Economic & Fiscal Impact of the Proposed Downtown Marana Development

Prepared for:
Town of Marana

MARANA AZ
ECONOMIC DEVELOPMENT & TOURISM

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Executive Summary

The Downtown Marana project is a proposed mixed-use development on 19 acres of Town-owned land at Marana Main Street and Civic Center Drive (referred to as the "South 19"). Initial phases include an iconic entry monument and archway, about 70,000 square feet of restaurant-focused commercial space, and a 175-key upscale hotel—anchoring a new entertainment district and forming the foundation for future Downtown Marana phases.

To support this development, the Town of Marana has committed significant incentives. These include reimbursement of certain infrastructure costs through dedicated sales and construction tax revenues, waiver of plan review and permit fees, Town-funded utilities and drainage improvements to the project boundary, and coverage of applicable development impact fees. Together, these measures reduce the Developer's upfront and ongoing expenses, aligning the financial structure of the project with the long-term success of Downtown Marana.

Economic Impacts

- Development of the South 19 buildings will require an estimated $84.0 million in construction investment over an 11-year buildout, generating $119.7 million in economic impact along with 619 construction-related jobs and $38.7million in wages. Average annual impacts are shown in the following table, based on the 11-year horizon, with a detailed phase-by-phase analysis provided in the body of the report.

- At buildout, the proposed development is expected to support 1,072 onsite jobs and a total of 1,441 jobs overall, along with $56.7 million in wages and $197.2 million in annual economic activity. These totals reflect the combined operations of the commercial and hotel uses, as well as additional impacts from tourist spending in the local economy.

Economic Impact Summary Marana Downtown Development (2025 Dollars)				
Construction	**Total**	**Annual Average**		
Estimated value of construction	$84.0	$7.6		
Direct person years of employment	437	40		
Person years of employment	619	56		
Wages ($mil)	$38.7	$3.5		
Economic Output ($ mil)	$119.7	$10.9		
Operations (Annual at Buildout)	**Commercial Operations**	**Hotel Operations**	**Tourist Spending**	**Total**
Direct onsite jobs	885	120	67	1,072
Total jobs	1,185	165	92	1,441
Wages ($mil)	$43.8	$8.2	$4.7	$56.7
Economic Output ($ mil)	$160.5	$25.1	$11.6	$197.2
Sources: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; Arizona Department of Revenue				

Fiscal Impacts
To highlight the full scale of benefits generated by the South 19 portion of the Downtown Marana development, the following table summarizes the total projected construction- and operations-related impacts, including all major revenue streams (construction sales tax, use tax, bed tax, sales tax, lease tax, etc.). These figures represent the gross benefits to the Town and region prior to accounting for development agreement incentives.

The construction phase of the proposed development would generate direct revenues prime contracting transaction privilege tax and use taxes. An estimated $4.4 million in tax revenues would be generated for the State of Arizona, $939,500 for Pima County, and $2.4 million for the Town of Marana.

After the development is fully built out, the operations would create an estimated $3.6 million each year for the State of Arizona, $436,200 for Pima County, and $2.7 million for the Town of Marana. Again, these figures represent gross benefits prior to accounting for the development agreement incentive. Section 5.0 of this report provides the net impacts after considering the Town's incentive commitments.

Fiscal Impact Summary
Marana Downtown Development
(2025 Dollars)

		State of Arizona	Pima County	Town of Marana	TOTAL
Construction					
Primary Impacts	Construction sales tax	$2,699,900	$273,000	$2,184,000	**$5,156,900**
	Use tax	$323,400	--	$144,400	**$467,800**
Secondary Impact from Employees	Secondary total	$1,371,800	$666,500	$45,800	**$2,084,100**
Total Impact from Construction		**$4,395,100**	**$939,500**	**$2,374,200**	**$7,708,800**
Operations (annual at buildout)					
Primary Impacts	Bed tax	$524,300	$78,000	$1,204,900	**$1,807,200**
	Sales tax	$2,252,100	$262,500	$1,312,500	**$3,827,100**
	Lease tax	N/A	$12,900	$64,400	**$77,300**
	Utility tax	$10,600	$1,200	$9,900	**$21,700**
Secondary Impact from Employees	Secondary total	$862,500	$81,600	$73,900	**$1,018,000**
Total Annual Impact from Operations		**$3,649,500**	**$436,200**	**$2,665,600**	**$6,751,300**

NOTE: All of the above figures are representative of the major revenue sources for the governments.

Sources: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; ADOR

Net Benefits during the Development Agreement (A.R.S. § 9-500.11 Analysis)
This analysis has been prepared in accordance with A.R.S. § 9-500.11, which requires that any tax incentive or reimbursement provided under a development agreement be justified by demonstrating that the project is anticipated to generate greater public revenues than the value of the incentive over the duration of the agreement. Consistent with this standard, the fiscal impacts presented in this report reflect only direct tax revenues accruing to the Town of Marana and exclude any indirect or induced regional economic effects.

During the first twenty years of the Development Agreement, the Downtown Marana project is projected to generate approximately $37.5 million in direct tax revenues for the Town. Assuming the development is maintained and periodically modernized to support long-term stabilized operations, total direct tax revenues are estimated at $180.1 million over 75 years and $244.9 million over the full 100-year term (in constant 2025 dollars).

After accounting for the reimbursements required under the Development Agreement—75% of prime contracting taxes and 45% of sales, lease, and bed taxes generated on-site—the net fiscal benefit to the Town over the first 75 years is estimated at $98.7 million. By that point, cumulative deposits into the reimbursement account are projected to total approximately $81.3 million. Because the Development Agreement limits total reimbursements to the actual eligible improvement costs incurred by the developer (estimated at approximately $84 million in this analysis), no additional deposits beyond that amount would be required once those costs are fully reimbursed. As a result, the net fiscal benefit to the Town over the full 100-year period is estimated at $160.9 million. This figure reflects only the tax categories included in the analysis and does not incorporate non-tax incentives or Town-funded costs, which are addressed qualitatively in the Development Agreement. Accordingly, the anticipated direct revenues generated by the project exceed the value of the incentives provided, and the Development Agreement is expected to comply with the revenue-generation test under A.R.S. § 9-500.11.

While the Town will reimburse the developer for eligible improvement costs using a portion of the tax revenues generated on the site, these reimbursements occur only as revenues are collected and never exceed the actual tax proceeds generated by the project. Over both the 75-year and 100-year evaluation horizons, total direct tax revenues are projected to exceed the reimbursement amounts. Accordingly, the Development Agreement is expected to satisfy the requirements of A.R.S. § 9-500.11, which mandates that anticipated public revenues exceed the value of any tax incentive provided by the Town.

