

Cost of Doing Business Peoria, Arizona



Prepared for:
City of Peoria
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Prepared by:



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Executive Summary

1.0 Purpose

The purpose of this study is to analyze the cost of doing business in Peoria, Arizona compared to (A) local cities in the Greater Phoenix area that Peoria regularly competes against for new business relocations and (B) major metro areas in the West and Southwest that are competitive to Greater Phoenix and Peoria.

- A. **Comparison of Peoria to Greater Phoenix Cities:** Cities that are analyzed in this report include Phoenix, Tempe, Scottsdale, Gilbert, Chandler and Glendale. Cost categories considered in the analysis include:
- Property taxes
 - Sales tax rates
 - Solid waste collection fees
 - Water and sewer charges
 - Rents for office and industrial buildings
 - The cost of living, primarily housing costs, both rental and owner properties

In order to evaluate the impact of taxes, fees and rents on business costs, two comparative analyses are conducted – one for a hypothetical occupant of an office building and one for a hypothetical occupant of an industrial building. In addition, within each comparative analysis, scenarios are provided for (1) a company that constructs and owns its building and (2) a company that leases building space in a multi-tenant structure.

- B. **Comparison of Peoria to Major Metro Areas:** The metro areas that are evaluated include San Francisco, San Diego, Los Angeles, Salt Lake City, Denver, Dallas and Austin. Analysis is based on published available reports and studies that have already been conducted on the subject comparing Greater Phoenix to the competitive set of West and Southwest metro areas. Since the cost of doing business in Peoria is essentially equivalent to Greater Phoenix averages, the studies researched for this report reflect Peoria's business costs.

Two types of cost factors that affect the decision of a company to locate in a certain jurisdiction are also studied. Those factors are:

- **Direct Business Costs:** When comparing the competitive environment among cities in a metro area, the primary cost factors are city taxation rates and policies, water and wastewater utilities, building rents that vary from one sub-region to another, and other local inputs that affect a business's operations.

When comparing business costs among metro areas in nearby states, additional factors come into play, including state incentives, corporate income tax, transportation costs and other forms of taxation. These factors are imbedded in the research reports collected for this analysis.



- **Workforce Attraction Costs:** These are costs that may affect an employee’s ability to maintain a certain level of wellbeing and wealth-building capacity within a geographic area. These factors include cost of living, cost of housing, taxation, cost of services and similar influences.

These two factors determine the overall competitiveness of a community from the perspective of business leaders. Both are outlined in this study to assist in determining the competitiveness of Peoria among other communities.

2.0 Overall Findings

- A. Within the Greater Phoenix marketplace, Peoria is less costly from a business perspective than Chandler, Gilbert, Scottsdale and Tempe, but more expensive than Phoenix and Glendale.
- B. Commercial real estate rents in Peoria are very competitive compared to East Valley cities.
 - Peoria’s costs for leasing of industrial space are 12% lower than the average leasing cost for the six competitive cities.
 - Peoria’s costs for leasing of office space are 6% lower than the average leasing cost for the six competitive cities.
- C. From a business cost perspective among western U.S. metro areas, Peoria shows very well against the competition and is ranked second out of the eight metro areas in the Business Cost Index prepared by KPMG.
- D. Peoria is one of the low cost leaders for tech companies among the competitive set of eight western U.S. metro areas with moderate wage and office costs (as ranked by Jones Lang LaSalle). With available office space and low average office rent, Peoria can offer significant benefits to technology companies looking to relocate.

3.0 Findings – Peoria Compared to Greater Phoenix Cities

In general, Peoria’s cost of doing business is competitive among the other six Greater Phoenix communities that are studied in this report. Peoria tends to be located in the middle of the competitive set of cities when considering property tax rates, sales tax rates and cost of city services. Typically, **Peoria is less costly from a business perspective than Chandler, Gilbert, Scottsdale and Tempe**, but more expensive than Phoenix and Glendale. **Commercial real estate rents in Peoria are very competitive compared to East Valley cities.**

Industrial Market Findings

Industrial leasing expenses in Peoria are very competitive compared to the six communities evaluated in this study. Total operating costs for leased property in the City are slightly higher than the costs found in Phoenix and Glendale, but lower than the costs in the East Valley cities. **Peoria’s costs for the leasing alternative are 12% lower than the average leasing cost for the six competitive cities.**



For the ownership alternative, Peoria ranks among the more costly cities and the expense per square foot is about 5% above the average of the six competitive cities. Ownership costs are higher in Peoria due to higher charges for domestic water and higher property tax rates.

Office Market Findings

Office leasing expenses in Peoria are slightly more competitive compared to the six communities evaluated in this study. Total operating costs in Peoria are higher than the costs found in Gilbert and Glendale. The remaining four cities have cost structures that are higher than in Peoria. **Peoria's costs for the leasing alternative are 6% lower than the average leasing cost for the six competitive cities.**

For the ownership alternative, Peoria ranks in the middle of the set of competitive cities, with three cities more costly (Glendale, Phoenix, and Tempe) and three East Valley cities (Chandler, Gilbert and Scottsdale) less costly. Costs associated with ownership of an office building in Peoria are approximately 5% higher than the average ownership cost for the six competitive cities.

Workforce Attraction Costs

Peoria's workforce attraction factors and costs demonstrate that it is a very safe place to live with moderate single family housing prices and apartment rents. The cost of services for water and wastewater are at the high end of the range of cities studied, but within reason. Solid waste collection fees are the lowest among the competitive set of cities. Most importantly, **K-12 education in Peoria is a vital asset for the community. The Peoria Unified School District has earned the highest achievement rating from the Arizona Department of Education (a Grade A on the District's Report Card); graduation rates are among the highest in the Valley while the dropout rate is the lowest among major school districts.**

In summary, **Peoria's workforce attraction and quality of life factors are very competitive with East Valley cities and provide an alternative to higher cost locations and less safe environments in the Valley.**

4.0 Findings – Peoria Compared to Major Western U.S. Metro Areas

Two research reports were identified and reviewed for this study. Both analyzed the cost of doing business in certain industries for major metro areas in the U.S. Those reports include:

- “Comparative Alternatives” prepared by KPMG in 2014. The report is used by business relocation experts and evaluates business costs for both national and international markets.



- “Technology Office Outlook” prepared by Jones Lang LaSalle (JLL) in 2015. The report explores the technology industry in major U.S. metro areas from a site selection perspective.

Findings of KPMG’s “Comparative Alternatives” Report

This report focuses on the business costs of three types of service sector operations and the manufacturing sector. The types of business operations studied are as follows:

- **Digital Services** is represented by a software development firm and a video game production studio.
- **Research & Development Services** is represented by biomedical research, an electronic systems design and testing facility, and a clinical trials management firm.
- **Corporate Services** is based on a shared services center and an international financial services firm.
- **Manufacturing** is based on 12 different sector operations.

From a cost perspective, Peoria shows very well against the competition and is ranked no less than third out of the eight metro areas in all industry subsectors. Salt Lake City is ranked first in all categories except manufacturing. **The overall composite ranking shows Peoria in second place behind Salt Lake City** although the top four cities of Peoria, Salt Lake City, Dallas and Austin are ranked very closely in the number score. The California cities of San Diego, Los Angeles and San Francisco are ranked the highest in the cost index for all subsectors.

Findings of JLL’s “Technology Office Outlook” Report

The technology industry was evaluated by JLL because of its pervasive nature that continues to impact local economies. JLL has found that tech companies have been responsible for the greatest share of large leases of office space in the U.S. (over 20,000 square feet) over the past year, accounting for 20.5% of all leasing activity in the U.S. Because of high business costs in some parts of the country, secondary markets are becoming more attractive to tech companies to reduce expenses.

Overall, Peoria is one of the low cost leaders for tech companies among the competitive set of metro areas with moderate wage and office costs. With available office space and low average office rent, Peoria can offer significant benefits to technology companies looking to relocate. Salt Lake City provides the most competition for Peoria from a cost standpoint. However, the low office vacancy rate in Salt Lake City of 6.9% should signal that rents will be rising in the near term.

