

Notice of Intent Retail Development Tax Incentive Agreement

Northeast Corner of Carefree Highway and Cave Creek Road

Town of Carefree

CCS Crossroads LLC

Development of the Carefree Quarter Shopping Center

Notice of Intent Requirement

- Arizona Revised Statute 9-500.11
- Before entering into a retail development tax incentive agreement, a city or town shall make a finding by a simple majority vote of the governing body without the use of consent calendar that includes both of the following
 - That in the absence of a tax incentive, the retail business facility or similar retail business facility would not locate in the city or town in the same time, place or manner.
 - That the proposed tax incentive is anticipated to raise more revenue than the amount of the incentive within the duration of the agreement.

Site – Northeast Corner of Carefree Highway Cave Creek Road

- Approximately 20 acres
- 3 properties
- 2018 General Plan Designation as Special Planning Area
- 2018 Commercial Zoning
 - Parcel C restricted to office uses



Approved Site Plan

155,000 Total Square Feet

125,000 Retail Square Feet



Site History

- 2017 Purchased By Empire Companies
- Under Contract with Eisenberg Companies (Parcel A)
 - 62,000 SF Commercial/Retail Parcel A
 - Increased costs due to COVID
- Under Contract with Thompson Thrift (All Parcels)
 - 48,000 SF Commercial/Retail
 - 120+ Multi-Family
 - Non-Compliant with Zoning and Approved Site Plan
- Site Currently in process with Empire/Diversified Partners
 - 125,000 Square Foot Commercial
 - 98,000 Square Feet Retail Parcels A & B

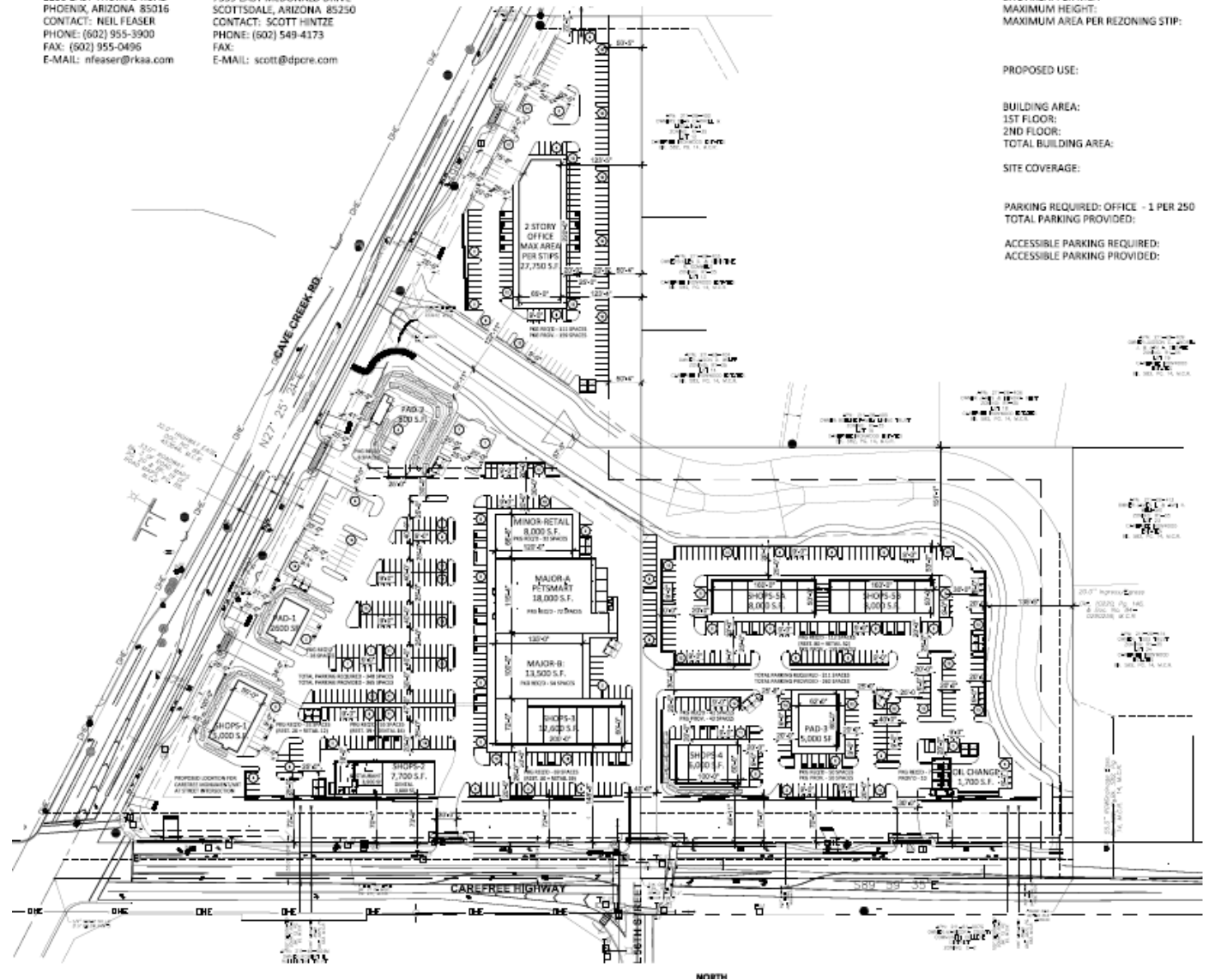
Both developers stated the cost of the relocating the onsite wash was a significant inhibitor to a commercial retail development for the entirety of the site in accordance with the approved site plan