Evaluation of Direct Public Benefits Under the Arizona Gift Clause (Schires v. Carlat)
The Development Agreement must also comply with the Arizona Constitution's Gift Clause, as interpreted in *Schires v. Carlat (2021).* Under this standard, only direct, tangible, and measurable benefits that the developer is contractually obligated to provide may be considered when evaluating whether the Town receives proportionate value in exchange for its expenditure. Indirect or speculative benefits—such as job creation, visitor spending, or regional economic activity—cannot be used to demonstrate compliance with the Gift Clause.

Under the Development Agreement, Marana Urban LLC provides the Town with several direct and quantifiable public benefits. These include the construction and conveyance of the Required Public Improvements; the reversion of all commercial improvements at the conclusion or termination of the ground lease—estimated in a Town-commissioned appraisal to have a depreciated value of approximately $362.9 million at Year 75 and $477.5 million at Year 100; and annual fixed ground-rent payments estimated to total approximately $4.4 million over 75 years and $9.6 million over 100 years (in constant 2025 dollars). In addition, the Agreement provides the Town with a no-cost license to own and maintain the billboard sign on the North 40 Acres, valued at approximately $62,000 over 75 years and $137,000 over 100 years.

The Agreement also provides additional direct benefits—such as public use rights for designated community spaces, the developer's maintenance obligations for certain common areas it elects to control, and the Town's contractual right to receive percentage rent from commercial operations once the specified revenue thresholds are met. While not all of these benefits have quantified monetary values at this time, each represents a direct, tangible, and enforceable obligation under the Development Agreement. Collectively, they provide measurable public value for purposes of the Gift Clause analysis.

Based on the expected value of these direct, tangible, and contractually enforceable benefits—and the structure of the reimbursement mechanism, which limits Town payments to actual tax revenues generated on-site—the consideration provided to the Town is not grossly disproportionate to the Town's estimated $84 million reimbursement obligation under the Development Agreement. Accordingly, the Agreement is expected to comply with the requirements of the Arizona Constitution's Gift Clause as articulated in *Schires v. Carlat (2001).*

1.0 Introduction

Elliott D. Pollack & Company was retained to perform an analysis of the economic and fiscal impacts of the construction and operations of the proposed Downtown Marana Development – a mixed-use project to be located on 19 acres of Town-owned land at Marana Main Street and Civic Center Drive. The project is envisioned to include approximately 70,000 square feet of commercial space, primarily restaurants and other food and beverage uses, a 175-key upscale hotel, and an iconic entry monument and sign that will serve as the gateway to Downtown Marana. This analysis quantifies the future impacts the development is expected to generate for both the regional economy and the Town of Marana.

This study focuses on the economic and fiscal impacts of the following:

1. Construction of the project.
2. Impact of operations once construction is completed.
3. Impact from tourist spending created in the Town of Marana.

Both economic and fiscal impacts of the project will be described. Economic impact analysis examines the regional implications of an activity in terms of three basic measures: 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 municipality, county or state government are analyzed to determine how the activity may financially affect them.

This study prepared by Elliott D. Pollack & Company is subject to the following considerations and limiting conditions.

- It is our understanding that this study is for the client's and Town of Marana's due diligence and other planning purposes. Neither our report, nor its contents, nor any of our work were intended to be included and, therefore, may not be referred to or quoted in whole or in part, in any registration statement, prospectus, public filing, private offering memorandum, or loan agreement without our prior written approval.

- The reported recommendation(s) represent the considered judgment of Elliott D. Pollack & Company based on the facts, analyses and methodologies described in the report.

- Except as specifically stated to the contrary, this study does not give consideration to the following matters: (i) issues of a legal nature, including legal title, interpretation of statutes, or compliance with federal, state, and local laws and ordinances; and (ii) environmental and engineering issues, and the costs associated with their correction. The user of this study is responsible for determining the impact of such matters, if any.

- This includes any legal interpretation of A.R.S. § 9-500.11, the Arizona Constitution, or the Gift Clause; the analysis herein is limited to economic and fiscal modeling and does not constitute a legal opinion.

- This study is intended to be read and used as a whole and not in parts.

- This study has not evaluated the feasibility or marketability of any site for planned uses.

- All estimates regarding construction and operating data were provided by Marana Urban LLC and estimates from building professionals. Data has been reviewed and verified to determine its reasonableness and applicability to the projects.

- This economic and fiscal impact study evaluates the potential "gross impacts" of construction and operations activities. The term "gross impacts" as used in this study refers to the total revenue, jobs and economic output that would be generated by the construction and operations. The study does not consider the potential impact on other businesses in the trade area that may occur as a result of the proposed project.

- This analysis does not consider the costs to local governments associated with providing services to the project. Such analysis is beyond the scope of this study. In addition, the analysis is based on the current tax structure and rates imposed by the State, counties, and local governments. Changes in those rates would alter the findings of this study.