While Peoria and Greater Phoenix have a cost advantage to other major metro areas, the region lags behind the competition in the tech talent pool (the share of the population with a Bachelor’s degree or higher) and percent of the population classified as millennials (age 20 to 34). The local region also has a significantly lower flow of venture capital into the area



compared to all other metro areas. For instance, Salt Lake City's venture capital funding is 33 times larger than that found in Peoria and Greater Phoenix.

5.0 Conclusions

Compared to the six local cities in Maricopa County, Peoria's cost structure is situated in the middle of the competitive set of cities for property tax rates, sales tax rates and cost of city services. **Overall, Peoria is less costly from a business perspective than Chandler, Gilbert, Scottsdale and Tempe, but more expensive than Phoenix and Glendale. Below average commercial real estate rents in Peoria are asset for the community and make leasing a competitive option for new business relocations.** There is no particular cost benefit to owning a building in Peoria compared to any other city in the Valley.

When comparing Peoria to the seven competitive metro areas, Peoria is by far the low cost option for both business costs and workforce attraction costs. This finding applies to both the KPMG analysis and the JLL report.

The primary weakness for Peoria as noted in the JLL report is the lower opportunity ratings for technology companies. Peoria and Greater Phoenix receive very limited venture capital funding and have a smaller tech talent pool than other metro areas. In spite of this finding, however, JLL rates Peoria and Greater Phoenix with an 8 (out of 14) in the category of "market dynamism", indicating that progress is being made in the growth and expansion of technology companies and that the future looks very positive.

Overall, Peoria compares very well to the competition but needs to improve in generating venture capital, promoting start-up companies and developing a more robust talent pool. Universities are a key component in tackling this issue and have joined with cities in cooperative efforts to further develop the technology industry.

6.0 Appendix

Following is a summary of the competitive "cost of business" strengths and opportunities for Peoria outlined in two matrices. The first matrix compares Peoria to cities in the Greater Phoenix area. The second matrix compares the city to competitive western U.S. metro areas.



Comparison to Greater Phoenix Cities

Peoria Compared to Greater Phoenix Cities	Strengths			Opportunities		
	Crime			Average Annual Full Service Office Rent*		
	City	Crimes per 1,000 Residents	Rank	City	Average Rent/SF	Rank
	Chandler	24.9	4	Chandler	\$28.87	7
	Gilbert	14.5	1	Gilbert	\$23.09	1
	Glendale	52.9	7	Glendale	\$23.72	2
	Phoenix	43.8	5	Phoenix	\$25.23	4
	Scottsdale	25.1	3	Scottsdale	\$27.03	6
	Tempe	52.4	6	Tempe	\$26.18	5
	Peoria	21.6	2	Peoria	\$24.22	3
Median Single Family House Price			Average Annual Triple Net Industrial Rent*			
City	Median Price	Rank	City	Average Rent/SF	Rank	
Phoenix MSA	\$221,000		Chandler	\$10.13	5	
Chandler	\$266,150	6	Gilbert	\$9.94	4	
Gilbert	\$265,950	5	Glendale	\$8.51	2	
Glendale	\$192,744	1	Phoenix	\$7.85	1	
Phoenix	\$207,922	2	Scottsdale	\$12.80	7	
Scottsdale	\$476,661	7	Tempe	\$10.71	6	
Tempe	\$247,750	4	Peoria	\$8.83	3	
Peoria	\$244,556	3				
Average Apartment Rent			*Rents are for new and existing multi-tenant buildings.			
City	Average Rent	Rank				
Phoenix MSA	\$830					
Chandler	\$928	5				
Gilbert	\$934	6				
Glendale	\$767	1				
Phoenix	\$785	2				
Scottsdale	\$938	7				
Tempe	\$859	3				
Peoria	\$916	4				
School District Report Cards						
School District	2014					
	Letter Grade	Score				
Chandler Unified	A	149				
Deer Valley Unified	A	145				
Gilbert Unified	A	145				
Glendale Union H. S.	A	149				
Mesa Unified	B	129				
Paradise Valley Unified	B	138				
Phoenix Union H.S.	C	109				
Scottsdale Unified	A	144				
Tempe Union H.S.	A	142				
Peoria Unified	A	140				
School District Graduation Rates						
School District	2014	Rank				
Chandler Unified	91.7%	3				
Deer Valley Unified	92.0%	2				
Gilbert Unified	88.5%	5				
Glendale Union	88.8%	4				
Mesa Unified	76.3%	9				
Paradise Valley Unified	88.3%	6				
Phoenix Union	77.1%	8				
Scottsdale Unified	86.8%	7				
Tempe Union	76.2%	10				
Peoria Unified	92.9%	1				
School District Dropout Rates						
School District	Rate	Rank				
Chandler Unified	1.1%	5				
Deer Valley Unified	0.9%	2				
Gilbert Unified	0.9%	2				
Glendale Union	1.2%	6				
Mesa Unified	2.7%	9				
Paradise Valley Unified	1.3%	7				
Phoenix Union	3.2%	10				
Scottsdale Unified	1.0%	4				
Tempe Union	2.4%	8				
Peoria Unified	0.6%	1				



Peoria Compared to Western U.S. Metro Areas

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<p align="center">Average Apartment Rent</p> <table border="1"> <thead> <tr> <th>Metro Area</th> <th>Average Rent</th> <th>Rank</th> </tr> </thead> <tbody> <tr> <td>Austin, TX</td> <td>\$1,185</td> <td>4</td> </tr> <tr> <td>Dallas-Fort Worth, TX</td> <td>\$984</td> <td>3</td> </tr> <tr> <td>Denver, CO</td> <td>\$1,278</td> <td>5</td> </tr> <tr> <td>Los Angeles, CA</td> <td>\$1,738</td> <td>7</td> </tr> <tr> <td>Salt Lake City, UT</td> <td>\$974</td> <td>2</td> </tr> <tr> <td>San Diego, CA</td> <td>\$1,575</td> <td>6</td> </tr> <tr> <td>San Francisco, CA</td> <td>\$3,067</td> <td>8</td> </tr> <tr> <td>Peoria, AZ</td> <td>\$841</td> <td>1</td> </tr> </tbody> </table>			Metro Area	Average Rent	Rank	Austin, TX	\$1,185	4	Dallas-Fort Worth, TX	\$984	3	Denver, CO	\$1,278	5	Los Angeles, CA	\$1,738	7	Salt Lake City, UT	\$974	2	San Diego, CA	\$1,575	6	San Francisco, CA	\$3,067	8	Peoria, AZ	\$841	1	<p>* Index is a composite ranking for four business sectors comprised of Digital Services, Research & Development, Corporate Services and Manufacturing.</p>																																		
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1.0 Introduction

1.1 Purpose of Study

The purpose of this study is to analyze the cost of doing business in Peoria, Arizona compared to (A) local cities in the Greater Phoenix area that Peoria regularly competes against for new business relocations and (B) major metro areas in the West and Southwest that are competitive to Greater Phoenix and Peoria.

A. Comparison of Peoria to Greater Phoenix Cities: This task involves original research on the cost of doing business between Peoria and the cities of Phoenix, Tempe, Scottsdale, Gilbert, Chandler and Glendale. Overall, Peoria is an integral part of the local economy and certain costs of business will not vary much from one side of the Valley to the other. For example, construction costs, energy utility costs (electricity and gas) and incentives for business relocations are essentially the same for every city in Greater Phoenix. However, cost differentials are apparent in several categories including:

- Property taxes
- Sales tax rates
- Solid waste collection fees
- Water and sewer charges
- Rents for office and industrial buildings
- The cost of living, primarily housing costs, both rental and owner properties

As part of this study, two comparative analyses are conducted – one for a hypothetical occupant of office buildings and one for a hypothetical occupant of an industrial building. In addition, within each comparative analysis, scenarios are provided for (1) a company that constructs and owns its building and (2) a company that leases building space in a multi-tenant structure.