Current Working Site Plan and Carefree Quarter Project

PROJECT DIRECTORY

ARCHITECT:
RKA ARCHITECTS, INC.
2233 EAST THOMAS ROAD
PHOENIX, ARIZONA 85016
CONTACT: NEIL FEASER
PHONE: (602) 955-3900
FAX: (602) 955-0496
E-MAIL: nfeaser@rkaa.com

OWNER/DEVELOPER:
DIVERSIFIED PARTNERS LLC
7339 EAST McDONALD DRIVE
SCOTTSDALE, ARIZONA 85250
CONTACT: SCOTT HINTZE
PHONE: (602) 549-4173
FAX:
E-MAIL: scott@dpcre.com



SITE DATA - PARCEL C : 2 STOI

PARCEL NUMBER:
EXISTING ZONING: CAREFREE
SITE AREA: PER MCA
MAXIMUM HEIGHT:
MAXIMUM AREA PER REZONING STIP:

C

4.18 ACRE

PROPOSED USE:

BUILDING AREA:
1ST FLOOR:
2ND FLOOR:
TOTAL BUILDING AREA:

SITE COVERAGE:

PARKING REQUIRED: OFFICE - 1 PER 250
TOTAL PARKING PROVIDED:

ACCESSIBLE PARKING REQUIRED:
ACCESSIBLE PARKING PROVIDED:

Onsite Wash



Onsite Wash Impact Property



Onsite Wash Impact Site Plan



1 TO CONCEPTUAL SITE PLAN BY CONCEPT FUTURE, LLC DATED 03/20/18

Wash Options

- Leave in Place
 - Still Required Channelization limited site use and required bridging
 - Created minimal return to the Town of Carefree in total revenue
- Relocate Wash
 - Costs more
 - Maximize Development benefits the developer and the Town of Carefree by maximizing the total revenue potential
- Estimated Cost to Relocate the Wash - \$4,200,000

Activity to Date and Conclusion

- Empire has performed the necessary site and offsite due diligence to understand the cost of development
- Diversified Partners has actively marketed the site to potential users and prepared the project economics
- Based upon this information, a request was made to the Town of Carefree to assist with the cost of development to build in accordance with the approved site plan, which is in the best of both parties
- The Town of Carefree reviewed all information, and determined that this request does meet the requirements under state statute, and that it is in the best interest of Carefree
 - Expedite Development which would not occur
 - Increase Retail Development
 - Increase Maximum Retail Sales Tax Revenue