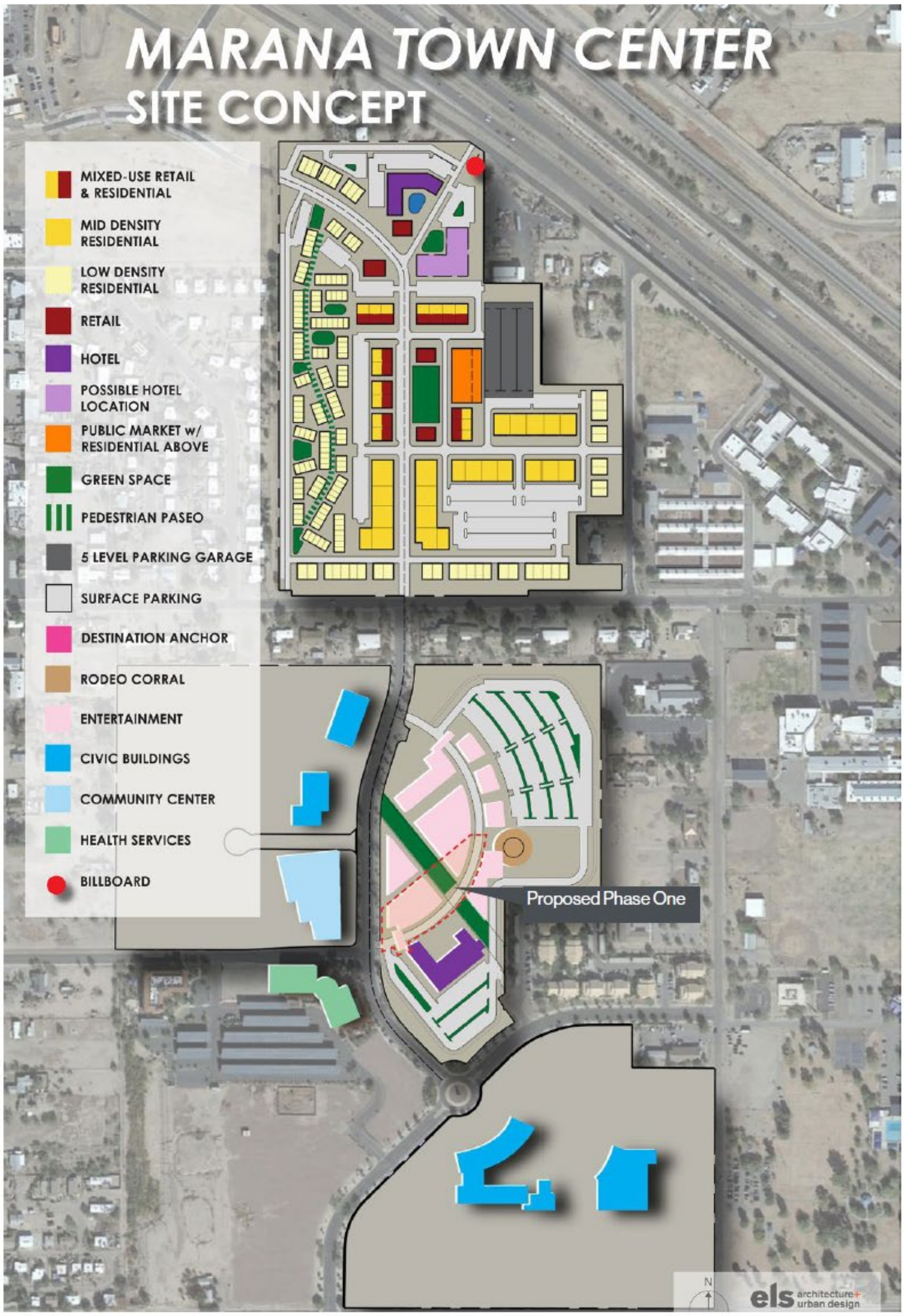
- Many dollar amounts are stated in current dollars and, unless indicated, do not take into account the effects of inflation.

- Our analysis is based on currently available information and estimates and assumptions about immediate as well as long-term future development trends. Such estimates and assumptions are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary materially from the forecasted results. The assumptions disclosed in this study are those that are believed to be significant to the projections of future results.

2.0 Assumptions & Methodology

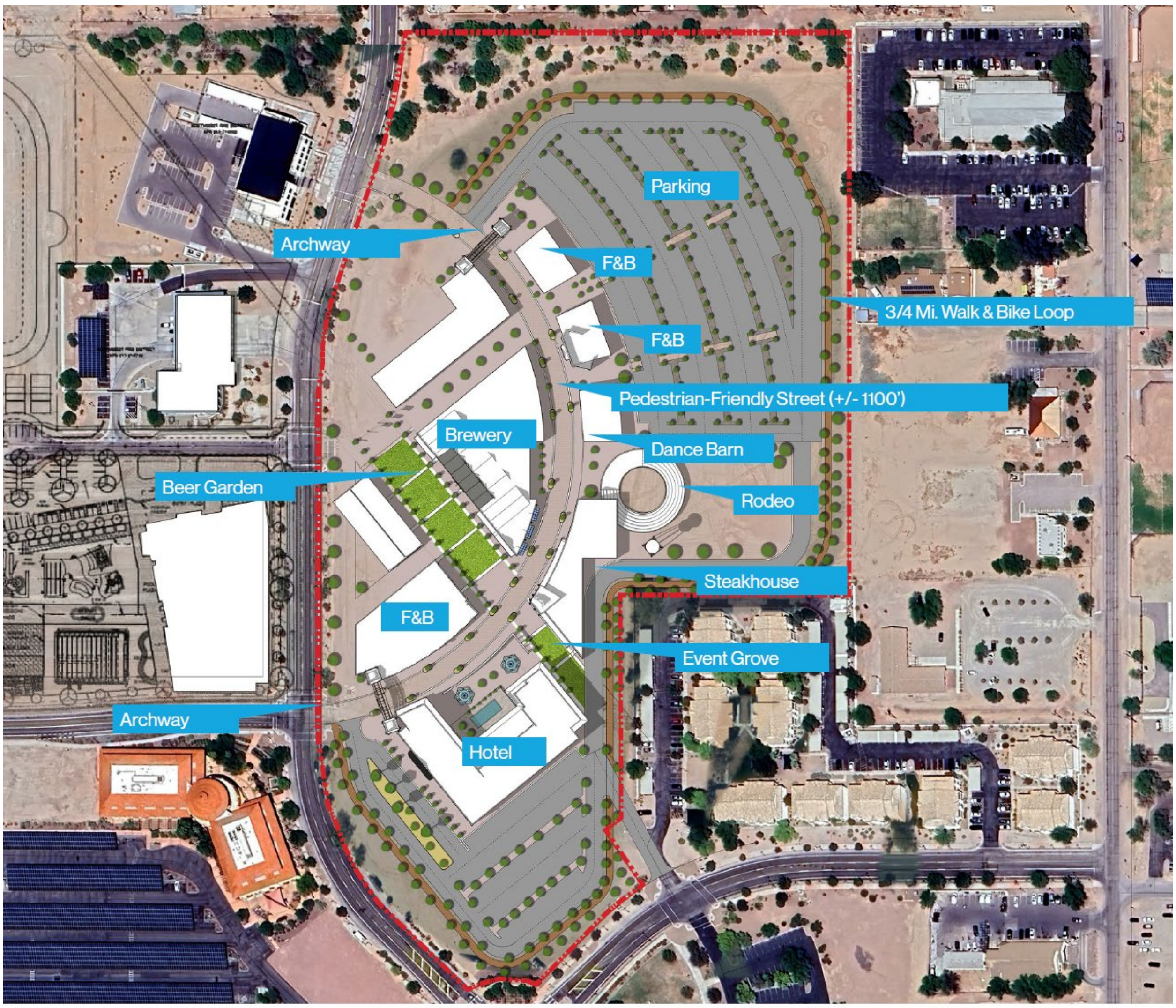
2.1 Project Description & Assumptions

The proposed Downtown Marana development site is located at Marana Main Street and Civic Center Drive, directly north of Town Hall and adjacent to key civic and community facilities. The map below illustrates the full 59-acre conceptual plan that includes both Town-owned and privately owned parcels.



