

# Marana Urban LLC Lease and Development Agreement

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Jane Fairall, Town Attorney

12/16/25

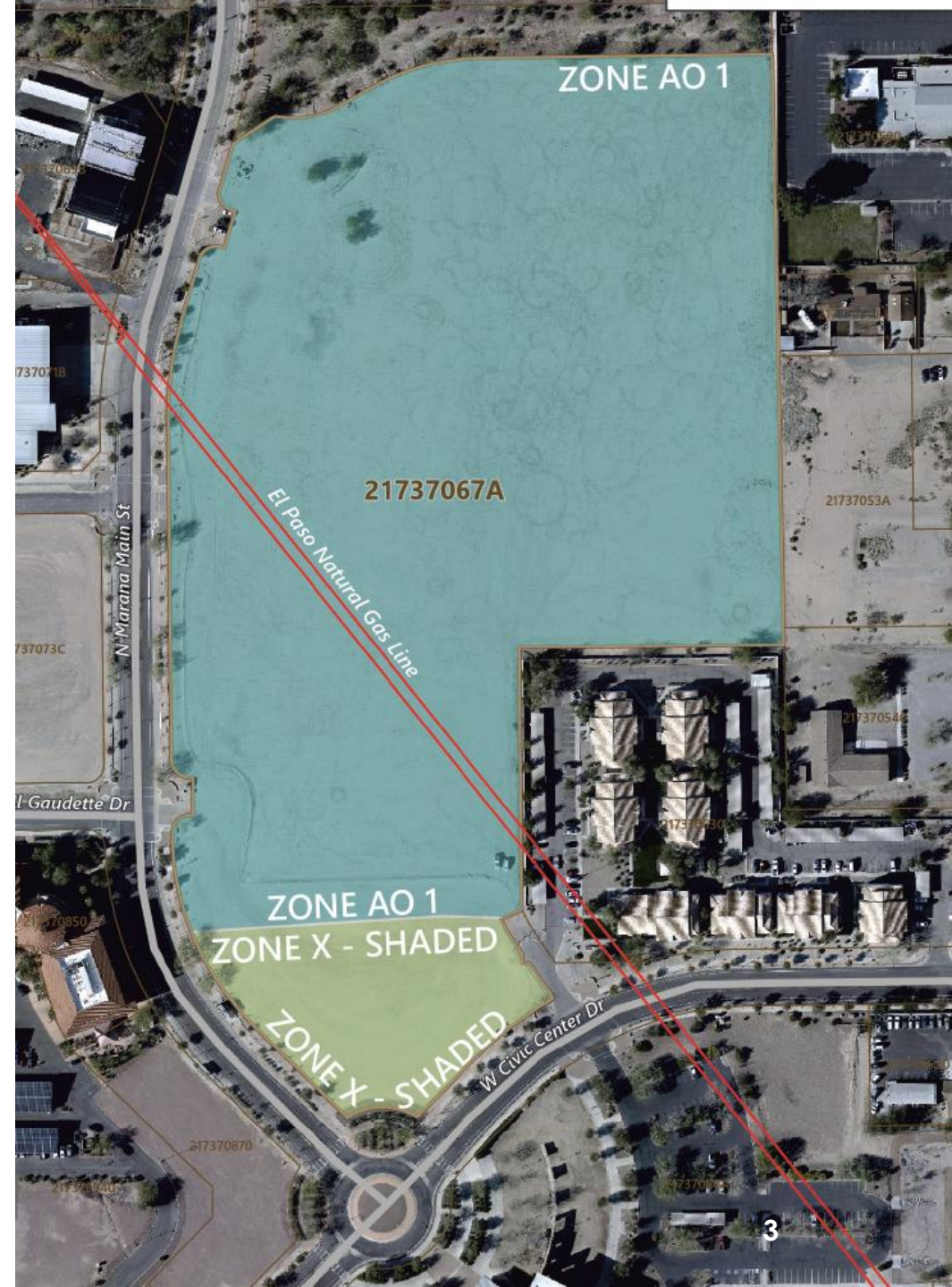


# Background

- **May 17, 2024** – Town issued RFP for Lease and Development of **19 acres** of Town-Owned Property Located at Marana Main Street and Civic Center Drive for a vibrant downtown development
  - Town received one proposal - **Marana Urban LLC**
- **November 19, 2024** – Council directed staff to begin negotiations with Marana Urban LLC on a final form of lease agreement
- **November 18, 2025** - Council adopted a notice of intent to enter into a retail development tax incentive agreement for the development, in compliance with A.R.S. § 9-500.11



