W. P. Carey School of Business
Arizona State University
Seidman Research Institute

AN INDEPENDENT REVIEW OF A $2.1 BILLION ARENA AND MULTI-USE DEVELOPMENT IN THE CITY OF TEMPE

Dr. Dennis Hoffman, Dr. Anthony Evans & Eva Madly
Seidman Research Institute
Arizona State University

APRIL 16, 2023

L. WILLIAM SEIDMAN RESEARCH INSTITUTE

The L. William Seidman Research Institute serves as a link between the local, national, and international business communities and the W. P. Carey School of Business at Arizona State University (ASU).

First established in 1985 to serve as a center for applied business research alongside a consultancy resource for the Arizona business community, Seidman collects, analyzes, and disseminates information about local economies, benchmarks industry practices, and identifies emerging issues that affect productivity and competitiveness.

Using tools that support sophisticated statistical modeling and planning, supplemented by an extensive understanding of the local, state, and national economies, Seidman today offers a host of economic research and consulting services, including economic impact analyses, forecasting, survey research, attitudinal and qualitative studies, and strategic analyses of economic development opportunities.

Working on behalf of government agencies, regulatory bodies, public or privately-owned firms, academic institutions, and non-profit organizations, Seidman specializes in studies at the city, county, or state-wide level. Clients include:

- *Arizona Commerce Authority (ACA)*
- *Arizona Corporation Commission (ACC)*
- *Arizona Dept. of Health Services*
- *Arizona Dept. of Mines and Mineral Resources*
- *Arizona Diamondbacks*
- *Arizona Governor's Office of Strategic Planning and Business*
- *Arizona Hospital and Healthcare Association*
- *Arizona Investment Council (AIC)*
- *Arizona Mining Association*
- *Arizona National Football Championship*
- *Arizona Public Service Corporation (APS)*
- *Arizona School Boards Association*
- *Arizona SuperBowl Host Committee*
- *Arizona Technology Council*
- *Arizona Town Hall*
- *Banner Health*
- *BHP Billiton*
- *The Boeing Company*
- *The Cactus League Association*
- *The Central Arizona Project (CAP)*
- *Chicanos por la Causa*
- *The City of Peoria*
- *The City of Phoenix*
- *The City of Phoenix Fire Department*
- *The City of Prescott*
- *Copperpoint Insurance*
- *David and Gladys Wright House Foundation*
- *Dignity Health*
- *The Downtown Tempe Authority*
- *Environmental Defense Fund (EDF)*
- *Envision Healthcare*
- *EPCOR Water*
- *Epic Rides*
- *Excelsior Mining*
- *Fiesta Bowl*
- *Freeport McMoRan*
- *Glendale Community College*
- *HonorHealth*
- *Intel Corporation*
- *McCain Institute*
- *Maricopa Integrated Health System*
- *Navajo Dept. of Economic Development*
- *NCAA Final Four*
- *The NFL*
- *Pakis Foundation*
- *Phoenix Convention Center*
- *Phoenix Philanthropy Group*
- *Phoenix Sky Harbor International Airport*
- *Phoenix Suns*
- *Protect the Flows*
- *Public Service New Mexico (PNM)*
- *Raytheon*
- *Republic Services, Inc.*
- *Rosemont Copper Mine*
- *Salt River Project (SRP)*
- *Science Foundation Arizona (SFAZ)*
- *Tenet Healthcare*
- *Turf Paradise & Delaware North*
- *Twisted Adventures, Inc.*
- *Valley METRO Light Rail*
- *Waste Management Inc.*

EXECUTIVE SUMMARY

This Seidman study looks at key aspects of a $2.1 billion development for a new multi-purpose arena, surrounding Entertainment District, and accompanying office, hotel, and residential buildings in the city of Tempe, proposed by the Arizona Coyotes in partnership with Bluebird Development LLC. Seidman reviewed Hunden's and CSL's economic and fiscal impact reports for the new Tempe Entertainment District submitted to the City of Tempe. This report includes a more thorough and higher confidence review of CSL's analysis as Seidman could review CSL's economic modeling while Hunden's modeling was not publicly available. Seidman also compares the project's financing to other major professional sports facilities in Arizona.