B. Comparison of Peoria to Major Metro Areas: This task provides an evaluation of the cost of doing business between Peoria and competitive metro areas in the West and Southwest. The metro areas that will be evaluated include San Francisco, San Diego, Los Angeles, Salt Lake City, Denver, Dallas and Austin. Our analysis is based on published available reports and studies that have already been conducted on the subject comparing Greater Phoenix to the competitive set of West and Southwest metro areas. Since the cost of doing business in Peoria is essentially equivalent to Greater Phoenix averages, the studies researched for this report reflect Peoria business costs.

In researching the topic of the cost of doing business, we have determined that there are two types of cost factors that affect the decision of a company to locate in a certain jurisdiction. Those factors are:



- **Direct Business Costs:** When comparing the cost of doing business in cities within the same metro area, the primary cost factors are city taxation rates and policies, water and wastewater utilities, building rents that vary from one sub-region to another and other local inputs that affect a business's operations. Business costs imposed by the State or a county are immaterial in this analysis because all businesses are essentially subject to the same requirements.

When comparing business costs among metro areas in nearby states, additional factors come into play, including state incentives, corporate income tax, transportation costs and other forms of taxation. These factors are imbedded in the research reports collected for this analysis.

- **Workforce Attraction Costs:** These are costs that may affect an employee's ability to maintain a certain level of wellbeing and wealth-building capacity within a geographic area. The factors include cost of living, cost of housing, taxation, cost of services and similar influences.

These two factors determine the overall competitiveness of a community from the perspective of business leaders. Both are outlined in this study to assist in determining the competitiveness of Peoria among other communities.



2.0 Analysis of Business Costs Among Greater Phoenix Cities

2.1 Direct City Business Costs

The business costs that can be directly controlled by a city include items such as property taxes, sales taxes and services provided to a business such as the provision of water and wastewater systems. Building rents, construction and land costs, and property maintenance costs are generally beyond the control of a community. However, across a metro area, many of these costs are consistent among the various communities although rents and land costs can vary. This analysis focuses on those factors that are in the control of the local community, namely taxes and services as well as some of the differences in commercial the real estate market.

In general, Peoria is competitive among the other six Greater Phoenix communities that are studied in this report. Peoria tends to be located in the middle of the competitive set of cities when considering property taxes, sales taxes and cost of city services. Following are some of the findings.

Property Tax

Peoria’s combined city property tax rate (primary and secondary) is in the middle of the competitive set of tax rates. It is higher than Chandler, Gilbert and Scottsdale, but lower than Glendale, Phoenix and Tempe. Other than Gilbert, which does not levy a primary property tax, Peoria’s primary tax rate is the lowest among all other cities.

City Property Tax Rates							
	Chandler	Gilbert	Glendale	Phoenix	Scottsdale	Tempe	Peoria
Property Tax Rates*							
City Primary	0.2992	-	0.4898	1.3414	0.5293	0.9334	0.1900
City Secondary	0.8800	1.0567	1.7067	0.4786	0.6244	1.5861	1.2500
Total City Rate	1.1792	1.0567	2.1965	1.8200	1.1537	2.5195	1.4400
*Rate Per \$100 of Assessed Value							
Sources: ATRA							

Total property tax rates vary widely across the county and state, primarily because of the impact of school districts. Typically, school districts account for approximately 55% of the total property tax bill. School district boundaries also do not match city boundary lines and several districts could be providing educational services within a single community. For this study, the school district that most closely coincided with the boundaries of a city was used to estimate the school district property tax rate. In the case of Peoria, this was the Peoria Unified School District, even though the Dysart and Deer Valley Unified Districts provide services within small parts of the city.



Some cities have several school districts operating within their borders. For instance, Phoenix has 14 elementary districts within its boundaries, one high school district (Phoenix Union High School District) and two unified districts, Paradise Valley and Deer Valley, operating in the northern part of the city. In order to determine an overall school district property tax rate for Phoenix, an average of the tax rates for these districts was used.

When considering all property taxes, including school district taxes, which are levied upon residential and commercial property, Peoria’s total tax rate is still in the middle of the competitive set. However, its rate is 46% higher than Scottsdale’s rate and between 12% and 15% higher than Chandler’s and Gilbert’s total rate. Peoria’s total tax rate is lower than the rates found in Glendale, Phoenix and Tempe.

Property and Sales Tax Rates By City							
	Chandler	Gilbert	Glendale	Phoenix	Scottsdale	Tempe	Peoria
Property Tax Rates*							
City Primary	0.2992	-	0.4898	1.3414	0.5293	0.9334	0.1900
City Secondary	0.8800	1.0567	1.7067	0.4786	0.6244	1.5861	1.2500
Total City Rate	1.1792	1.0567	2.1965	1.8200	1.1537	2.5195	1.4400
School District/Other	10.6901	10.5355	12.3961	12.4037	7.9383	11.6926	11.8743
Total Tax Rate	11.8693	11.5922	14.5926	14.2237	9.0920	14.2121	13.3143
*Rate Per \$100 of Assessed Value							
Sources: ATRA							

Sales Tax Rates

Peoria’s sales tax rates are also in the middle of the competitive set. The base rate for retail sales is higher than the rates found in Chandler, Gilbert and Scottsdale, but lower than the rates for Glendale, Phoenix and Tempe. Two Peoria tax rates that are higher than other communities include utilities and restaurants. Overall, Peoria’s sales tax rates are generally competitive with other communities.

2015 Transaction Privilege Tax Rates							
City	Retail	Use	Utilities	Telecom- munications	Restaurant	Prime Contracting	Lodging
Chandler	1.50%	1.50%	2.75%	2.75%	1.80%	1.50%	4.40%
Gilbert	1.50%	-	1.50%	1.50%	1.50%	1.50%	4.50%
Glendale	2.90%	2.90%	2.90%	6.10%	3.90%	2.90%	7.90%
Phoenix	2.00%	2.00%	2.70%	4.70%	2.00%	2.00%	5.00%
Scottsdale	1.65%	1.45%	1.65%	1.65%	1.65%	1.65%	6.65%
Tempe	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	4.80%
Peoria	1.80%	1.80%	3.30%	1.80%	2.80%	1.80%	5.60%
Source: ATRA							



Commercial Real Estate Rents

The following chart shows asking rents for office, industrial and retail buildings in each of the competitive cities as compiled by CBRE. Within each real estate category, rents can vary significantly depending on the type of office, retail or industrial property and its age, design and location. The data below represents the average across all types of real estate products.

Average Annual Commercial Asking Rents By City						
Rent Per Square Foot						
City	Office	Rank	Industrial	Rank	Retail	Rank
Greater Phoenix	\$22.06		\$6.96		\$15.59	
Chandler	\$26.12	1	\$9.12	3	\$17.91	3
Gilbert	\$20.53	6	\$8.88	4	\$19.63	2
Glendale	\$20.27	7	\$6.96	6	\$13.77	7
Phoenix	\$21.95	4	\$6.36	7	\$16.20	5
Scottsdale	\$24.71	2	\$11.64	1	\$22.63	1
Tempe	\$22.96	3	\$9.36	2	\$15.53	6
Peoria	\$21.20	5	\$7.44	5	\$16.47	4
Rates as of the 3rd quarter 2015						
Source: CBRE						

Industrial property rents vary widely depending on the type of building and use. For instance, CBRE reports that the average rent across the Valley is \$0.58 per square foot per month or \$6.96 per year. However, the average monthly asking rent by building type in Greater Phoenix varies from the overall average as follows:

- Multi-tenant: \$.67 per square foot
- Distribution: \$0.41 per square foot
- General industrial: \$0.63 per square foot
- Flex/Back office: \$1.07 per square foot

Average rent data by industrial building type is not available for the competitive cities.

A review of rents for industrial properties in the competitive cities shows that most leases are triple net where the tenant pays for all expenses of the property in addition to rent. A modified gross lease is also used for industrial property where the owner pays all triple net costs (taxes, insurance and maintenance) but the tenant pays for utilities and janitorial.