Site Concept Graphic by ELS Architecture and Urban Design, modified by AXIS Architecture + Design

This report, however, focuses specifically on the "South 19" acres owned by the Town of Marana, located at the southern end of the planned Downtown Marana district. The following map illustrates the conceptual site plan for the Town's 19-acre parcel. Proposed uses include a brewery, beer garden, restaurants and food & beverage space, a steakhouse, rodeo and dance barn, hotel, surface parking, a pedestrian-friendly street anchored by the Marana Archway, and a ¾-mile bike and walking loop. These elements represent the current vision for the South 19: however, the specific uses, locations, and timing may evolve based on market demand, operator interest, and the Town's planning priorities.



The development assumptions used in this analysis are summarized in the following tables by phase. In total, the report assumes approximately 70,000 square feet of commercial space and a 175-key hotel, representing an estimated $84.0 million in construction investment. The tables also provide the anticipated timing for construction and operations by year for each phase.

Project Site Plan Assumptions Marana Downtown Development (2025 Dollars)						
Phase	**Commercial Square Feet**	**Hotel Units**	**Parking Spaces**	**Construction Cost**	**Construction Start**	**Construction Start**
Phase 1	15,000	--	200	$6,375,000	2025	2028
Phase 2	25,000	175	500	$64,875,000	2028	2031
Phase 3	10,000	--	--	$4,250,000	2031	2033
Phase 4	10,000	--	--	$4,250,000	2032	2034
Phase 5	10,000	--	--	$4,250,000	2034	2036
Total	**70,000**	**175**	**700**	**$84,000,000**		

Source: Marana Urban LLC; Elliott D. Pollack & Company

The operating assumptions used to estimate the economic and fiscal impacts of the operations of the proposed mixed-use development have been created from a variety of sources. The development plan for the property was provided by Marana Urban LLC, which outlined the initial square footage and expected rents and occupancy.

For hotel operations, the analysis assumes an average of 1.5 rooms per employee and an average daily room rate of $200. Stabilized occupancy is projected at 70%, with an average of 2.0 persons per occupied room. Utility costs are estimated at $10 per room. Total visitor spending within the Town is assumed to experience a 50% leakage rate, which also reflects the portion of spending occurring on-site and captured in the commercial estimates of this analysis.

For commercial uses, employment is estimated at one employee per 79 square feet. Average annual sales revenue is projected at $750 per square foot. In addition, lease rates are assumed at approximately $40 per square foot per year, with an expected vacancy rate of 8% and utility costs averaging $3.50 per square foot.

Operating Assumptions Marana Downtown Development (2025 Dollars)	
Hotel	
Rooms per employee	1.5
Room rate	$200
Occupancy	70%
Visitor spending leakage rate for Town	50%
Average persons per room	2.0
Utilities per room per month	$10.00
Commercial	
Square feet per employee	79
Sales per square foot	$750
Rent per square foot	$40
Stabilized occupancy rate	92%
Utilities per square foot	$3.50

Source: Marana Urban LLC; ULI; SIOR; Marshall & Swift; AZ Office of Tourism

2.2 Economic Impact Methodology

Economic impact analysis examines the economic implications of an activity in terms of output, earnings, and employment. For this study, the analysis focused on the construction impacts as well as the ongoing operations including direct expenditures by the residents.

The different types of economic impacts are known as direct, indirect, and induced, according to the manner in which the impacts are generated. For instance, direct employment consists of permanent jobs held by project employees. Indirect employment is those jobs created by businesses that provide goods and services essential to the operation or construction of the project. These businesses range from manufacturers (who make goods) to wholesalers (who deliver goods) to janitorial firms (who clean the buildings). Finally, the spending of the wages and salaries of direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy, throughout the region. These secondary effects are captured in the analysis conducted in this study.

Multipliers have been developed to estimate the indirect and induced impacts of various direct economic activities. The Implan Group developed the multipliers used in this study and were selected based on the land use type. Office space, for example, uses an average multiplier that represents various business services while the retail space uses an average multiplier that represents retail uses. The multipliers used for this project represent the construction of multifamily dwellings, service to buildings, and those related to the spending of residents on retail sales, entertainment, services and restaurant and bars.

The multipliers specific to Pima County are used in this study. This means that the indirect and induced figures represent jobs created throughout the region. The direct impacts would be on the Town of Marana specifically.

The economic impact is categorized into three types of impacts:

(1) **Employment Impact** – the total wage and salary and self-employed jobs in a region. Jobs include both part time and full-time workers.

(2) **Earnings Impact** – the personal income, earnings or wages, of the direct, indirect and induced employees. Earnings include total wage and salary payments as well as benefits of health and life insurance, retirement payments and any other non-cash compensation.

(3) **Economic Output** – also referred to economic activity, relates to the gross receipts for goods or services generated by the company's operations.

Economic impacts are by their nature regional in character. Such impacts are best illustrated when not assigned to a specific municipality or locality, although clearly the primary impact of job creation would be on the municipality and county where the project is located. However, many other communities in the surrounding region would also benefit from the operations of the project.

2.3 Fiscal Impact Methodology

Fiscal impact analysis studies the public revenues associated with a particular economic activity. The primary revenue sources of local, county, and state governments (i.e., taxes) are analyzed to determine how an activity may affect the various jurisdictions. This section will evaluate the impact of the project on local government revenues.

The fiscal impact figures cited in this report have been generated from information provided by a variety of sources including the U.S. Bureau of the Census; the U.S. Department of Labor; the Internal Revenue Service; the State of Arizona; the Arizona Tax Research Association; and the U.S. Consumer Expenditure Survey. Elliott D. Pollack & Company has relied upon the estimates of operating revenues outlined in this study.

Fiscal impacts are categorized by type in this study, similar to economic impact analysis. The major sources of revenue generation for governmental entities are calculated based on ongoing operations. Employees will spend part of their salaries on local goods and services and pay taxes on the homes they occupy. This spending will contribute to revenues collected by the State that are ultimately shared with local governments.

The following is a description of the applicable revenue sources that will be considered for this analysis.

- Prime Contracting Transaction Privilege Tax (TPT)
  The State, counties, and local governments levy a transaction privilege tax (TPT) on the business of prime contracting, including, for example, the construction of buildings and the development of land improvements. That tax is calculated by State law under the assumption that 65% of the construction cost of the facility and its land improvements are taxable. The tax rate is then applied to the 65% figure.

  The transaction privilege tax on prime contracting is a one-time collection by the governmental entity. The State currently levies a 5.6% tax on construction activity (a portion of which is shared with local governments) while Pima County levies a rate of 0.5% and the Town of Marana prime contracting TPT rate is 4.0%.