CSL's economic impact analysis utilized a traditional approach and overall reasonable inputs for its projections. One key GDP spending assumption underpinning its fiscal impact projections appears conservative based on Arizona consumer expenditures in 2022. Adjusting this assumption, Seidman believes that the city of Tempe could earn at least 14% more in TPT/sales tax than CSL's projections.

From a historical perspective, this project would be the first major professional sports facility in Arizona that would not create new taxes for taxpayers and taxpayer general obligation bonds. Unlike prior professional sports facility built in the Valley, these facilities will be exclusively paid for by the developer and spending from future patrons.

A more detailed summary of Seidman's analysis is below:

CSL'S ECONOMIC IMPACTS

- CSL's assumptions about arena visitor numbers and residential, retail and office leasing rates are reasonable.
- CSL has taken a comprehensive approach in estimating economic impacts. They carefully account for net new economic activity in the city of Tempe, then apply RIMS II multipliers to calculate indirect and induced effects.
- Their Arena impacts for the city of Tempe appear closer to county- rather than city-level impacts obtained by Seidman in an alternative commercially-licensed input-output model. This reflects the way in which the RIMS II model calculates regional purchase coefficients which results in higher regional multipliers.
- Their Entertainment District impacts for the city of Tempe appear lower than Seidman's modeling, as the ASU-based team possibly place a greater emphasis on the value of high-end office employment.
- The total number of jobs created by the $2.1 billion Arena and Entertainment District development are consistent in both the CSL and Seidman analyses.
- However, Seidman estimates 36.5% higher average earnings per net new job in Tempe than CSL's analysis.

CSL'S FISCAL IMPACTS

- CSL's basic approach to estimating fiscal impacts based on net new revenues is sound.
- Their city, county and state tax rates are generally correct, with two exceptions: the hotel tax revenues might be overstated at the state level but not at the local level; and the average state income tax rate will need to be adjusted from 2.97% to 2.5% based on new legislated tax rates.
- CSL significantly underestimates the indirect taxable sales associated with indirect and induced economic activity. In 2019, they estimate a 37% share of State GDP to represent the taxable base for TPT. However, in calendar year 2022, the share is 42.2%. If current consumer expenditure trends prevail, CSL has significantly understated the city of Tempe's sales tax revenues by approximately 14%. That is, the net new sales tax tallies for the Arena and Entertainment District in the city of Tempe should be $34 million higher than CSL's original projection of $244 million.

- CSL's fiscal estimates also fail to account for Arizona's revenue sharing formulas for state income and sales taxes. If a sharing formula is applied, CSL's state net collections for income and sales (TPT) tax will be smaller, but the city and county collections will be larger.
- CSL conservatively assumes that Tempe residents will account for up to 10% of the arena's 1.1 million annual visitors, compared to 6% attending the Mullet Arena in 2022-23 season. On that basis, the direct infusion of new dollars into the city from non-Tempe residents is probably greater than CSL's model inputs.
- Accounting for all the above, Seidman concludes that CSL's total fiscal revenues acquired from net new expenditures in the city of Tempe are conservative.

ARENA FUNDING MODEL

- Historically, major professional sports facilities in the Valley have been initially financed via the formation of a special district/fund and supported by a new tax revenue stream, general taxpayer obligation bonds, or both.
- Tempe general fund revenues will not be used to underwrite the proposed arena project.
- The only Tempe residents financially contributing to the development are those that visit or use the arena.
- The project will be privately funded and/or funded by patrons of the facility.
- The city of Tempe's obligation will be limited to the establishment of a Debt Service Expense Fund for the public infrastructure and remediation bonds, applied to portions of three revenue streams that only occur because of the development. Since these streams would not exist in the absence of the $2.1 billion in private development, all facilities are exclusively paid for by the developers and users.
- The other major sports arenas in Maricopa County that have been set up through special districts are also, to the best of Seidman's knowledge, not part of the ordinary property tax base.