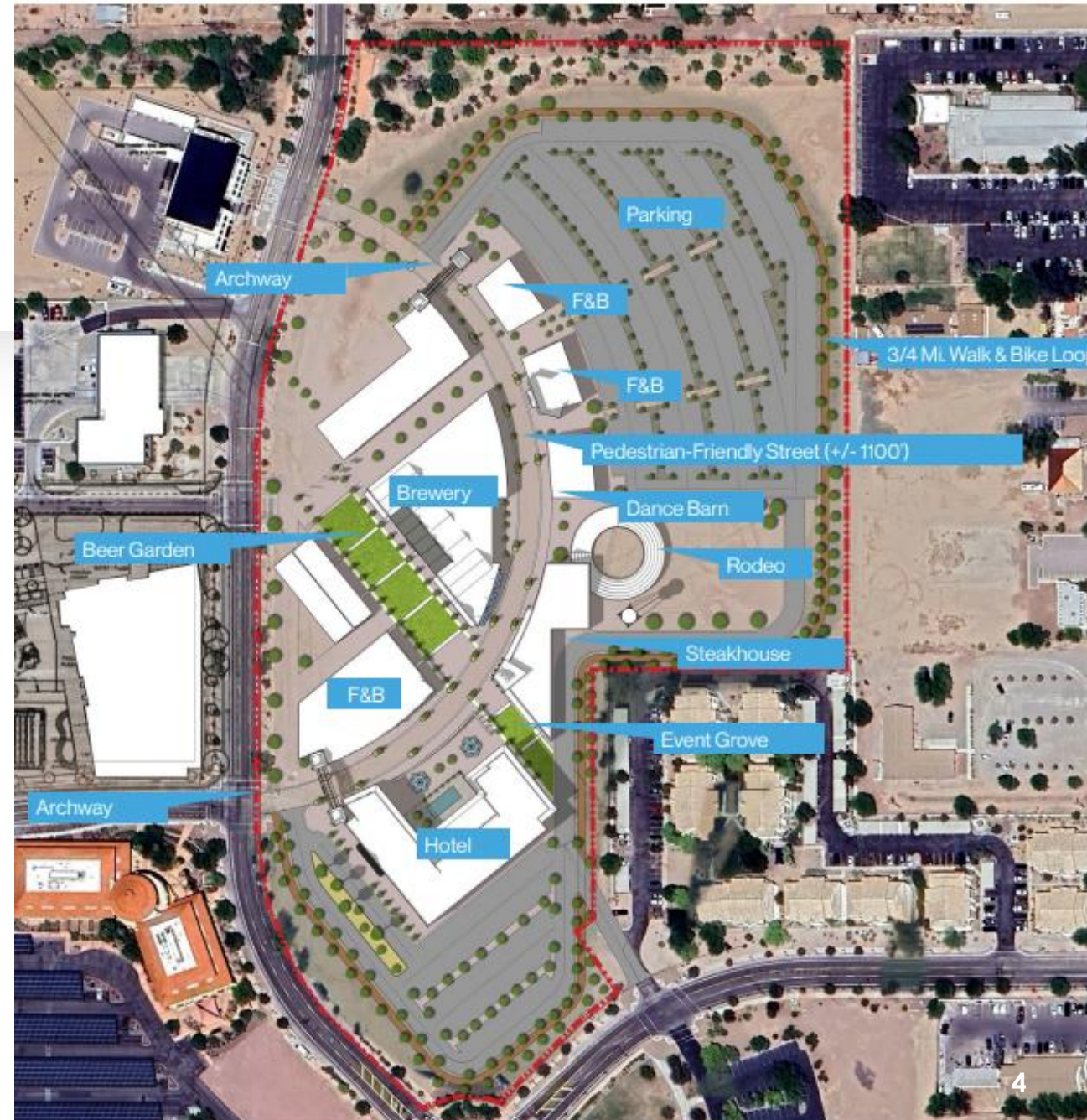
# 19-Acre Downtown Parcel





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Image Source: Axis/Marana Urban  
LLC