- Transaction Privilege Tax on Retail, Utilities and Commercial Lease
  The State, counties, and local cities in Arizona charge transaction privilege tax (TPT) on retail goods and utility usage. Cities and some counties also levy a tax on commercial leases. The tax rate for the State is 5.6%. Portions of this tax are redistributed through revenue sharing to counties and cities throughout Arizona based on population. The County's TPT tax rate is 0.5% while the Town of Marana levies a rate of 2.5% (4.0% for utilities). These tax rates are applied to taxable sales, taxable supplies, direct utility usage, commercial leases, resident spending, as well as to the spending of direct, indirect and induced employees. Most of the employees supported by the project reside within a municipality or, at the very least, purchase goods from retailers located within a municipality. Based on data from the U.S. Consumer Expenditure Survey, the projected extent of retail spending and resulting sales tax receipts was calculated.

- Transient Lodging Transaction Privilege Tax (Bed Tax)
  The State, counties, and local cities in Arizona charge sales and bed tax on hotel and motel room revenues. The tax rate for the State is 5.5% while Pima County's rate is 0.55%. The

Town of Marana transient lodging TPT rate is 6.0% (for a total of 8.5% on hotel room revenues when combined with the Town's sales tax (TPT) of 2.5%).

- Real Property Tax

  Real property in Arizona is subject to property taxes based on the net assessed value determined by the County Assessor. Residential properties are levied at a 10% assessment ratio while commercial properties will be levied at a 15% assessment ratio (at time of completion).

  This analysis assumes no property tax will be levied on the South 19 development, as the land is owned by the Town of Marana. However, employees supported by operations will generate property tax revenues indirectly through the homes they own or lease. In order to estimate property taxes, the assessed full cash value of the occupied space along with the projected value of a typical housing unit has been calculated.

- State Shared Revenues

  Each municipality in Arizona receives a portion of State revenues from four different sources - State sales tax (see description above), State income tax, vehicle license tax and highway user tax. The formulas for allocating these revenues are primarily based on population. Counties also share in the revenue sources of the State, with the exception of income tax.

  State Income Tax

  The State of Arizona collects taxes on personal income. The tax rate used in the analysis averages about 1.6% for earnings. These percentages are based on the most recently available income tax data from the State and the projected wage levels of jobs created by the construction and operations impact. This tax is applied to the wages and earnings of direct and indirect employment. Portions of this tax are redistributed through revenue sharing to cities throughout Arizona based on population.

  HURF Taxes

  The State of Arizona collects specific taxes for the Highway User Revenue Fund (HURF). Both the registration fees and the motor vehicle fuel tax (gas tax) are considered in this analysis. The motor vehicle fuel tax is $0.18 per gallon and is calculated based on a vehicle traveling the Arizona statewide average of 12,735 miles per year at 16.6 miles per gallon. Registration fees average $65 per employee in the State of Arizona. These factors are applied to the projected direct and indirect employee count. Portions of these taxes are distributed to cities and counties throughout Arizona based on a formula that includes population and the origin of gasoline sales.

Vehicle License Tax

The vehicle license tax is a personal property tax placed on vehicles at the time of annual registration. This factor is applied to the projected direct, indirect and induced employee count. The average tax used in this analysis is $343 and portions of the total collections are distributed to the Highway User Revenue Fund. The remaining funds are shared between cities and counties in accordance with population-based formulas.

The above tax categories represent the largest sources of revenues that would be generated to the various jurisdictions. The revenue impacts do not include certain revenue sources such as corporate income taxes. All tax collections represented in this analysis are gross collections and do not take into consideration any incentives or development agreements that may occur.

3.0 Construction Impacts

This section of the report outlines the economic and fiscal impacts of the proposed development during the construction period. While construction impacts are typically considered short-term effects related to onsite and offsite employment and supporting industries, in this case they will occur over an extended 11-year buildout horizon. The following tables present the total construction impacts for the full development, with subsequent tables detailing impacts by individual phase. The long-term operational impacts of the project are addressed separately in Section 4.0.

3.1 Economic Impact of Construction

The total construction cost of the project is estimated at $84.0 million (in 2025 dollars). The economic impacts are expressed over the entire duration of the construction. The project would generate 437 direct person years of employment during construction of both phases. Person years of employment are the aggregate of each construction job that is recreated year after year throughout the construction time period. To derive the respective annual averages, employment, wages, and economic output can be divided by the expected number of years it may take to complete the development. An estimated $27.7 million in direct wages would be generated based on the total construction activity.

Another 181 indirect and induced person years of employment would be created in the local economy. Wages for these indirect and induced employees would total about $11.0 million. Altogether, the project would create approximately 619 jobs during the construction timeframe, $38.7 million in wages and nearly $119.7 million in economic activity.

Economic Impact of Construction
Marana Downtown Development
Town of Marana
(2025 Dollars)

Impact Type	Person Years of Employment	Wages	Economic Output
Direct	437	$27,731,000	$84,000,000
Indirect	62	$4,384,000	$14,023,000
Induced	119	$6,584,000	$21,722,000
Total	**619**	**$38,699,000**	**$119,745,000**

1/ The total may not equal the sum of the impacts due to rounding. All dollar figures are in constant dollars. Inflation has not been included in these figures.

Source: Marana Urban LLC; Elliott D. Pollack & Company; IMPLAN

3.2 Fiscal Impact of Construction

The construction of the proposed community would create significant tax revenues for the State, Pima County and the Town of Marana as shown on the following tables. Revenues have been defined in this analysis as either primary or secondary, depending on their source and how the dollars flow through the economy into city tax accounts. For instance, some revenues, such as prime contracting transaction privilege taxes, are straightforward calculations based on the cost of construction. These revenues are described in this study as primary revenues.

Secondary revenues, on the other hand, flow from the wages of those direct, indirect and induced employees who are supported by the project. Revenue projections are based on typical wages of the employees working on the project, their spending patterns, and projections of where they might live.

The State of Arizona will receive an estimated $3.0 million from prime contracting transaction privilege tax and use taxes generated during construction. An additional $1.4 million is projected to be generated by the spending of employees for a total fiscal impact on the State of $4.4 million.