CONTEXTUALIZING THE DEVELOPMENT

- The Coyotes/Bluebird Development project will be one of the largest ever implemented in the city of Tempe.

ASSESSING CSL'S ESTIMATES OF ECONOMIC IMPACT

Economic impacts include the construction period (starting in 2023), and the operations period, which starts once the buildings or structures become operational. Certain occupancy rates are assumed throughout the operation period which starts in 2025 and is set to run for 30 years to 2054 for the purposes of the economic impact study.

A comprehensive set of categories of economic activities are included in CSL's analysis. For the Arena, these include stadium operations, marketing, publicity, and ticket operations, parking, NHL revenues and others. For the Entertainment District, rental spending, residential spending, employee spending of office workers, retail spending, hotel spending, and spending at events and parking are included.

Net new operating expenditures and revenues are then calculated at the city, county, and state levels, assuming different leakage percentages by geography.

METHOD

CSL's economic impact study uses RIMS II multipliers to estimate the impact from changes in final demand on total output, employment, and labor income in the city of Tempe. Multipliers are an important part of economic impact analysis. They represent the ratio by which the initial direct expenditures are "multiplied" in the economy by re-spending, after accounting for leakages.

The RIMS II multipliers are obtained from the U.S. Bureau of Economic Analysis. They are based on estimates of local personal income applied to national input-output (I-O) accounts. Most economic impacts studies in the Valley utilize a commercially-licensed IMPLAN I-O model to estimate indirect and induced impacts. IMPLAN's key advantages are:

a) It includes spending patterns for nine household income classes weighted by local demographics.
b) It adjusts the national coefficients to reflect state and county-level value added data.
c) It uses trade flows to reflect inter-regional trade and leakages more accurately.

In short, an IMPLAN model generally results in more accurate predictions than RIMS II. IMPLAN's greater focus on local demographics also provides more reliable estimates at a state or county level.

Table 1 compares the RIMS II multipliers reported by CSL for the Tempe Metro area with IMPLAN's social accounting matrix (SAM) multipliers for the city of Tempe and Maricopa County.[1] RIMS II is based on 372 detailed industries, compared to IMPLAN's 546. In the absence of a definitive crosswalk between both models, Seidman has listed a range where there is more than one multiplier option in the table. Smaller geographies usually have smaller multipliers. Hence, the city of Tempe will have smaller multipliers than Maricopa County. The more advanced methodology used by IMPLAN will generally result in more accurate estimates than RIMS II. Note that the IMPLAN model estimates a smaller number of jobs than RIMS II for several industries.

Table 1 suggests that the multipliers used by CSL are closer to IMPLAN's SAM multipliers for Maricopa County than the city of Tempe. By using multipliers that are larger and closer to the county-level, CSL's economic impacts for the city of Tempe are higher than comparable estimates obtained from IMPLAN, but the observed disparity is still within a reasonable range.

[1] SAM multipliers include direct, indirect, and induced effects.