Office rents cited in the table are the average of Class A, B and C buildings as calculated by CBRE. Class A offices are typically mid-rise and high-rise buildings in high traffic locations and charge the highest rent. Class C offices are usually the oldest and smallest buildings with few amenities in tertiary locations. Class B offices are most numerous and their rankings are determined based on age of the building, location, size, amenities and similar features.



Office rents are typically quoted as full service whereby the landlord is responsible for paying the costs of all common area expenses (property taxes, insurance and maintenance), utilities, and janitorial services up to a maximum (known as an expense stop) at which point costs are passed on to the tenants of the building. The expense stop is usually set for the base year or first year of the lease. In addition, the landlord will charge for reserved parking in garages or covered parking in parking lots. CPI increases are typically incorporated into the lease rent.

The full service lease is most appropriate for office buildings. For instance, since office space must be sized for a particular tenant, it is not possible to assign utility expenses to each tenant since the size of rented space is changing constantly as old tenants leave and new tenants arrive. Likewise, landlords don't want each tenant to have their own cleaning service for security reasons. Instead, one firm cleans the entire building, paid for by the landlord. So a \$24 per square foot full service lease probably includes about \$7 to \$8 per sf in expenses with the rest of the rent going to the mortgage, commissions, management fees and return on investment.

Triple net leases are usually found in retail leases where the tenant pays all expenses associated with the property in addition to the base rent. Retail space is usually designed with its own electrical panel and meter, so each tenant knows what his utility costs are. Common area costs such as property taxes, maintenance and water/sewer service are divided among the tenants according to their percentage of the building.

For the purposes of this study, the rent data outlined in the table will be used as a proxy for calculating rent in each of the competitive cities.

In all cases, Peoria ranks in the middle of the competitive set, generally less costly than Chandler, Gilbert, Scottsdale and Tempe, but more expensive than Phoenix and Glendale. Generally, commercial real estate rents in Peoria are very competitive compared to East Valley cities.

City Services

One of the primary services provided by a city to its residents and businesses is a safe supply of drinking water and a system for cleaning and disposing of wastewater. Additional analysis of city water and wastewater rates for the competitive cities was also conducted as part of this study. The results of the analysis, however, can only be evaluated when related to a particular use. As such, the results are contained in the next section of this memo.

Analysis of Business Costs Among Local Greater Phoenix Cities

In order to estimate the cost of doing business within Peoria and the six competitive cities, two business scenarios were developed: (1) a hypothetical business that would occupy an industrial building and (2) one that would occupy an office building. Within each of these scenarios are



an ownership alternative (where the business constructs and owns the building) and a lease alternative (where the business leases space in a multi-tenant building).

Industrial Building Scenario

The following table outlines the results for the industrial building scenario. Assumptions are listed at the top of the chart. The building size is 50,000 square feet with a construction cost of \$60 per square foot. The building is expected to generate demand for 5,750 gallons of water per day. A survey of modern multi-tenant industrial buildings across the Valley shows that the County Assessor values these types of buildings at an average of \$42 per square foot. The assessed value rate for the 2016 tax year is 18% of market value or \$378,000. Following is a summary of each alternative. The chart also includes a column for the average cost among the six competitive cities.

Ownership Alternative

Under the Ownership Alternative, it is assumed that a free-standing building would be constructed in an industrial subdivision. As an owner of the building, the business does not pay any rent or sales tax on commercial rents. However, it would pay a one-time sales tax on the cost of the construction of the building. Overall, the operating expense to the owner of the business ranges from a low of \$52,300 in Gilbert to \$67,900 in Phoenix. The cost in Peoria is toward the upper end of the range at \$62,600, slightly higher than the average cost for the six cities. In addition, the owner would also pay the sales tax on construction of the building ranging from \$29,250 in Chandler and Gilbert to \$56,500 in Glendale. The cost in Peoria is \$35,100, competitive with all the other cities. Operating expenses in Peoria are above average for water and property taxes which makes the ownership alternative less competitive compared to other cities.

Lease Alternative

The Lease Alternative has a rent component that increases the total annual expense of the operation assuming the same 50,000 square feet of space but located within a multi-tenant building. A triple net lease is assumed for this alternative whereby the lessee pays all expenses associated with the property including property tax. The tenant also pays the city's sales tax on the rent.

Rents are based on data from CBRE for the seven cities. Monthly rent for the typical industrial building ranges from \$0.53 per square foot per month in Phoenix to \$0.97 per square foot per month in Scottsdale. The average rent in Peoria is \$0.62 per square foot.

Under the Lease Alternative, Peoria is one of the lower cost cities, slightly higher than Glendale and Phoenix, but much lower than the East Valley cities. Total expenses range from \$392,300 in Phoenix to \$639,750 in Scottsdale with Peoria at \$441,300. The primary difference between the competitive cities is the average rent in each community. Industrial rents in Peoria are among lowest of the competitive set of cities.



Industrial Building Scenarios Comparison of City Costs								
Assumptions								
Use:	Industrial							
Size:	50,000 SF							
Water Demand:	115 gallons/day/1000 square feet							
Water Demand/Day:	5,750							
Water Demand/Month:	172,500							
Meter Size:	2.00							
Construction Cost/SF:	\$60							
Total Construction Cost:	\$3,000,000							
Assessor Market Value	\$2,100,000	\$42.00 per sf						
Assessed Value (18%)	\$378,000							
Ownership Alternative - Free-Standing Industrial Building								
Total Annual Operating Expense	Chandler	Gilbert	Glendale	Phoenix	Scottsdale	Tempe	Average of Competitive 6 Cities	Peoria
Water Expense	\$4,525	\$4,399	\$6,064	\$10,083	\$8,246	\$5,327	\$6,441	\$7,602
Sewer Expense	\$6,645	\$4,119	\$6,155	\$4,055	\$5,534	\$6,367	\$5,479	\$4,675
Property Tax	\$44,866	\$43,819	\$55,160	\$53,766	\$34,368	\$53,722	\$47,617	\$50,328
Total Expense	\$56,036	\$52,337	\$67,379	\$67,903	\$48,147	\$65,416	\$59,536	\$62,604
Total Expense Per SF	\$1.12	\$1.05	\$1.35	\$1.36	\$0.96	\$1.31	\$1.19	\$1.25
Sales Tax on Construction	\$29,250	\$29,250	\$56,550	\$39,000	\$32,175	\$35,100	\$36,888	\$35,100
Lease Alternative - Triple Net Lease of Multi-Tenant Industrial Building								
Total Annual Operating Expense	Chandler	Gilbert	Glendale	Phoenix	Scottsdale	Tempe	Average of Competitive 6 Cities	Peoria
<i>Monthly Rent/SF</i>	<i>\$0.74</i>	<i>\$0.73</i>	<i>\$0.58</i>	<i>\$0.53</i>	<i>\$0.97</i>	<i>\$0.77</i>	<i>\$0.72</i>	<i>\$0.62</i>
Annual Rent	\$444,000	\$438,000	\$348,000	\$318,000	\$582,000	\$462,000	\$432,000	\$372,000
Water Expense	\$4,525	\$4,399	\$6,064	\$10,083	\$8,246	\$5,327	\$6,441	\$7,602
Sewer Expense	\$6,645	\$4,119	\$6,155	\$4,055	\$5,534	\$6,367	\$5,479	\$4,675
Property Tax	\$44,866	\$43,819	\$55,160	\$53,766	\$34,368	\$53,722	\$47,617	\$50,328
Sales Tax on Rent	\$6,660	\$6,570	\$10,092	\$6,360	\$9,603	\$8,316	\$7,934	\$6,696
Total Expense	\$506,696	\$496,907	\$425,471	\$392,263	\$639,750	\$535,732	\$499,470	\$441,300
Total Expense Per SF	\$10.13	\$9.94	\$8.51	\$7.85	\$12.80	\$10.71	\$9.99	\$8.83
Sources: ATRA, CBRE, City Water Departments, Maricopa County Assessor, Elliott D. Pollack & Co.								