Fiscal Impact of Construction
Marana Downtown Development
State of Arizona
(2025 Dollars)

	Primary Revenues		Secondary Revenues					
Impact Type	Prime Contracting TPT	Use Tax	Spending Sales Tax	Income Tax	Unemp. Tax	Vehicle Tax	Gas Revenues	**Total Revenues**
Direct	$2,699,900	$323,400	$359,700	$438,200	$82,600	$63,900	$33,600	**$4,001,300**
Indirect	N/A	N/A	$54,200	$69,300	$11,700	$9,100	$4,800	**$149,100**
Induced	N/A	N/A	$91,400	$104,000	$22,600	$17,500	$9,200	**$244,700**
Total	**$2,699,900**	**$323,400**	**$505,300**	**$611,500**	**$116,900**	**$90,500**	**$47,600**	**$4,395,100**

1/ The figures are intended only as a general guideline as to how the State could be impacted by the project. The above figures are based on the current economic structure and tax rates of the State.

Source: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association

Pima County is projected to receive a total of $939,500 in tax revenues during construction, including $273,000 from prime contracting transaction privilege tax.

Fiscal Impact of Construction
Marana Downtown Development
Pima County
(2025 Dollars)

Impact Type	Primary Revenues: Prime Contracting TPT	Secondary Revenues: Employee Spending TPT	Employee Property Tax	State Shared Revenues	Total Revenues
Direct	$273,000	$34,000	$419,000	$18,100	**$744,100**
Indirect	N/A	$5,100	$59,400	$2,600	**$67,100**
Induced	N/A	$8,600	$114,400	$5,300	**$128,300**
Total	**$273,000**	**$47,700**	**$592,800**	**$26,000**	**$939,500**

1/ The figures are intended only as a general guideline as to how the County could be impacted by the project. The above figures are based on the current economic structure and tax rates of the County.

Source: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association

Primary revenues for the Town of Marana will be generated by the prime contracting transaction privilege tax and use tax levied on furniture, fixtures & equipment. In addition, the Town would benefit from the spending of construction workers within Town limits. Other secondary revenues include property taxes and State shared revenues. In total, the Town of Marana would expect to collect about $2.4 million in tax revenue from construction and construction-related activity.

Fiscal Impact of Construction
Marana Downtown Development
Town of Marana
(2025 Dollars)

Impact Type	Primary Revenues: Prime Contracting TPT	Use Tax	Secondary Revenues: Employee Spending TPT	State Shared Revenues	Total Revenues
Direct	$2,184,000	$144,400	$30,800	$1,800	**$2,361,000**
Indirect	N/A	N/A	$4,600	$300	**$4,900**
Induced	N/A	N/A	$7,800	$500	**$8,300**
Total	**$2,184,000**	**$144,400**	**$43,200**	**$2,600**	**$2,374,200**

1/ The figures are intended only as a general guideline as to how the City could be impacted by the project. The above figures are based on the current economic structure and tax rates of the City.

Source: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; AZ Dept. of Revenue; AZ Tax Research Association

4.0 Ongoing Operations Impacts

Once construction is completed, the operations would begin to produce jobs and tax revenue. The project would generate taxes for the State, County, and Town of Marana. The new hotel space will also increase the capacity for visitors to the Town of Marana and, thus, generate impacts form local visitor spending. And, finally, the workers at the site will generate secondary impacts from their spending.

4.1 Economic Impact of Operations & Visitor Spending

Hotel Impact
The 175-key hotel would support 165 direct, indirect, and induced jobs, $8.2 million in wages and $25.1 million in economic output.

Commercial Restaurant & Bar Impact
The 70,000 square feet of commercial space would support 1,185 direct, indirect, and induced jobs, nearly $43.8 million in wages, and an estimated $160.5 million in annual economic activity.

Tourists Spending Impact
Tourists that stay in the hotel are projected to spend $6.7 million annually in the local economy. This equates to a total economic impact of 92 jobs, $4.7 million in wages and $11.6 million in economic output.

TOTAL Impact
In total, the South 19 portion of the Downtown Marana Development along with tourist spending are projected to support 1,441 jobs, $56.7 million in wages, and $197.2 million in annual economic activity. The table below details the economic impact of operations by category that is expected to occur on an annual basis at buildout.

Annual Economic Impact of Operations (at Buildout) Marana Downtown Development Town of Marana (2025 Dollars)				
	Impact Type	**Jobs**	**Wages**	**Economic Output**
Hotel Restaurant Operations	Direct	120	$5,604,000	$16,872,000
	Indirect	20	$1,193,000	$3,669,000
	Induced	25	$1,380,000	$4,552,000
	Total	**165**	**$8,177,000**	**$25,093,000**
Commercial Operations	Direct	885	$26,604,000	$102,537,000
	Indirect	165	$9,777,000	$33,542,000
	Induced	134	$7,409,000	$24,448,000
	Total	**1,185**	**$43,790,000**	**$160,527,000**
Employment Supported by Visitor Spending	Direct	67	$3,293,000	$6,964,000
	Indirect	10	$601,000	$1,970,000
	Induced	14	$798,000	$2,634,000
	Total	**92**	**$4,692,000**	**$11,568,000**
GRAND TOTAL	Direct	1,072	$35,501,000	$126,373,000
	Indirect	195	$11,571,000	$39,181,000
	Induced	174	$9,587,000	$31,634,000
	Total Impact[1/]	**1,441**	**$56,659,000**	**$197,188,000**

1/ The total may not equal the sum of the impacts due to rounding. All dollar figures are in constant dollars. Inflation has not been included in these figures.

Source: Elliott D. Pollack & Company; IMPLAN

4.2 Fiscal Impact of Operations and Tourist Spending

Once the project is completed and occupied to a stabilized level, the operations of the development would produce tax revenue for the State of Arizona, Pima County, and the Town of Marana.

The following tables show the ongoing tax revenue that each of the jurisdictions would expect to collect from the development as well as from the spending of tourists. These figures represent the total revenues (both direct and indirect) generated by the project at buildout.

The State of Arizona is projected to receive $3.6 million in primary and secondary revenues generated by the development. This includes $2.8 million in primary revenues from operations as well as impacts from residents and tourism spending. Secondary revenues are projected to be $862,500 from employees.

Pima County is projected to receive a total of $436,200 each year at stabilization.

For the Town of Marana, an estimated $2.7 million would be collected each year from the ongoing operations of the development. Secondary impacts from employee spending and other taxes would be an estimated $73,900 each year. This figure takes into account that only about 14.7% of employees will live and spend their disposable income within the Town of Marana.