Table 1: Comparison of Economic Impact Multipliers

	TOTAL OUTPUT ($)[2] Per $1			EMPLOYMENT FTE[3] Per $1 Million			PERSONAL EARNINGS ($)[4] Per $1		
	RIMS II Tempe Metro	*IMPLAN City of Tempe*	*IMPLAN Maricopa County*	*RIMS II Tempe Metro*	*IMPLAN City of Tempe*	*IMPLAN Maricopa County*	*RIMS II Tempe Metro*	*IMPLAN City of Tempe*	*IMPLAN Maricopa County*
Construction	2.17	1.02-1.03	1.79-1.97	17.36	5.85-7.87	10.64-12.08	0.84	0.42-0.56	0.74-0.83
Commercial Sports	2.25	1.04	2.54	18.32	21.07	32.04	0.94	0.90	1.50
Lodging	1.94	1.03	1.84	15.38	7.45	11.83	0.56	0.36	0.64
Food and Beverage	2.11	1.04	2.00	27.66	13.83	19.07	0.79	0.50	0.84
Retail	2.13	1.03-1.04	2.10-2.13	21.30	12.92-15.42	18.56-21.27	0.73	0.41-0.51	0.76-0.84
Entertainment	2.12	1.03	2.14	22.18	15.48	21.33	0.65	0.57	0.93
Transportation	2.01	1.04-1.05	2.07-2.11	39.53	6.20-26.26	11.98-31.73	0.64	0.33-0.39	0.68-0.75
Other	2.12	1.03	2.06	25.45	11.50	17.11	0.85	0.44	0.79
Residential	1.26	1.01-1.02	1.16-1.79	9.83	1.72-7.87	2.48-12.08	0.38	0.06-0.56	0.12-0.82
Office	2.24	1.03-1.06	1.91-2.21	23.51	5.01-7.47	10.83-12.05	0.85	0.19-0.53	0.54-0.83
Music	1.97	1.03	1.75	43.02	9.14	13.15	0.68	0.33	0.56
Parking	2.01	1.05	2.11	39.53	26.26	32.04	0.64	0.39	0.75

ASSUMPTIONS

CSL's assumptions with respect to both arena visitor numbers and the residential, retail and office leasing rates appear reasonable.

CSL conservatively assumes that city of Tempe residents will account for up to 10% of the arena's 1.1 million annual visitors, compared to 6% attending the Mullet Arena in 2022-23 season. On that basis, the direct infusion of new dollars into the city from non-Tempe residents is probably greater than CSL's model inputs.

CSL assumes that the annual average residential rent will be $30 per square foot in year 1 for a 1,100 sq. ft. property, with a 3% annual inflator. In 2022, the average rent in Tempe was $1,912-$1,925.[5] Yardi Matrix data suggests that approximately 39% of all Tempe properties in 2022 had monthly rents of more than $2,100. The new development's proposed rents will therefore be at the higher end but are consistent with others in the immediate neighborhood. For example, The Retreat at Rio Salado currently charges $1,473 to $3,397 per month for 582 to 1,221 sq. ft. properties.[6]

CSL assumes that office space will lease on average at $45 per sq. ft. in year 1, with a 3% annual inflator. CB Richard Ellis reports that office full-service gross (FSG) leases in Tempe were an average of $37.78 per sq. ft. in 2022, with Class A offices (featuring better amenities) averaging at $38.27 per sq. ft.[7] Assuming a 3% annual increase, FSG rents could be around $42 per sq. ft. for a Class A Tempe office in 2025. The 6% difference compared to CSL is reasonable.

---

[2] Total output is the total direct, indirect, and induced spending effects generated by the development.
[3] Employment is expressed in terms of total full-time equivalent (FTE). It is a count of full and part-time jobs.
[4] Personal earnings are the wages and salaries earned by employees of business impacted by the development.
[5] Sources: https://www.point2homes.com/US/Average-Rent/AZ/Tempe.html and https://www.rentcafe.com/average-rent-market-trends/us/az/tempe/
[6] Source: https://www.apartments.com/the-retreat-at-rio-salado-tempe-az/kl3j6r8/
[7] Full-service gross (FSG) leases are most found in office buildings and cover all expenses. A tenant pays the landlord one fee, and the landlord pays all expenses on the property, such as utilities, common area maintenance, taxes, insurances, and janitorial.

CSL also assumes that retail and restaurant space will lease on average at $44 per sq. ft. in year 1, with a 3% annual inflator. CB Richard Ellis reports that retail leases were an average of $20.22 NNN per sq. ft. in 2022 in the Tempe/Ahwatukee market. [8] They also estimate a 3.7% annual increase over next two years, compared to 2.2% nationwide.[9] Applying that assumption through to 2025, the average rent could be $22.55 NNN per sq. ft. in Tempe/Ahwatukee once the development construction is completed. That's significantly lower than CSL's $44, but the latter is on a par with Elliott Pollack's 2017 estimate of $29 - $37 per sq. ft. for retail and restaurants/bars at an ASU Athletics Facilities District Tempe development.[10]

RESULTS

To independently assess CSL's estimates, Seidman has calculated economic impacts for the city of Tempe (zip codes 85280-85285) and Maricopa County. CSL's results on Exhibit B page B-9 of their report are only for the city of Tempe.