Decision
Economics
Sales Tax
Revenue

Town Original
Target for Retail
Sales Tax
\$1,200,000

		NPV	\$15,427,695	\$7,645,401	\$6,118,763
Year	Forecasted Tax Revenue		Revenue with Assistance	Revenue W/O Assistance*	Revenue not Relocate Wash**
1	\$ 1,000,000		\$ 510,000	\$ -	\$ 400,000
2	\$ 1,200,000		\$ 612,000	\$ -	\$ 410,000
3	\$ 1,230,000		\$ 627,300	\$ -	\$ 420,250
4	\$ 1,260,750		\$ 642,983	\$ -	\$ 430,756
5	\$ 1,292,269		\$ 659,057	\$ -	\$ 441,525
6	\$ 1,324,575		\$ 1,324,575	\$ -	\$ 452,563
7	\$ 1,357,690		\$ 1,357,690	\$ -	\$ 463,877
8	\$ 1,391,632		\$ 1,391,632	\$ 1,000,000	\$ 475,474
9	\$ 1,426,423		\$ 1,426,423	\$ 1,025,000	\$ 487,361
10	\$ 1,462,083		\$ 1,462,083	\$ 1,050,625	\$ 499,545
11	\$ 1,498,636		\$ 1,505,946	\$ 1,076,891	\$ 512,034
12	\$ 1,536,101		\$ 1,551,124	\$ 1,103,813	\$ 524,835
13	\$ 1,574,504		\$ 1,597,658	\$ 1,131,408	\$ 537,956
14	\$ 1,613,867		\$ 1,645,588	\$ 1,159,693	\$ 551,404
15	\$ 1,654,213		\$ 1,694,955	\$ 1,188,686	\$ 565,190
16	\$ 1,695,569		\$ 1,745,804	\$ 1,218,403	\$ 579,319
17	\$ 1,737,958		\$ 1,798,178	\$ 1,248,863	\$ 593,802
18	\$ 1,781,407		\$ 1,852,124	\$ 1,280,085	\$ 608,647
19	\$ 1,825,942		\$ 1,907,687	\$ 1,312,087	\$ 623,863
20	\$ 1,871,590		\$ 1,964,918	\$ 1,344,889	\$ 639,460
		Total	\$ 27,277,726	\$ 15,140,442	\$ 10,217,863

Key Retail Sales Tax Incentive Agreement Terms

- Must Build 60,000 Square Feet by December 31, 2026
- Minimum Retail Requirement of a Primary Tenant
- 5 Year Incentive
- Reimburse Initial Construction Sales Tax 49%/51% Developer/Town
- Retail Sales Tax Generated Retailers Tax 49%/51% Developer/Town
- Amount capped at total cost of public infrastructure estimated at \$7,000,000
 - Wash/Trail
 - Water Lines
 - Street Improvements
- Non Sales Tax Terms
 - Fee Waiver on Town Fees

Estimated Project Sales Tax Revenue

- Tax Amount Retained includes all collected taxes including Construction Sales Tax, Retail Sales Tax, Lease Tax and Utility Tax

Year	Tax Amount Rebated	Tax Amount Retained
1	\$963,340	\$1,111,140
2	\$549,780	\$710,685
3	\$627,396	\$840,228
4	\$627,396	\$784,536
5	\$627,396	\$784,536
6	\$0	\$1,612,940
7	\$0	\$1,403,640
8	\$0	\$1,403,640
9	\$0	\$1,403,640
10	\$0	\$1,403,640

Assumes Office Built

5 Year \$3,395,308 \$4,231,125
10 Year \$3,395,308 \$11,458,625

55% Carefree
77% Carefree

Conclusion

- The Agreement is necessary to build the project in conformance of the site plan
- The Agreement Terms create more sales tax revenue during the term of the agreement than reimbursed
- The mechanism, regardless of revenue, ensures the Town of Carefree gets more revenue that provides in incentives
- The Agreement is contingent upon a reasonable start date
- The Agreement provides for significant public benefit and public infrastructure
- The Agreement incentivizes the developer to build more retail
- The agreement will achieve a higher Town cashflow years beyond the agreement

Next Steps

- Approve the Notice of Intent
- State Statute further requires a professional third-party evaluation of the necessity and incentive economics as required by statute
- Town Council approval by 2/3 vote on an agreement