Fiscal Impact of Operations (Before Incentives)
Marana Downtown Development
(2025 Dollars)

		State of Arizona	Pima County	Town of Marana	TOTAL
Operations (annual at buildout)					
Primary Impacts	Bed tax	$524,300	$78,000	$1,204,900	**$1,807,200**
	Sales tax	$2,252,100	$262,500	$1,312,500	**$3,827,100**
	Lease tax	N/A	$12,900	$64,400	**$77,300**
	Utility tax	$10,600	$1,200	$9,900	**$21,700**
Secondary Impact from Employees	Secondary total	$862,500	$81,600	$73,900	**$1,018,000**
Total Annual Impact from Operations		**$3,649,500**	**$436,200**	**$2,665,600**	**$6,751,300**

NOTE: All of the above figures are representative of the major revenue sources for the governments.

Sources: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; ADOR

5.0 Town of Marana Summary of Impacts

5.1 Development Agreement Overview

Under the terms of the Development Agreement between the Town of Marana and Marana Urban LLC, the Town provides a series of performance-based incentives designed to offset eligible infrastructure costs and encourage early-phase investment. These incentives include reimbursement of a portion of the project's infrastructure costs through the dedication of Town construction and sales tax revenues, waiver of plan review and permitting fees, Town-funded utility and drainage improvements extending to the project boundary, and payment of applicable development impact fees. The agreement establishes a reimbursement mechanism using project-generated revenues—such as construction, retail, lease, and bed taxes—until qualified costs are recovered or the agreement period expires.

5.2 Fiscal Analysis — Compliance with A.R.S. § 9-500.11

This analysis has been prepared in compliance with A.R.S. § 9-500.11, which requires that any tax incentive provided through a development agreement be anticipated to generate greater public revenues than the value of the incentive over the duration of the agreement. Accordingly, the fiscal estimates presented in this section reflect only the direct tax revenues accruing to the Town of Marana.

During the first twenty years of the Development Agreement, the Downtown Marana project is projected to generate approximately $37.5 million in direct tax revenues for the Town. Assuming the development is maintained and periodically modernized to support long-term stabilized operations, total direct tax revenues are estimated at $180.1 million over 75 years and $244.9 million over the full 100-year term (in constant 2025 dollars).

After accounting for the reimbursements required under the Development Agreement—75% of prime contracting taxes and 45% of sales, lease, and bed taxes generated on-site—the net fiscal benefit to the Town over the first 75 years is estimated at $98.7 million. By that point, cumulative deposits into the reimbursement account are projected to total approximately $81.3 million. Because the Development Agreement limits total reimbursements to the actual eligible improvement costs incurred by the developer (estimated at approximately $84 million in this analysis), no additional deposits beyond that amount would be required once those costs are fully reimbursed. As a result, the net fiscal benefit to the Town over the full 100-year period is estimated at $160.9 million. This figure reflects only the tax categories included in the analysis and does not incorporate non-tax incentives or Town-funded costs, which are addressed qualitatively in the Development Agreement. Accordingly, the anticipated direct revenues generated by the project exceed the value of the incentives provided, and the Development Agreement is expected to comply with the revenue-generation test under A.R.S. § 9-500.11.

Ongoing modernization or reinvestment would occur at the developer's expense and outside the scope of the Development Agreement incentives; such activity may generate additional construction-related revenues not reflected in these estimates.

Marana Downtown Development
100-Year Fiscal Impact Summary
(2025 Dollars)

Impact of Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Years 21-75	Years 76-100	75-Year Total	100-Year Total
Direct jobs	11	11	11	113	113	113	11	22	11	11	11	--	--	--	--	--	--	--	--	--			437	437
Total jobs	16	16	16	159	159	159	16	31	16	16	16	--	--	--	--	--	--	--	--	--			619	619
Prime Contracting Sales Tax	$55,300	$55,300	$55,300	$562,300	$562,300	$562,300	$55,300	$110,500	$55,300	$55,300	$55,300	--	--	--	--	--	--	--	--	--			$2,184,500	$2,184,500
Use Tax	--	--	$28,100	--	--	$46,900	$13,100	$18,800	$18,800	--	$18,800	--	--	--	--	--	--	--	--	--			$144,500	$144,500
Impact of Operations																								
Direct jobs	--	--	--	190	190	190	625	625	755	885	885	1,005	1,005	1,005	1,005	1,005	1,005	1,005	1,005	1,005			1,005	1,005
Total jobs	--	--	--	255	255	255	839	839	1,014	1,188	1,188	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349			1,349	1,349
Sales tax	--	--	--	$281,250	$281,250	$281,250	$750,000	$750,000	$937,500	$1,125,000	$1,125,000	$1,312,500	$1,312,500	$1,312,500	$1,312,500	$1,312,500	$1,312,500	$1,312,500	$1,312,500	$1,312,500	$72,187,500	$32,812,500	$89,531,250	$122,343,750
Bed tax	--	--	--	--	--	--	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$1,204,875	$66,268,125	$30,121,875	$83,136,375	$113,258,250
Lease tax	--	--	--	$13,800	$13,800	$13,800	$36,800	$36,800	$46,000	$55,200	$55,200	$64,400	$64,400	$64,400	$64,400	$64,400	$64,400	$64,400	$64,400	$64,400	$3,542,000	$1,610,000	$4,393,000	$6,003,000
Utility tax	--	--	--	$1,932	$1,932	$1,932	$5,992	$5,992	$7,280	$8,568	$8,568	$9,856	$9,856	$9,856	$9,856	$9,856	$9,856	$9,856	$9,856	$9,856	$542,080	$246,400	$672,980	$919,380
Total Primary Impact	**$55,300**	**$55,300**	**$83,400**	**$859,282**	**$859,282**	**$906,182**	**$2,066,067**	**$2,126,967**	**$2,269,755**	**$2,448,943**	**$2,467,743**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$2,591,631**	**$142,539,705**	**$64,790,775**	**$180,062,605**	**$244,853,380**
Estimated Sales Tax to be Deposited in the Reimbursement Account																								
Prime Contracting Sales Tax	$41,475	$41,475	$41,475	$421,725	$421,725	$421,725	$41,475	$82,875	$41,475	$41,475	$41,475	--	--	--	--	--	--	--	--	--			$1,638,375	$1,638,375
Sales tax	--	--	--	$126,563	$126,563	$126,563	$337,500	$337,500	$421,875	$506,250	$506,250	$590,625	$590,625	$590,625	$590,625	$590,625	$590,625	$590,625	$590,625	$590,625	$32,484,375	$1,492,765	$40,289,063	$41,781,828
Bed tax	--	--	--	--	--	--	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$542,194	$29,820,656	$1,118,334	$37,411,369	$38,529,702
Lease tax	--	--	--	$6,210	$6,210	$6,210	$16,560	$16,560	$20,700	$24,840	$24,840	$28,980	$28,980	$28,980	$28,980	$28,980	$28,980	$28,980	$28,980	$28,980	$1,593,900	$73,245	$1,976,850	$2,050,095
Total	**$41,475**	**$41,475**	**$41,475**	**$554,498**	**$554,498**	**$554,498**	**$937,729**	**$979,129**	**$1,026,244**	**$1,114,759**	**$1,114,759**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$1,161,799**	**$63,898,931**	**$2,684,344**	**$81,315,656**	**$84,000,000**
NET FISCAL IMPACT TO TOWN	**$13,825**	**$13,825**	**$41,925**	**$304,785**	**$304,785**	**$351,685**	**$1,128,338**	**$1,147,838**	**$1,243,511**	**$1,334,184**	**$1,352,984**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$1,429,832**	**$78,640,774**	**$62,106,431**	**$98,746,949**	**$160,853,380**