Tables 2-4 compare CSL's economic impact results (which were expressed in nominal dollars) with Seidman's IMPLAN results for the city and Maricopa County. The impacts encompass all construction (2023-2028) and 30 years of operations (2025-2054) for CSL's three metrics of output, employment, and earnings. Seidman additionally reports value added, or State GDP, which the Bureau of Economic Analysis recommends as a more concise measure of economic impact.[11]

Table 2: Arena Economic Impacts (2023-2054)

Economic Impact Metrics	CSL Tempe	Seidman Tempe	Seidman Maricopa County
Direct Spending	$7.0 billion	$7.0 billion	$7.2 billion
Total Output	$15.5 billion	$7.2 billion	$17.1 billion
Jobs (FTEs, cumulative job-years)	73,752	58,737	96,205
Jobs (FTEs, annual)[12]	599 *construction* 2,419 *operations*	1,836	3,006
Earnings	$6.4 billion	$5.3 billion	$8.8 billion
GDP (Value Added)	n/a	$4.9 billion	$10.6 billion

Table 3: Entertainment District Economic Impacts (2023-2054)

Economic Impact Metrics	CSL Tempe	Seidman Tempe	Seidman Maricopa County
Direct Spending	$6.1 billion	$6.1 billion	$5.5 billion
Total Output	$12.1 billion	$19.2 billion	$33.5 billion
Jobs (FTEs, cumulative job-years)	70,305	83,335	156,410
Jobs (FTEs, annual)[13]	725 *construction* 2,247 *operations*	2,667	4,888
Earnings	$4.2 billion	$9.1 billion	$13.5 billion
GDP (Value Added)	n/a	$12.9 billion	$20.1 billion

---

[8] NNN lease rates includes the base rental rate, property taxes, property insurance, and common area maintenance.
[9] https://www.cbre.com/insights/articles/retail-markets-in-focus-phoenix
[10] Source: Elliot D Pollack, (2017). Economic & Fiscal Impact of the ASU Athletics Facilities District Mixed Use Master Planned Development, Tempe, Arizona. Prepared for Catellus AZ Construction MGR, LLC, April 2017.
[11] CSL's output estimates contain intermediate inputs and hence double-count some economic transactions.
[12] Construction is an average for 2 years (2023-2024); operations for 30 years (2025-2054).
[13] Construction is an average for 4 years (2023-2024 and 2027-2028); operations for 30 years (2025-2054).

Table 4: Total Arena and Entertainment District Economic Impacts (2023-2054)

Economic Impact Metrics	CSL Tempe	Seidman Tempe	Seidman Maricopa County
Direct Spending	$13.1 billion	$13.1 billion	$12.7 billion
Total Output	$27.6 billion	$26.4 billion	$50.5 billion
Jobs (FTEs, cumulative job-years)	144,057	144,072	252,615
Jobs (FTEs, annual)[14]	1,025 *construction* 4,665 *operations*	4,502	7,894
Earnings	$10.5 billion	$14.4 billion	$22.3 billion
Average Earnings per Net New Job	$73,073	$99,772	$88,306
GDP (Value Added)	n/a	$17.7 billion	$30.7 billion

Table 2 suggests that CSL's economic impacts for the Arena range between the city and county level estimates obtained within IMPLAN. They are usually closer to county-level impacts. However, IMPLAN's level of accuracy at a zip code level is lower than at a county or statewide level. At issue here is **not** the location of the facility nor the substantial number of direct/total jobs that will be created. It is estimating where employees will live, and where indirect and induced jobs will be created as the downstream impacts occur. For impacts on relatively small municipalities within a larger metro region, Seidman typically chooses to measure metro impacts noting that, while impossible to know with certainty, most of the impacts will occur in proximity to the municipality.