In summary, industrial leasing expenses in Peoria are very competitive compared to the six communities evaluated in this study. Total operating costs in the City rank slightly behind the costs found in Phoenix and Glendale. Peoria’s costs for the leasing alternative are 12% lower than the average leasing cost for the six competitive cities. Additionally, the average leasing expense in Chandler, Gilbert, Scottsdale and Tempe is \$10.90 per square foot compared to Peoria’s expense of \$8.83 per square foot, a 19% differential. For the ownership alternative, Peoria ranks among the more costly cities and the expense per square foot is about 5% above the average of the six competitive cities.

Office Building Scenario

The office scenario assumes (1) the development of a free-standing office building for the ownership alternative or (2) leasing 50,000 square feet in a multi-tenant office building.



Construction cost in either case is estimated at \$136 per square foot or \$6.8 million. A survey of buildings across the Valley shows that the County Assessor values these types of buildings at an average of \$100 per square foot. The assessed value rate for the 2016 tax year is 18% of market value or \$900,000. Following is a summary of each alternative. The chart also includes a column for the average cost among the six competitive cities.

Ownership Alternative

Under the Ownership Alternative, the business does not pay any rent or sales tax on commercial rents for the free-standing building. However, it would pay a one-time sales tax on the cost of the construction of the building. Overall, the operating expense to the owner of the business ranges from a low of \$95,600 in Scottsdale to \$143,300 in Glendale. Peoria's estimated operating cost of \$132,100 is near the higher end of the range and slightly above the average for the six competitive cities due to higher domestic water costs and property taxes. Peoria's sales tax on construction is less than the average of the six competitive cities.

Lease Alternative

Under the Lease Alternative and a standard full service lease in a multi-tenant building, the landlord is responsible for all expenses associated with the property including property taxes and utilities. Similar to the Industrial Scenario, the costs to the business in the City of Peoria is among the lowest of the competitive set due to the lower office rents and sales taxes on rents. The cities of Chandler, Scottsdale and Tempe have much higher costs associated with office leasing than in Peoria.



Office Building Scenarios Comparison of City Costs								
Assumptions								
Use:	Office							
Size:	50,000 SF							
Water Demand:	115 Gallons/day/1000 square feet							
Water Demand/Day:	5,750							
Water Demand/Month:	172,500							
Meter Size:	2.00							
Construction Cost/SF:	\$136							
Total Construction Cost:	\$6,800,000							
Assessor Market Value	\$5,000,000 \$100 per sf							
Assessed Value (18%)	\$900,000							
Ownership Alternative - Free-Standing Office Building								
Total Annual Operating Expense	Chandler	Gilbert	Glendale	Phoenix	Scottsdale	Tempe	Average of Competitive 6 Cities	Peoria
Water Expense	\$4,525	\$4,399	\$6,064	\$10,083	\$8,246	\$5,845	\$6,527	\$7,602
Sewer Expense	\$6,645	\$4,119	\$5,948	\$4,055	\$5,534	\$6,367	\$5,445	\$4,675
Property Tax	\$106,824	\$104,330	\$131,333	\$128,013	\$81,828	\$127,908	\$113,373	\$119,829
Total Expense	\$117,994	\$112,849	\$143,345	\$142,150	\$95,608	\$140,120	\$125,344	\$132,105
Total Expense Per SF	\$2.36	\$2.26	\$2.87	\$2.84	\$1.91	\$2.80	\$2.51	\$2.64
Sales Tax on Construction	\$66,300	\$66,300	\$128,180	\$88,400	\$72,930	\$79,560	\$83,612	\$79,560
Lease Alternative - Full Service Lease in Multi-Tenant Office Building								
Total Annual Operating Expense	Chandler	Gilbert	Glendale	Phoenix	Scottsdale	Tempe	Average of Competitive 6 Cities	Peoria
<i>Annual Rent/SF</i>	<i>\$26.12</i>	<i>\$20.53</i>	<i>\$20.27</i>	<i>\$21.95</i>	<i>\$24.71</i>	<i>\$22.96</i>	<i>\$22.76</i>	<i>\$21.20</i>
Annual Rent	\$1,306,000	\$1,026,500	\$1,013,500	\$1,097,500	\$1,235,500	\$1,148,000	\$1,137,833	\$1,060,000
Sales Tax on Rent	\$19,590	\$15,398	\$29,392	\$21,950	\$20,386	\$20,664	\$21,230	\$19,080
Total Expense	\$1,443,584	\$1,154,746	\$1,186,237	\$1,261,600	\$1,351,493	\$1,308,784	\$1,284,407	\$1,211,185
Total Expense Per SF	\$28.87	\$23.09	\$23.72	\$25.23	\$27.03	\$26.18	\$25.69	\$24.22

Sources: ATRA, CBRE, City Water Departments, Maricopa County Assessor, Elliott D. Pollack & Co.

Summary

Office leasing expenses in Peoria are slightly more competitive compared to the six communities evaluated in this study. Total operating costs in Peoria are less than the costs found in Gilbert and Glendale. The remaining four cities have higher cost structures. Peoria’s costs for the leasing alternative are 6% lower than the average leasing cost for the six competitive cities. For the ownership alternative, Peoria ranks in the middle of the set of competitive cities, with three cities more costly (Glendale, Phoenix, and Tempe) and the three East Valley cities (Chandler, Gilbert and Scottsdale) less costly. Costs associated with ownership of an office building in Peoria are approximately 5% higher than the average ownership cost for the six competitive cities.

2.2 Workforce Attraction Costs

In addition to the direct costs of doing business in a community, companies also consider in their decision-making process workforce attraction factors that impact their ability to attract



and retain employees. These factors include cost of living, cost of housing, safety, quality of K-12 education and similar issues. Following are some examples of workforce factors for the set of competitive cities.

Single Family Residential Services

As noted previously, some of the primary services provided by a city to its residents are water, wastewater and solid waste collection. Following are the annual costs for a single family residence. Peoria ranks in the middle of the competitive set in terms of overall cost, but has high rates for water and wastewater.

Estimated Annual Cost Single Family Residential Services								
City	Water	Rank	Waste- water	Rank	Solid Waste	Rank	Total	Rank
Chandler	\$279	1	\$290	4	\$181	2	\$757	1
Gilbert	\$293	2	\$280	3	\$192	3	\$773	2
Glendale	\$368	6	\$440	7	\$196	4	\$1,021	7
Scottsdale	\$376	5	\$279	2	\$192	3	\$857	3
Phoenix	\$327	3	\$311	5	\$322	6	\$974	6
Tempe	\$361	4	\$249	1	\$240	5	\$860	4
Peoria	\$399	7	\$342	6	\$157	1	\$912	5

Source: City of Tempe Average Residential Household Cost Comparison July 2015

Crime

Peoria is among the safest cities in Greater Phoenix in terms of both violent and property crimes. Only Gilbert ranks higher in terms of safety on a per capita basis. The overall crime rates for Glendale, Phoenix and Tempe are twice the rate found in Peoria.

Crime Statistics 2014							
City	Population	Violent Crimes		Property Crimes		Total Crime	
		Number	Rate*	Number	Rate*	Number	Rate*
Chandler	249,433	467	1.87	5,740	23.01	6,207	24.88
Gilbert	235,493	181	0.77	3,224	13.69	3,405	14.46
Glendale	232,680	852	3.66	11,465	49.27	12,317	52.94
Phoenix	1,506,439	8,749	5.81	57,290	38.03	66,039	43.84
Scottsdale	225,698	365	1.62	5,310	23.53	5,675	25.14
Tempe	169,529	802	4.73	8,086	47.70	8,888	52.43
Peoria	163,839	244	1.49	3,302	20.15	3,546	21.64

*Crimes per 1,000 residents
Source: Crime in Arizona, AZ Department of Public Safety



Single Family Housing Prices

Peoria ranks in the middle of the competitive set in terms of single family housing price. The price of housing in Peoria is lower than housing prices in Chandler, Gilbert, Scottsdale and Tempe, but higher than housing found in Phoenix and Glendale. The housing appreciation rate for Peoria between 2014 and September 2015 is also above average. The median sales price data is the one most used by real estate experts since average housing price data can be skewed by the upper end of the market. In comparing the median single family housing price in Peoria to the Greater Phoenix median, Peoria’s housing costs are about 10% higher.