** Reimbursement deposits after Year 75 are not shown by category because the Development Agreement limits total reimbursements to the actual eligible improvement costs incurred by the developer (estimated at approximately $84 million). Once that amount is reached, no further deposits are required.

NOTE: All of the above figures are representative of the major revenue sources in the development agreement. No inflation has been included in this analysis. Assumes the development is maintained and periodically updated to contemporary standards to sustain stabilized operations

Sources: Marana Urban LLC; Elliott D. Pollack & Co.; IMPLAN; Development Agreement

5.3 Gift Clause Compliance (*Schires v. Carlat*)

The Arizona Constitution's Gift Clause prohibits the expenditure of public funds unless the public receives direct, tangible, and proportionate benefits in return. Under *Schires v. Carlat* (2021), indirect or speculative economic impacts—such as job creation, visitor spending, or multiplier effects—cannot be considered when evaluating compliance. The analysis must instead focus solely on the contractually obligated, quantifiable benefits the developer provides to the municipality.

Under the terms of the Development Agreement, Marana Urban LLC provides several direct and measurable benefits to the Town of Marana. These include:

- Construction and dedication of the Required Public Improvements, which will be conveyed to the Town upon completion.
- Transfer of ownership of the Required Commercial Improvements at the end of the lease term.
- Payment of fixed and percentage rent to the Town throughout the lease term.
- Public use rights, including the Town's use of designated common areas and event spaces.
- Provision of a no-cost license to the Town for ownership and maintenance of the Billboard Sign on the North 40 Acres.
- Maintenance obligations for certain common areas, reducing municipal maintenance needs.

<u>Construction and dedication of Required Public Improvements</u>
The developer is obligated to design, construct, and convey substantial infrastructure—including streetscapes, pedestrian corridors, utilities, drainage improvements, public open spaces, and civic amenities—that the Town would otherwise be required to fund through its capital improvement program. Upon completion, these improvements become Town-owned assets, providing long-term functionality and public access. By avoiding significant upfront capital expenditures and securing durable infrastructure that enhances mobility and placemaking within Downtown Marana, the Town receives a direct and measurable public benefit.

<u>Transfer of Required Commercial Improvements</u>
At the conclusion or termination of the ground lease, ownership of all Required Commercial Improvements reverts to the Town at no additional cost. These fully constructed restaurant, retail, entertainment, and hotel buildings are long-lived, income-producing assets with substantial residual value. An appraisal completed for the Town by Baker, Peterson, Baker & Associates estimates their depreciated reversionary value at approximately $362.9 million at Year 75 and $477.5 million at Year 100 (assuming ongoing maintenance and reinvestment consistent with the Agreement). This reversion grants the Town long-term control of high-value commercial assets without the need for future capital investment, representing a significant direct, tangible, and measurable public benefit under the Gift Clause.

Ground Lease Rent

The ground lease provides ongoing financial benefits to the Town through both fixed and percentage rent. Fixed rent begins at approximately $0.26 per square foot annually, increases by 30% after the first five rent years, and escalates by 15% every five rent years thereafter. Based on development phasing and the expected rent-commencement schedule, fixed payments are estimated to total approximately $4.4 million over 75 years and approximately $9.6 million over the full 100-year term (in constant 2025 dollars).

Additionally, the Town will receive percentage rent equal to 3% of the developer's gross receipts, once the thresholds specified in the Development Agreement are met. While this analysis does not estimate future percentage-rent revenues, these payments represent a contractual sharing of commercial operating revenues and provide additional financial upside. Both fixed and percentage rent are independent of tax revenues and constitute direct, enforceable, and measurable benefits to the Town.

Public Use Rights

The Town receives contractual rights to use designated community spaces—such as the beer garden, event grove, pedestrian corridors, and other common areas—at no cost. These use rights support Town-sponsored events, cultural programming, and community gatherings without requiring the construction or leasing of separate municipal facilities. By avoiding rental or space-acquisition costs, the Town receives a direct, tangible operational benefit, enforceable under the Development Agreement.

Billboard Sign License on the North 40 Acres

Section 12.4.1 requires the developer to grant the Town a no-cost license to own, operate, and maintain a billboard sign located on the North 40 Acres. This sign functions as a major entry feature and long-term promotional asset for the Town. Based on an analysis prepared by the Town's Real Property Manager, the estimated value of this license is approximately $62,000 over 75 years and $137,000 over 100 years. This avoids the need for the Town to acquire or lease comparable signage rights and constitutes a direct and enforceable public benefit.

Maintenance Obligations

Under the Development Agreement, the Town will assume responsibility for maintaining most of the public infrastructure conveyed to it under Section 12.4. The developer is required to maintain those common areas and shared spaces that it elects to control pursuant to Section 7.4.3 and as described in Section 2.3 of the Agreement. While these obligations do not extend to the majority of improvements within the development, the developer's commitment to maintain the discrete common areas it assumes under paragraphs 2.3 and 7.4.3 offers a tangible, though limited, cost-avoidance benefit to the Town. These maintenance responsibilities are specifically identified, contractually enforceable, and provide an ongoing and measurable value to the Town that can be recognized within the Gift Clause analysis.

Conclusion

Each of the above benefits is expressly required under the Development Agreement, enforceable by the Town, and independently valuable. When considered collectively, these direct benefits represent substantial consideration in exchange for the Town's reimbursement of eligible improvement costs.

Based on the structure and obligations of the Agreement, the direct, tangible, and contractually enforceable benefits provided to the Town are not grossly disproportionate to the Town's estimated $84 million reimbursement obligation under the Development Agreement. Accordingly, the Agreement is expected to comply with the requirements of the Arizona Constitution's Gift Clause as articulated in *Schires v. Carlat*. This conclusion reflects an economic assessment of the value exchanged and does not constitute a legal opinion.