Table 3 suggests that CSL's economic impacts for the Entertainment District are either consistent with, or on times even a little lower than, the city of Tempe impacts obtained by Seidman within IMPLAN. This is possibly because Seidman's modeling places greater emphasis on the impact of high-end Class A office employees.[15] The annual average over 30 years of direct employment is 1,479 office workers in the proposed Entertainment District. At full capacity (for example, in year 10), there will be 1,551 office workers directly employed in the Entertainment District.

Summing the impacts for all construction and operational phases of the $2.1 billion development, Seidman arrives at a similar number of net new jobs as CSL for the city of Tempe. However, Seidman estimates substantially higher average earnings per net new job ($99,772) compared to CSL ($73,073).

In conclusion, Seidman believes that CSL has taken a comprehensive approach in estimating economic impacts, by carefully accounting for net new economic activity in the city of Tempe, then applying RIMS II multipliers to calculate indirect and induced economic impacts.

CSL's Arena impacts for the city of Tempe appear closer to the county- rather than city-level impacts obtained by Seidman within an alternative I-O model, but the disparity lies within a reasonable range. CSL's Entertainment District impacts for the city of Tempe are more conservative than Seidman's impacts. The dissimilarities could be due to differences in chosen method, rather than any observed error or omission on the part of CSL.

The total number of jobs created by the $2.1 billion Arena and Entertainment District development are similar in CSL's and Seidman's estimates, but the average earnings per net new job is 36.5% higher in Seidman's modeling.

[14] Construction is an average for 4 years (2023-24 and 2027-2028); operations for 30 years (2025-2054).
[15] Please note: the Seidman study is not privileged to current and ongoing discussions with office anchor tenants who have NDAs with the City of Tempe and Bluebird for leasing space at the proposed Tempe Entertainment District.

ASSESSING CSL'S ESTIMATES OF FISCAL IMPACT

Seidman believes that CSL's basic approach to estimating fiscal impacts based on net new revenues is sound. However, there are some minor issues, as follows:

- The tax rates applied for the city, county and state fiscal revenues appear to be correct. The overall state rate for hotels is possibly over-estimated as the CSL worksheet applies a 5.5% state occupancy tax to hotels and, separately an overall 5.6% state tax. Seidman's reading of the statutes suggests that the state tax on hotels is simply 5.5%. The rates are appropriately applied by CSL for their city and county calculations.
- Arizona has complicated revenue sharing formulas based on population counts that apply to both state income and sales tax collections. CSL's fiscal estimates do not account for this distribution. If a sharing formula is applied, CSL's actual net collections for income and sales (TPT) tax will be smaller, at the state level but the city and county collections, including revenue sharing, will be larger.
- The average income tax rate applied by CSL for future year calculations is 2.97%. This number reflects 2001 tax law. However, from 2023 onwards, the average income tax rate will be 2.5%. As a result, state income taxes from the project are overstated in CSL's report. This has minor impacts for the local revenue estimates since the revenue sharing formulas were adjusted by the legislature to account for this rate decline. The rate reduction is therefore relevant at the state level, but not at the local level.
- The authors make a distinction between total sales taxes and TPT taxes with the latter essentially referring to sales taxes collected on construction. Semantically all general sales taxes in Tempe and Arizona are TPT-based and administered by the seller. As a result, there should be one single combined figure. This is simply a presentation issue, as CSL appear to calculate the overall amounts correctly.
- To generate sales tax (TPT) projections, CSL initially estimates the total development's new output which they interpret as contributing to State GDP, then calculate the share of the new State GDP that will be a part of the taxable sales tax base. CSL apply appropriate tax rates to the new additions to produce estimates of sales taxes for the city of Tempe, Maricopa County, and the State of Arizona. Since all jurisdictions have essentially the same TPT bases, it is appropriate to base this exercise on an estimate of overall statewide taxable sales as a share of total output or State GDP. CSL report their calculations in rows 1667 to 1671 of their Arena model worksheet. For State GDP they use $370 billion. For total tax collections at 5.6%, they use $7.7 billion. Dividing 7.7 by 0.056 yields a taxable income base of $137 billion, which is approximately 37% of their State GDP figure. Hence, 37% of new economic activity is used to calculate the additions to the taxable base throughout all city of Tempe sales tax calculations for the Arena and Entertainment District. This is a reasonable assumption, given that most economies are majority service economies and services are not a part of the Arizona TPT base. The net new sales tax tallies in the CSL sheet for the city of Tempe are reported as $244 million for both facilities.
- Seidman believes that CSL's method is useful for calculating the sales tax additions. The State GDP figure used by CSL is close to the numbers reported by the Bureau of Economic Analysis for Arizona in 2019. Seidman's review of updated Arizona Department of Revenue monthly reports also confirms that the taxable sales tax base is approximately 37% of State GDP for calendar year 2019. However, applying the same method, comparable taxable base share estimates for 2020, 2021, and 2022 are 38.3%, 41.4%, and 42.2% respectively. While 2020 and 2021 are clearly influenced by the pandemic, 2022 reverted to a more "normal" year from an Arizona consumer perspective. If the most recent number from calendar year 2022 of 42.2% is used in CSL's modeling, the estimates for net new sales tax revenues in the city of Tempe will increase from $244 million to $278 million.