Single Family Sales Price						
City	Average Sale Price			Median Sales Price		
	2014	2015*	% Chg	2014	2015*	% Chg
Phoenix MSA	\$268,276	\$281,498	4.9%	\$206,544	\$221,000	7.0%
Chandler	\$285,283	\$300,302	5.3%	\$251,750	\$266,150	5.7%
Gilbert	\$281,854	\$291,562	3.4%	\$252,733	\$265,950	5.2%
Glendale	\$198,492	\$219,628	10.6%	\$173,156	\$192,744	11.3%
Phoenix	\$238,546	\$256,573	7.6%	\$188,994	\$207,922	10.0%
Scottsdale	\$627,631	\$628,664	0.2%	\$467,481	\$476,661	2.0%
Tempe	\$263,302	\$282,703	7.4%	\$235,678	\$247,750	5.1%
Peoria	\$251,661	\$266,109	5.7%	\$229,397	\$244,556	6.6%

*YTD September 2015
Source: The Cromford Report

Multi-Family Housing Indicators

The multi-family housing market in Peoria is very healthy with a low vacancy rate and moderate rents. Overall, the average rent for the Greater Phoenix area is \$838 per month with a vacancy rate of 7.0%. Peoria’s vacancy rate is 5.3% with an average rent of \$851 per month. Peoria’s rent levels are significantly lower than the East Valley cities that are all above \$935 per month.

Multi-Family Housing Statistics*					
City	Number of Properties	Number of Units	Average Unit Size	Avg. Rent/Unit	Vacancy Rate
Phoenix MSA	1,320	274,681	830	\$838.03	7.0%
Chandler	68	17,971	928	\$982.43	7.0%
Gilbert	32	8,205	934	\$958.30	5.3%
Glendale	112	22,401	767	\$723.12	5.6%
Phoenix	610	120,489	785	\$775.56	7.3%
Scottsdale	93	22,298	938	\$1,144.86	10.5%
Tempe	131	28,292	859	\$935.08	8.4%
Peoria	29	6,326	916	\$850.66	5.3%

*Complexes with 50 units+
Source: Real Data Inc



K-12 Education

As noted in an earlier section, school district boundaries do not match city boundary lines and two or more districts often provide educational services within a single community. For this part of the analysis, the primary school districts that provide educational services to the competitive set of Valley cities are outlined in this section. In the case of Peoria, this is the Peoria Unified School District, even though the Dysart and Deer Valley Unified Districts provide services within small parts of the city.

Analysis is conducted in this section for seven large unified districts and three high school districts. Smaller elementary districts in Phoenix, Glendale and Tempe are not considered in the analysis. Educational services in Phoenix are complex with 14 elementary districts within its boundaries, one high school district (Phoenix Union High School District) and two unified districts, Paradise Valley and Deer Valley, operating in the northern part of the city. Tempe and Glendale also have elementary districts that send students to the high school districts.

Factors that are outlined in this section on K-12 education include the school district report card, graduation rates and dropout rates.

School District Report Card

Arizona’s A-F letter grading system or “report card” was signed into law by the State Legislature in 2010. The system was created to provide clear, easy-to understand information to parents so that they could base their educational decisions on the best information available about the overall academic performance of schools and districts/charter holders. The A-F grading system is based on a combination of students’ current year achievement (scores on tests) (50 percent) and the academic growth of students from one year to the next (50 percent) including the growth of all students as well as a school’s lowest achieving students. Other factors such as dropout rate, graduation rate and English language learner reclassification rate are taken into consideration, when applicable.

The grading system is based on a scoring range and a specific grade linked to performance. The following table provides the details on the scoring system and the percentage of districts that earn each grade.

Arizona A-F Grading System			
Grade	Performance Level	Score Range	Percent of Districts (2014)
Grade A	Excellent	140-200	29.0%
Grade B	Above Average	120-139	32.0%
Grade C	Average	100-119	27.0%
Grade D	Below Average	0-99	12.0%
Grade F	Failing		

Source: Arizona Department of Education



The report cards for ten districts are outlined on the following table for 2011 through 2014, the latest data that is available. There is a fair amount of consistency in the report cards for the districts from year to year although scores do rise and fall. For 2014, Chandler and Glendale Union have the highest scores. The Peoria Unified District has received an A grade in two out of the last four years and its score is typically near the 140 range. However, all “A” scores are tightly bunched between 140 and 149 points. There are 91 school districts and charter schools in the State that scored above 150 points. Only ten of those schools were public districts, the remainder was all charter schools.

Overall, the Peoria Unified School District scores well on the State’s report card and is rated higher in 2014 than the Mesa and Paradise Valley unified districts. As noted in the grading system standards, Peoria is ranked in the top 29% of all school districts and charter schools.

School District Report Cards 2011 - 2014								
School District	2011		2012		2013		2014	
	Letter Grade	Score	Letter Grade	Score	Letter Grade	Score	Letter Grade	Score
Chandler Unified	A	143	A	149	A	148	A	149
Deer Valley Unified	A	142	A	143	A	146	A	145
Gilbert Unified	B	138	A	144	A	145	A	145
Glendale Union H. S.	A	140	B	136	A	147	A	149
Mesa Unified	B	132	B	135	B	133	B	129
Paradise Valley Unified	B	139	B	138	B	137	B	138
Phoenix Union H.S.	C	110	C	108	C	111	C	109
Scottsdale Unified	A	143	A	143	A	140	A	144
Tempe Union H.S.	A	139	A	142	A	143	A	142
Peoria Unified	B	138	A	140	B	133	A	140

Source: Arizona Department of Education

Graduation Rates

The following table outlines school district graduation rates as reported by the Arizona Department of Education. Compared with the other nine districts, the Peoria Unified School District consistently has the highest graduation rates from 2011 to 2014 at over 93%. Chandler is the only district that comes close to Peoria’s graduation rates.



School District Graduation Rates 2011 - 2014				
School District	2011	2012	2013	2014
Chandler Unified	92.2%	92.3%	92.3%	91.7%
Deer Valley Unified	91.1%	91.0%	90.7%	92.0%
Gilbert Unified	87.6%	86.7%	85.0%	88.5%
Glendale Union	89.6%	87.9%	86.6%	88.8%
Mesa Unified	76.4%	75.7%	74.1%	76.3%
Paradise Valley Unified	88.5%	88.3%	85.4%	88.3%
Phoenix Union	79.6%	76.4%	74.8%	77.1%
Scottsdale Unified	91.4%	89.9%	88.6%	86.8%
Tempe Union	88.5%	89.6%	84.3%	76.2%
Peoria Unified	94.3%	93.0%	93.3%	92.9%

Note: Rates reflect percentage of students who graduated within four years of their entry into 9th grade.

Source: Arizona Department of Education

Dropout Rates

The Peoria Unified District is also the leader in low dropout rates compared to the remaining nine districts, consistently showing a rate below 1%. The average dropout rate for the nine competitive districts ranges from 1.6% in 2015 to 2.0% in 2013. Peoria’s rate of 0.5% to 0.6% is well below these levels.

