

EXHIBIT “B”

**Economic and Fiscal Impact of the Proposed
Arizona State University
Capital Center Campus**

Prepared For:
Arizona State University

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EXECUTIVE SUMMARY

Economic and Fiscal Impact of the Proposed Arizona State University Capital Center Campus

Background

Elliott D. Pollack and Company has been retained to perform an economic and fiscal impact study of the construction and operation of a campus extension in Downtown Phoenix (hereinafter referred to as the "Capital Center Campus").

As initially conceived, the Capital Center Campus will accommodate 15,000 students and employ 1,800 faculty and support staff. The site will consist of 1.5 million square feet of academic space, and another 900,000 square feet of space intended for private development. Student housing will add another 1.5 million square feet of living quarters for 4,000 students. The total construction cost, inclusive of academic and support space, parking, student housing, retail, and office, is estimated to reach \$948 million. All values in this report are expressed in constant 2004 dollars.

Impact Summary

This study focuses on the economic and fiscal impacts of 1) construction of the campus site, 2) University operations once the project is completed, and 3) private sector operations once the project is completed. *The economic impacts associated with these three distinct project components total nearly \$1.7 billion in construction related economic output over the 10-year construction phase and nearly \$570 million in on-going, annual operations output.*

Approximately 1,300 construction and construction related jobs will be supported annually during the 10-year construction phase and over 7,700 permanent academic, retail, and office jobs will be supported annually from on-going operations.

Construction Impact (one-time impact)				
	10 year Impact	Annually		
Jobs	13,103	1,310		
Wages (\$ mil)	\$550.3	\$55.0		
Economic Output (\$ mil)	\$1,668.2	\$166.8		
Operations Impact (On-going Annual Impact)				
	University Operations	Retail Operations	Office Operations	Total Operations
Jobs	2,751	1,762	3,198	7,711
Wages (\$ mil)	\$106.7	\$54.2	\$120.2	\$281.1
Economic Output (\$ mil)	\$215.6	\$118.8	\$235.1	\$569.5

Source: IMPLAN; Arizona State University; Elliott D. Pollack & Company

The economic activity related to construction and on-going operations will also provide the State of Arizona, Maricopa County, and the City of Phoenix with a significant fiscal impact. The construction portion of the project will generate \$52.1 million in tax revenue for the State of Arizona, \$15.3 million for Maricopa County, and \$16.7 million for the City of Phoenix over the 10-year construction phase. Related to on-going operations, the State would collect \$18.7 million annually from faculty and staff spending, private retail and office operations, and the spending of the 15,000 Capital Center Campus students. Maricopa County would collect \$8.0 million annually, and the City of Phoenix would collect \$7.3 million annually.

Table B
**ASU Capital Center Campus
Fiscal Impact Summary**

Construction Impact (one-time impact)					
	10 year Impact	Annually			
Revenues (\$ mil)					
State of Arizona Revenues	\$52.1	\$5.21			
Maricopa County Revenues	\$15.3	\$1.53			
City of Phoenix Revenues	\$16.7	\$1.67			
Operations Impact (On-going Annual Impact)					
	University Operations	Retail Operations	Office Operations	Student Spending	Total Operations
Revenues (\$ mil)					
State of Arizona Revenues	\$4.0	\$5.40	\$4.24	\$5.07	\$18.7
Maricopa County Revenues	\$1.4	\$1.89	\$2.31	\$2.39	\$8.0
City of Phoenix Revenues	\$0.9	\$2.29	\$1.65	\$2.49	\$7.3

Source: Elliott D. Pollack & Company; IMPLAN; Arizona Department of Revenue; Arizona Tax Research Association.

Analysis Detail

Economic impact analysis examines the regional implications of an activity in terms of three basic measures: sales or output, earnings, and job creation. Fiscal impact analysis, on the other hand, evaluates the public revenues and costs created by a particular activity. In fiscal impact analysis, the primary revenue sources of a city, county or state government are analyzed to determine how the activity may financially affect them.

The economic and fiscal impact estimates provided in this report are “gross” impact numbers. In other words, the numbers represent activity produced by the planned campus site and do not consider whether or not the economic activity is supplanting economic activity from other parts of the community. However, the campus expansion project was partly devised as a strategy to relieve congestion at Arizona State University’s main campus site, thereby allowing the University to further expand any remaining programs. Because the expansion plan will allow for additional growth through this means, the project will ultimately yield “net new” economic activity within the region. However, calculating the extent of this net new economic activity within the region is beyond the scope of this analysis. Furthermore, this analysis is based on

assumptions provided by Arizona State University. This report does not specifically address the viability of the project.