While some of the insights above suggest that the CSL tax revenue estimates are too conservative, others suggest they are slightly overstated. Focusing specifically on city of Tempe sales tax projections, Seidman concludes that they are accurate as presented for 2019, but possibly low if 2022 expenditure trends prevail in the future. Importantly, if consumers revert to pre-pandemic spending patterns, CSL's estimates would continue to be accurate.

Overall Seidman assesses the estimates provided by CSL as conservate based on all considerations.

INSIGHTS ON THE ARENA'S PROPOSED FUNDING MODEL

Historically, major professional sports facilities in the Valley have been initially financed via the formation of a special district/fund and supported by a new tax revenue stream, general taxpayer obligation bonds, or both.

The **America West Arena** (now Footprint Center) was initially financed through a joint venture between the Phoenix Suns and the city of Phoenix. The City's obligation was met via the establishment of a Phoenix Sports Facilities Fund (SFF) in 1989, comprising of a 1 percent tax on hotel rooms and a 2 percent tax on rental cars within Phoenix. The tax was enacted in perpetuity in anticipation of ongoing renovation needs. The latest renovation of the Footprint Center appears to be financed by $150 million in general obligation bonds secured by the city of Phoenix general fund revenues, supplemented by an $80 million Phoenix Suns investment for renovations and cost overruns.

67% of the original construction costs for **Bank One Ballpark** (now Chase Field) was financed by a surcharge of a quarter of one cent levied on the regular County sales (TPT) tax base. The surcharge ran from April 1, 1995, until it reached a collections cap of $238 million approximately two and a half years later. The remaining one third of construction costs was privately financed by the Arizona Diamondbacks.

The construction and operation of **Cardinals Stadium** (now State Farm Stadium) and numerous Cactus League ballparks are financed by the Arizona Sports & Tourism Authority (AZSTA). Established by public referendum in 2000, the AZSTA administers revenue streams associated with new Maricopa County taxes including a 1% hotel bed tax and a rental car surcharge of 3.25%. Building on the recapture of all sales taxes collected on the construction of Cardinals Stadium, the AZSTA continues to receive the TPT collections on all retail/food purchases at the stadium. It also manages a fund consisting of the state income taxes paid by the Cardinal's Corporation and its employees, including players and spouses. Virtually all the taxes generated by the Cardinals and the stadium's operations go to the AZSTA to finance the NFL stadium and its operations as well as other AZSTA obligations.