School District Dropout Rates 2012 - 2015				
School District	2012	2013	2014	2015
Chandler Unified	0.9%	1.4%	1.0%	1.1%
Deer Valley Unified	0.8%	0.7%	0.6%	0.9%
Gilbert Unified	1.1%	0.9%	0.7%	0.9%
Glendale Union	1.1%	1.3%	1.3%	1.2%
Mesa Unified	2.4%	3.0%	3.0%	2.7%
Paradise Valley Unified	1.6%	2.0%	1.4%	1.3%
Phoenix Union	5.3%	4.9%	3.6%	3.2%
Scottsdale Unified	0.8%	1.0%	0.7%	1.0%
Tempe Union	2.6%	3.0%	2.7%	2.4%
Peoria Unified	0.5%	0.5%	0.6%	0.6%

Dropouts are defined as students who are enrolled in school at any time during the school year, but are not enrolled at the end of the school year and did not transfer, graduate, or die.

Dropout rates are reported for grades seven through twelve, and are based on a calendar year that runs from the first day of summer recess through the last day of school. A school’s total enrollment is used as the population figure against which dropouts are subsequently counted.

Source: Arizona Department of Education



Summary

Overall, Peoria's workforce attraction indicators show that it is a very safe place to live with moderate single family housing prices and apartment rents. The services provided to residents for water and wastewater are at the high end of the range, but within reason compared to other cities. Solid waste collection fees are the lowest among the competitive set of cities. K-12 education in Peoria is an important asset for the community, demonstrating high achievement scores and graduation rates while having the lowest dropout rate among major school districts.

In summary, Peoria's workforce attraction and quality of life factors are very competitive with East Valley cities and provide an alternative to higher cost locations and less safe environments in the Valley.



3.0 Analysis of Business Costs - Peoria Compared to Western Metro Areas

The purpose of this section of the report is to evaluate existing studies on the cost of doing business in selected major metro areas and compare those costs to those found in Peoria. However, all studies reviewed for this report compare Greater Phoenix, not Peoria, to other metro areas. But as an integral part of the economy of the region, the cost of doing business in Peoria is substantially the same as that found in Greater Phoenix. It is therefore concluded that the studies researched for this report reflect Peoria business costs.

Two research reports were identified and reviewed for this study. Both analyzed the cost of doing business in certain industries for major metro areas in the U.S. Those reports include:

- “Comparative Alternatives” prepared by KPMG in 2014. The report is used by business relocation experts and evaluates business costs for both national and international markets.
- “Technology Office Outlook” prepared by Jones Lang LaSalle (JLL) in 2015. The report explores the technology industry in major U.S. metro from a site selection perspective.

3.1 Analysis of KPMG’s “Comparative Alternatives” Report

This report focuses on measurement of the combined impact of 26 key cost components on service and manufacturing sector operations that vary by location. Seven different business-to-business service sector operations and 12 manufacturing operations are compared in the study. An overall cost comparison for each city is based on the average results for the two sectors. In addition, the report also provides information on non-cost factors that influence business decisions. These factors include labor availability, economic conditions, cost of living and quality of life aspects.

The following chart outlines the findings for seven competitive metro areas and Peoria for three types of service sector operations and the manufacturing sector. The types of business operations studied are as follows:

- **Digital Services** is represented by a software development firm and a video game production studio. Costs in this industry are primarily driven by salary and benefits costs.
- **Research & Development Services** are based on three operations – biomedical research, an electronic systems design and testing facility, and a clinical trials management firm. Costs in this subsector are higher than in the Digital Services subsector due to higher labor costs, but R&D is often provided tax and incentive benefits.
- **Corporate Services** are based on two types of operations – a shared services center and an international financial services firm. Labor costs include both entry-level administrative and customer service personnel as well as highly paid finance professionals.



- **Manufacturing** is based on 12 different sector operations that include, for example, aerospace, automotive, electronics, and medical devices.

The results of the analysis are shown in the following table with the overall composite ranking noted in the far right column. Costs are indexed to the U.S. average of 100 which is a combination of cost factors for the four largest metro areas in the country. Peoria shows very well against the competition and is ranked no less than third in all industry subsectors. Salt Lake City is ranked first in all categories except manufacturing. The overall composite ranking shows Peoria in second place behind Salt Lake City although the top four cities of Peoria, Salt Lake City, Dallas and Austin are ranked very closely in the number score. The California cities of San Diego, Los Angeles and San Francisco are ranked the highest in the cost index for all subsectors.

Cost Index For Business Sectors & Subsectors										
Metro Area	Services Sector						Manufact.		Overall	
	Digital Services	Rank	R&D	Rank	Corporate Services	Rank	Sector	Rank	Result	Rank
Austin, TX	94.2	3	93.5	3	91.0	3	98.3	2	96.8	4
Dallas-Fort Worth, TX	95.0	4	94.6	5	91.1	4	98.1	1	96.8	4
Denver, CO	95.7	5	93.6	4	92.1	5	100.2	5	98.4	3
Los Angeles, CA	100.5	7	101.6	7	99.8	7	100.4	6	100.5	7
Salt Lake City, UT	92.9	1	88.1	1	86.7	1	99.4	4	96.6	1
San Diego, CA	98.3	6	99.0	6	96.8	6	100.6	7	99.9	6
San Francisco, CA	104.3	8	107.9	8	108.1	8	103.2	8	104.2	8
Peoria, AZ	93.5	2	89.2	2	88.6	2	99.2	3	96.7	2

U.S. Baseline index of 100 is based on costs for New York City, Chicago, Los Angeles and Dallas-Fort Worth

Source: Competitive Alternatives 2014 Edition, KPMG

3.2 Analysis of JLL’s “Technology Office Outlook”

The technology industry was evaluated by JLL because of its pervasive nature that continues to impact local economies. Technology is an important component of nearly all industries from banking (finance-tech) to marketing (digital) to retail e-commerce. As a brokerage company, JLL has found that tech companies have been responsible for the greatest share of large leases of office space (over 20,000 square feet) over the past year. Tech companies accounted for 20.5% of all leasing activity in the U.S. in the last year followed by financial services at 16.3%. While San Francisco and the Silicon Valley are at the top for leasing activity, secondary markets are becoming more attractive to tech companies for less costly leasing environments. Competition for office space in the top 15 tech markets in the U.S. is strong due to low vacancy rates at 7.6%. Office rents in the high demand submarkets average \$73.29 per square foot compared to the U.S. average of \$30.49 per square foot.

The following table outlines the findings of the JLL analysis and some of the business cost factors that can affect technology companies depending on location. Overall, Peoria is one of the low cost leaders with moderate wage and office costs. With available office space and low



average office rent, Peoria can offer significant benefits to technology companies looking to relocate. Salt Lake City provides the most competition for Peoria from a cost standpoint. However, the low office vacancy rate in Salt Lake City should signal that rents will be rising in the near term.

Business Cost Factors for Technology Companies								
Metro Area	Employee Cost		Office Rent		Office Cost/Employee ¹		Office Vacancy	
	Annual Wage	Rank	Per SF	Rank	Cost	Rank	Percent	Rank
Austin, TX	\$101,704	6	\$32.59	6	\$5,703	6	12.0%	3
Dallas-Fort Worth, TX	\$85,283	2	\$23.93	3	\$4,188	3	18.7%	7
Denver, CO	\$96,416	4	\$25.21	4	\$4,412	4	13.6%	4
Los Angeles, CA	\$101,168	5	\$35.27	7	\$6,172	7	16.2%	6
Salt Lake City, UT	\$81,313	1	\$20.36	1	\$3,563	1	6.9%	1
San Diego, CA	\$107,023	7	\$29.52	5	\$5,166	5	14.5%	5
San Francisco, CA	\$175,557	8	\$66.80	8	\$11,690	8	8.4%	2
Peoria, AZ	\$91,380	3	\$22.49	2	\$3,936	2	21.8%	8

¹Based on 175 square feet of office space per employee
Source: JLL

Technology company opportunity factors are displayed on the following table. Peoria and the Greater Phoenix region lag behind the competition in the talent pool (share of the population with a Bachelor’s degree or higher) and percent of the population classified as millennials (age 20 to 34). The local region also has a significantly lower flow of venture capital into the area compared to all other metro areas. For instance, Salt Lake City’s venture capital funding is 33 times larger than that found in Peoria and Greater Phoenix.