Construction Impact

The economic impact from the construction of the proposed Capital Center Campus is based on the projected \$948 million cost of both public and private buildings. Construction is expected to take about 10 years to complete. However, in this report the economic impacts are expressed on a cumulative basis. When completed, the construction portion of the project will have generated approximately 13,103 direct, indirect and induced person-years of employment. On an annual basis, this would equate to about 1,310 jobs per year for the ten-year period.

Ongoing University Operations Impact

Economic activity directly attributable to university operations will be significant. The estimated 1,800 faculty and staff expected to be employed at the Capital Center Campus will generate \$106.7 million in wages and \$215.6 million in economic output (including the indirect and induced impacts). Total tax collections from these university-based staff will amount to \$4.0 million for the State, \$1.4 million for Maricopa County, and \$892,000 for the City of Phoenix. These fiscal revenues will be generated from income taxes, sales taxes, utility taxes, property taxes, and lease taxes.

Perhaps more importantly, the estimated 1,800 university employees and 15,000 students occupying the academic space throughout the year will create demand for additional business endeavors, including both retail and office related operations. The University's development plan includes 900,000 square feet for retail and office purposes, or an additional 60% of the Capital Center Campus academic space. The impacts related to the student and faculty spending is captured in the following retail analysis.

Ongoing Private Operations Impact

In addition to the economic activity related to the university operations, there will exist significant private sector operations. As previously noted, private activity that is anticipated to occur at the Capital Center Campus includes privately developed student housing, retail space, and office space. Estimates are provided for income taxes, retail sales taxes, utility taxes, property taxes, and lease taxes.

Private Retail

Of the 900,000 square feet of private space planned for the Capital Center Campus, 375,000 square feet will be dedicated for private retail purposes. Assuming all 375,000 square feet of retail space is absorbed, retail activity at the site will provide an estimated 1,762 jobs, and more than \$54 million in total wages for the direct and supporting employees. Total economic activity associated with the retail operations will exceed \$118.8 million per year.

The fiscal activity related to the planned retail space at the site will also generate, on an annual basis, over \$5.4 million in tax revenue for the State, nearly \$1.9 million for Maricopa County, and over \$2.3 million for the City of Phoenix.

Private Office

Similarly, the Capital Center Plan allows for 525,000 square feet of office space. Assuming average stabilized vacancy rates and an average employee density, as many as 2,100 office employees could be located at the Capital Center Campus. These 2,100 office worker jobs would also yield \$78.6 million in direct wages. The "ripple effect" of these jobs will create an additional 1,098 jobs in the local economy with total wages of \$41.6 million and economic activity of \$102.5 million.

Overall, the State would collect more than \$4.2 million annually from the impact of office operations. Maricopa County would collect an additional \$2.3 million in taxes attributable to this office activity. The City of Phoenix would collect both commercial lease taxes and building property taxes of \$236,000 and \$382,000 annually, respectively. In total, the City of Phoenix would collect \$1.6 million from office operations.

Student Spending on Housing and Retail

The inclusion of 1.5 million square feet of privately financed and operated student housing will generate sales taxes, ongoing utility taxes, property taxes, and lease taxes. As previously referenced, the 15,000 students of the Capital Center Campus will spend throughout the community and campus, providing annual taxable expenditures of \$145.5 million. A large portion of the estimated student retail spending will occur at the Capital Center Campus, thereby supporting retail operations at the site, and a portion of the retail spending will occur elsewhere. For the 4,000 students living on-campus, it is assumed that 50% of their spending occurs on-site. For the students living elsewhere, it is assumed that only 10% of their taxable spending occurs on the Capital Center Campus. Thus, the total off-site spending is \$115.5 million annually.

Assuming full occupancy of the 4,000 student housing units, over \$5.1 million in combined taxes will be generated for the State, nearly \$2.4 million will be generated for Maricopa County, and nearly \$2.5 million will be generated for the City of Phoenix.

These figures exclude on-site student spending to avoid double counting from the impact of total retail operations presented in Section 5.2 of this report.