
ONE-TIME POTENTIAL TAXES AND FEES TO TOWN OF ORO VALLEY
FROM BUILD OUT OF WESTWARD LOOK ANNEXATION AREA**

	Existing	Plan A	Plan B	Plan C
Construction Sales Tax (4%)	\$0	\$1,244,011	\$1,096,720	\$1,865,024
Development Impact Fees*				
Transportation	\$0	\$237,090	\$281,887	\$250,560
Police	\$0	\$156,948	\$95,358	\$219,456
Parks	\$0	\$57,936	\$75,250	\$58,752
Planning/Permitting Fees	\$0	\$577,053	\$508,745	\$865,098
Total One-Time Fees and Taxes	\$0	\$2,273,038	\$2,057,960	\$3,258,890

*Dedicated funds, not part of General Fund.

3.6 Summary

At build out, the Westward Look annexation area could generate a moderate to large positive net fiscal impact on the Town of Oro Valley, depending on the development plan and assuming that the projected amount of commercial, hotel and residential development is feasible for this location. The cost of municipal services is generally less for nonresidential development than for residential development, and the ratio of sales tax generating uses to other types of uses is often the key factor in determining the magnitude fiscal impacts. Should future development plans or market conditions change significantly, the projected impact results would be different. Based on the location and mix of projected uses, it is likely this area will build out within the next 10 years.

All three of the scenarios, including Plan C which is exclusively residential, are projected to generate positive fiscal impacts at build out. The largest annual impacts would be from Plan B that features hotel, commercial and office development. In addition, the existing Westward Look Resort would generate a sizeable positive annual net impact to the town, starting immediately upon annexation. However, annexations such as this often involve pre-annexation development agreements and the annexation of the existing Westward Look Resort may become contingent on the zoning changes for the new development areas. Nonetheless, all three of the alternative scenarios for the new development areas are positive, with or without annexation of the existing resort property.

APPENDIX A

REVENUE AND EXPENDITURE RATES

APPENDIX A
FISCAL IMPACT MODEL DRIVERS AND RATES
GENERAL FUND AND STREETS FUND

Revenue/Expenditure Item	Driver	Rate/Basis for Calculation
REVENUES		
Taxes and Fees		
Local Sales Tax (2%)	taxable sales	(sales per square foot * retail square feet * occupancy rate * 2%) + (2% * hotel room and food sales) + (4% * residential utilities)
Dedicated Sales Tax (0.5%)	taxable sales	sales per square foot * retail square feet * 0.5%
Bed Tax (6%)	taxable room sales	6% * average daily room rate * occupancy rate * number of rooms * 365
Cable Franchise Fees	service population	\$8.55 * (population + employment)
Intergovernmental		
State Income Tax	population	\$127.55 * population
State Sales Tax	population	\$98.56 * population
Vehicle License Tax	population	\$42.33 * population
Highway User Fees	population	\$76.09 * population
Federal and State Operating Grants	not impacted	
Other Intergovernmental (RTA reimbursement)	population	\$25.54 * population
Licenses and Permits		
	construction value (80%), service population (20%)	(\$0.017 * construction value) + (\$4.40 * (population + employment))
Building Permits	employment	\$0.77 * employment
Sign Permits	building permits	0.61% * building permit revenues
Special Inspection Fees	not impacted	
Grading Permits	building permits	4.33% * building permit revenues
Fire Permit Fees	employment	\$1.88 * employment
Business License		
Charges for Services		
Zoning and Subdivision Fees	not impacted	
Engineering Plan Check	building permits	3.92% * building permit revenues
Financial Services	not impacted	
Copies and Publications	population	\$0.14 * population
Administrative Fees	not impacted	
Police Fees	population (25% of normal rate)	\$0.21 * population
Rental Income	not impacted	
Recreation Fees	population	\$12.45 * population
Court Fees	population (25% of normal rate)	\$3.64 * population
Fair Box	population	\$2.61 * population
Fines and Forfeitures		
Fines	service population	\$1.07 * (population * 2 + employment)
Other Revenues		
Misc. Revenue	service population	\$1.16 * (population * 2 + employment)
EXPENDITURES		
Management & Policy		
Mayor & Council	not impacted	
Town Manager	not impacted	
General Administration	service population (50% of normal rate)	\$9.315 * (population*2 + employment)
City Clerk	service population (10% of normal rate)	\$0.66 * (population*2 + employment)
Magistrate Court	population growth (25% of normal rate)	\$19.15 * population
Legal	not impacted	
Administrative Services		
Finance	local revenues	3.3% * local tax and fee revenues
	City FTEs @ 0.0011 per (population*2 + employment)	
Human Resources		\$1,196 * City FTE growth
	City FTEs @ 0.0011 per (population*2 + employment)	
Information Technology		\$1,383 * City FTE growth

APPENDIX A
FISCAL IMPACT MODEL DRIVERS AND RATES
GENERAL FUND AND STREETS FUND

Revenue/Expenditure Item	Driver	Rate/Basis for Calculation
Parks and Recreation		
Administration	% of other Parks and Rec expenditures	16.5% * other parks and rec expenditures
Park Maintenance	park acres	\$1,627 * park acres
Aquatics	population	\$3.94 * population
Recreation Centers and Culture	population	\$4.49 * population
Community and Economic Development		
Administration, Permits	construction value	\$0.014 * construction value
Planning Services	construction value	\$0.0065 * construction value
Inspection and Compliance	construction value	\$0.0094 * construction value
Economic Development	new jobs created	\$16.93 * job growth
Public Safety		
	calls for service by land use, 1 officer per 300 calls	
Police Services		\$159,691 * police staff
Public Works		
Public Works/Streets Administration	other public works expenditures	13.4% * other public works expenditures
Street Maintenance	street lane miles for maintenance	\$3,500 * new street lane miles (on-going)
Transportation Engineering	street lane miles added	\$16,891 * new street lane miles (one-time)
	City FTEs @ 0.0024 per (population*2 + employment)	
Facilities & Fleet Maintenance		\$3,685 * City FTEs
Transit Services	population	\$2.09 * population

Note: service population = population + employment.