Tech Company Opportunity Factors						
Metro Area	Venture Capital ¹	Talent Pool ²	Share of Millennials	Market Dynamism ³	Market Score	Rank
Austin, TX	\$459.4	40.6%	24.7%	8	75.0	4
Dallas-Fort Worth, TX	\$101.6	31.7%	21.4%	6	71.2	6
Denver, CO	\$348.3	39.2%	22.2%	7	79.8	2
Los Angeles, CA	\$2,600.0	29.7%	23.3%	10	71.8	7
Salt Lake City, UT	\$872.8	30.5%	23.7%	5	77.3	3
San Diego, CA	\$279.2	34.6%	24.5%	3	71.9	5
San Francisco, CA	\$12,600.0	52.4%	28.8%	12	93.4	1
Peoria, AZ	\$26.0	28.7%	21.0%	8	64.6	8

¹In Millions
²Percent of population with a Bachelor's degree or higher
³Range 0-14; reflects opportunities and job growth
Source: JLL



All the factors outlined previously were used to generate a “market score”. The score is a composite of tech job growth, the talent pool, the millennial population, innovation and patent activity, venture capital funding and real estate market factors (cost of office space and housing). Peoria scores the lowest among the competitive metro areas, primarily because of the lack of venture funding and the smaller talent pool.

Peoria’s market dynamism score is above average at 8 on a scale of 0 to 14 and is reflective of the local opportunities and recent growth in tech companies and jobs. Peoria’s score is equal to Austin’s and above all other cities except LA and San Francisco.

3.3 Workforce Attraction Costs

As part of this study, research was also conducted on several quality of life factors that are important components of business location decision-making. In all cases, Peoria compares very favorably to the competitive set of metro areas.

Cost of Living

Peoria has the lowest composite cost of living among the competitive set of metro areas. Its cost of living is significantly less than Denver and the California cities and still lower than the Texas cities and Salt Lake City. Cost of living is an important factor for employee attraction and business relocations.

Cost of Living Index Q2 2015								
	100%		13.96%	27.80%	10.23%	12.12%	4.41%	31.48%
Metro Area	Composite Index	Rank	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc.
U.S.	100.0		100.0	100.0	100.0	100.0	100.0	100.0
Austin, TX	95.4	2	86.7	86.4	97.8	96.0	104.3	105.1
Dallas, TX	97.1	3	107.2	72.9	103.5	89.6	104.4	113.7
Denver, CO	107.7	5	99.5	127.3	93.1	97.7	106.0	102.8
Los Angeles, CA	136.9	6	106.3	209.1	111.9	119.9	109.2	105.2
Salt Lake City, UT	97.6	4	94.9	93.9	93.8	106.4	91.2	100.7
San Diego, CA	141.9	7	109.4	219.5	122.4	123.9	111.4	105.2
San Francisco, CA	173.2	8	124.1	314.6	108.4	130.8	119.3	114.9
Peoria, AZ	93.6	1	100.5	92.0	92.5	93.5	97.2	91.9

Source: Council for Community and Economic Research

Wages

Peoria is located in a moderate wage region, with median wage levels approximately equal to the U.S. median. San Francisco has the highest median wage followed by Denver.



2014 Median & Annual Wages						
Metro Area	Median			Average		
	Wage	Rank	% of U.S.	Wage	Rank	% of U.S.
U.S.	\$35,540			\$47,230		
Austin, TX	\$36,640	4	103.1%	\$48,150	4	101.9%
Dallas, TX	\$35,610	2	100.2%	\$47,670	3	100.9%
Denver, CO	\$40,370	7	113.6%	\$53,060	7	112.3%
Los Angeles, CA	\$38,290	5	107.7%	\$53,000	5	112.2%
Salt Lake City, UT	\$35,780	3	100.7%	\$46,730	2	98.9%
San Diego, CA	\$39,040	6	109.8%	\$53,020	6	112.3%
San Francisco, CA	\$49,330	8	138.8%	\$64,990	8	137.6%
Peoria, AZ	\$35,150	1	98.9%	\$45,840	1	97.1%

Source: BLS Occupational Employment Statistics May 2014

Single Family Home Prices

Single family home prices are an important component of the cost of living. Among the competitive set of metro areas, Peoria has the lowest average price in 2015 except for Dallas. Between the second quarter of 2014 and 2015, prices have risen 9.7%, roughly similar to the increases in most of the competitive metro areas. Peoria home prices lag slightly behind the U.S. median.

Median Sale Price of Single Family Homes (\$ Thousands)						
Metro Area	2012	2013	2014	Q2 2015	2015	2012 to
					Rank	Q2 2015 % Change
U.S.	\$177.2	\$197.4	\$208.9	\$229.4		29.5%
Austin, TX	\$206.0	\$222.9	\$240.7	\$271.6	4	31.8%
Dallas, TX	\$159.3	\$175.6	\$188.3	\$215.2	1	35.1%
Denver, CO	\$252.4	\$280.6	\$310.2	\$362.9	5	43.8%
Los Angeles, CA	\$327.5	\$405.6	\$449.5	\$445.2	6	35.9%
Salt Lake City, UT	\$204.7	\$230.6	\$239.1	\$262.0	3	28.0%
San Diego, CA	\$385.5	\$464.3	\$497.9	\$547.8	7	42.1%
San Francisco, CA	\$543.8	\$669.6	\$737.6	\$841.6	8	54.8%
Peoria, AZ	\$147.6	\$183.6	\$198.5	\$217.9	2	47.6%

Source: National Association of Realtors

Average Apartment Rents

Similar to single family home prices, apartment rents are an important component of the housing market, particularly for persons graduating from high school or college and entering the workforce. Among the competitive set of metro areas, the average monthly apartment rent in Peoria is significantly lower than competitive metro areas. Apartment rents in California



cities are generally twice the rents found in Peoria with rents in San Francisco 265% higher than local rents. Rents in Austin, Texas are 41% higher than in Peoria. And even in Salt Lake City where wage levels are about equal to wages found in Peoria and Greater Phoenix, average rents are 16% higher than in Peoria.

Average Monthly Apartment Rent			
Metro Area	Average Rent	Rank	% Increase To Peoria
Austin, TX	\$1,185	4	41%
Dallas-Fort Worth, TX	\$984	3	17%
Denver, CO	\$1,278	5	52%
Los Angeles, CA	\$1,738	7	107%
Salt Lake City, UT	\$974	2	16%
San Diego, CA	\$1,575	6	87%
San Francisco, CA	\$3,067	8	265%
Peoria, AZ	\$841	1	

Source: JLL

Summary

Compared to the seven competitive metro areas, Peoria is by far the low cost option for both business costs and workforce attraction costs. This finding applies to both the KPMG analysis and the JLL report. The KPMG study evaluated the cost components for three types of service sector operations and the manufacturing sector for the selected competitive metro areas. Peoria is ranked second in lowest cost in the service sector operations subsectors and third in manufacturing while Salt Lake City is ranked first in all categories except manufacturing. The overall composite ranking shows Peoria in second place behind Salt Lake City although the top four cities of Peoria, Salt Lake City, Dallas and Austin are all ranked very close in scoring.

The findings of the JLL analysis show a similar pattern related to the effect of business costs on technology companies. Overall, Peoria is one of the low cost leaders with moderate wage, office and housing costs and can offer significant benefits to technology companies looking to relocate. Salt Lake City provides the most competition for Peoria from a cost standpoint. However, given the low office vacancy rates in the Salt Lake City, rents should begin rising.

The only weakness for Peoria in the analysis is the lower opportunity ratings for technology companies. Peoria and Greater Phoenix have very limited venture capital funding and a smaller talent pool than other metro areas. However, JLL rated Peoria with an 8 in market dynamism, indicating that progress is being made in the growth and expansion of technology companies.

Overall, Peoria compares very well to the competition but needs to improve in generating venture capital, promoting start-up companies and developing a more robust talent pool. Universities are a key component in tackling this issue and have joined with cities in cooperative efforts to further develop the environment to promote the technology industry.