While a full assessment of the value proposition for these taxpayer-supported stadiums is beyond the scope of this analysis, the facilities described above have all benefited from some form of government support to enable professional teams to operate in Maricopa County, thereby attracting teams, media, and attendees from outside Arizona.

A review of the Development and Disposition Draft Agreement between the city of Tempe and Bluebird Development (on behalf of the Arizona Coyotes) suggests that proposed project financing for the new NHL arena will be unlike prior professional sports facility built in the Valley. In particular, the Tempe arena and related development requires no new tax revenue streams and no general fund obligations for Tempe taxpayers.

Seidman's reading verifies that the project is primarily privately funded with the city of Tempe's obligation limited to the establishment of a Debt Service Expense Fund for the public infrastructure and remediation bonds, to help support payments on debt incurred during the construction of the arena. The city's obligations to this fund are limited to portions of three revenue streams linked to the activities (retail, lodging, property tax, etc.) that only occur because of the development. Since these streams would not exist in the absence of the private development, all facilities are exclusively paid for by the developers and users of the facility.

Importantly, the Tempe general fund is NOT being used to underwrite the arena project, nor does the development require the imposition of new taxes. The only Tempe residents that will financially contribute to the development are those that visit or use the arena or shop in the new entertainment district.

The major sports arenas in Maricopa County that have been set up through special districts are also, to the best of Seidman's knowledge, not part of the ordinary property tax base.

CONTEXTUALIZING THE PROPOSED DEVELOPMENT IN TEMPE

The arena and mixed-used development will be one of the largest implemented in the city of Tempe.

THE NOVUS INNOVATION CORRIDOR

The Novus Innovation Corridor is a public-private partnership between ASU and Catellus Development Corporation. Strategically integrated with ASU's Tempe campus along Tempe Town Lake, the mixed-use development consists of a mix of office buildings, along with residential, retail, and hospitality buildings, and sports facilities grouped into "Innovation Zones". At completion it will encompass more than 10 million square feet of mixed-use developments, including 4,100 residences, 700 hotel rooms, and 275,000 sq. ft. of retail and entertainment venues.

Each Innovation Zone is currently at a different stage of development.

Seidman has estimated the economic impacts to-date of Phases I-IV, as well as for a 20-year future time horizon, encompassing the following projects: Marina Heights, the renovation of Sun Devil Stadium, the Mortenson Hotel, the Ryan office building, the Aspen Heights residential development, a parking garage, ASU's ISTB7 building, and the ASU Athletic Village.

Seidman's economic impact analysis encompassed the construction phase, 20 years of operations phases, new resident expenditures and visitor expenditures. The analysis is therefore conceptually comparable to the economic impact of the Coyotes Arena and Entertainment District on the city of Tempe. However, the results were estimated at a state level within a REMI dynamic I-O model, which tends to generate larger impacts than IMPLAN. The focus on a significantly larger geographic area (the State of Arizona as opposed to the city of Tempe) will also generate bigger impacts.

The operations phase of Novus alone is estimated to generate an annual total jobs impact of 33,730 people throughout Arizona. This consists of direct, indirect, and induced impacts. Marina Heights, encompassing thousands of professional workers residing in different cities throughout the Valley, is assumed to directly and indirectly generate over 90% of these employment impacts statewide. The corresponding impacts for the city of Tempe alone would be significantly lower.

SOUTH PIER

South Pier is a $1.8 billion mixed-use development to be built over 15 years. The plan was approved by Tempe City Council in 2022. The project will be built in seven phases, and is expected to include:

- 2,300 apartments and 160 condos to accommodate 3,500 residents.
- 520 hotel rooms.
- 600,000 square feet of Class A office space, restaurants, and retail facilities.
- An east lake pedestrian bridge and public pier.
- A Ferris-wheel.

There is no known economic impact report for this development.

ASU W. P. Carey School of Business

Arizona State University

Seidman Research Institute

660 S MILL AVENUE, SUITE 300

TEMPE

AZ 85281

Tel: (480) 965 5362

Fax: (480) 965 5458

www.seidmaninstitute.com

@SeidmanResearch