# Lease and Development Agreement

- **Lease Term**

- 75-year initial term
- 25-year option period

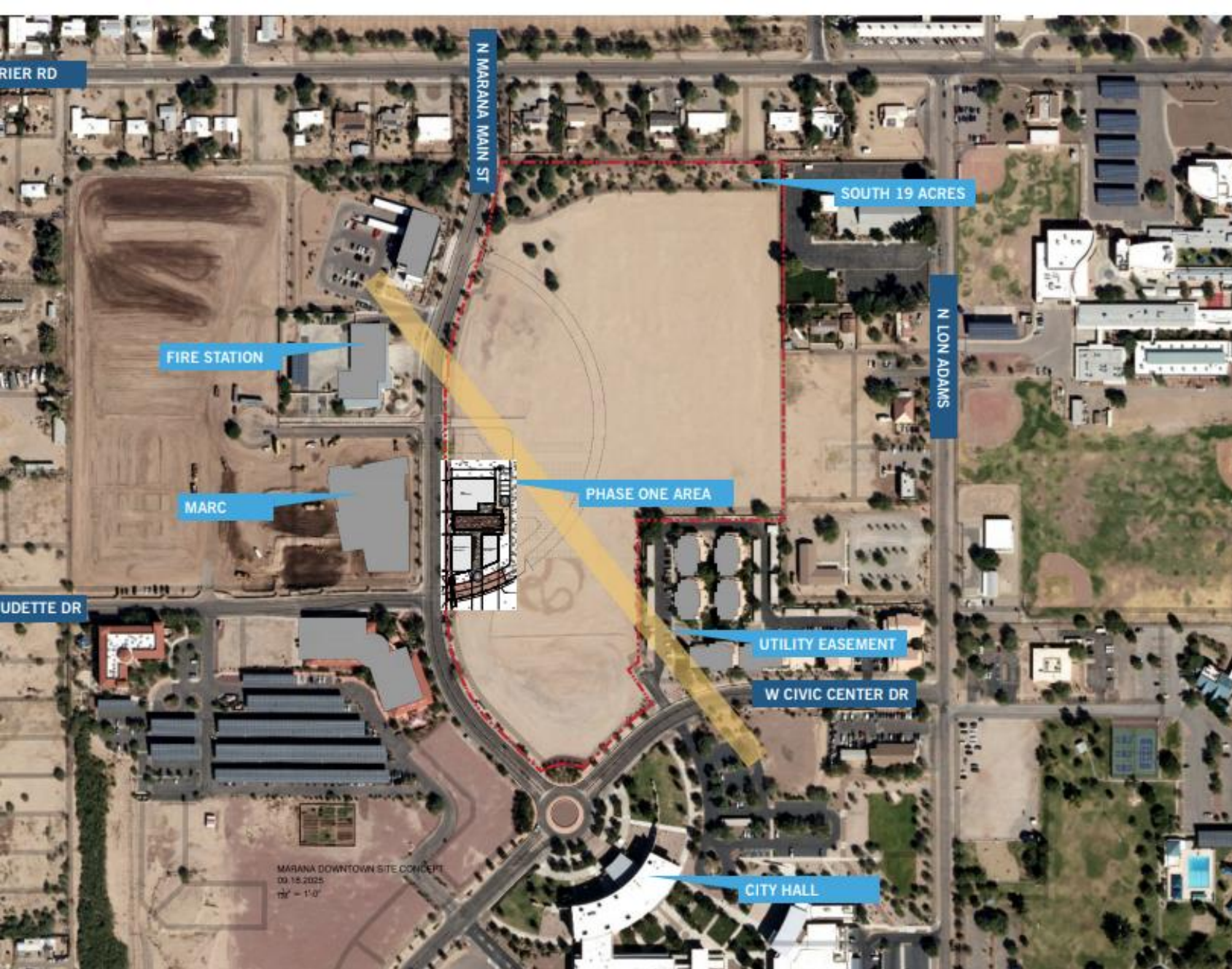
- **Phased Development**

- Anticipate 5 phases over an 11-year timeframe

# Development Timeline

- **18 months** - Developer shall submit to the Town a development plan for construction of the improvements required for Phase One
- **24 months** - Developer shall begin construction in conformance with the approved development plan
- **36 months** - Developer shall substantially complete construction of the Required Public Improvements for Phase One
  - 42 months after completion of the Required Public Improvements for Phase One, the developer shall obtain C of O for Required Commercial Improvements on Phase One
  - 180 days after issuance of C of O for any building in Phase One, must update conceptual master site plan and schedule
    - Updates to these two documents every 3 years until completion of the project

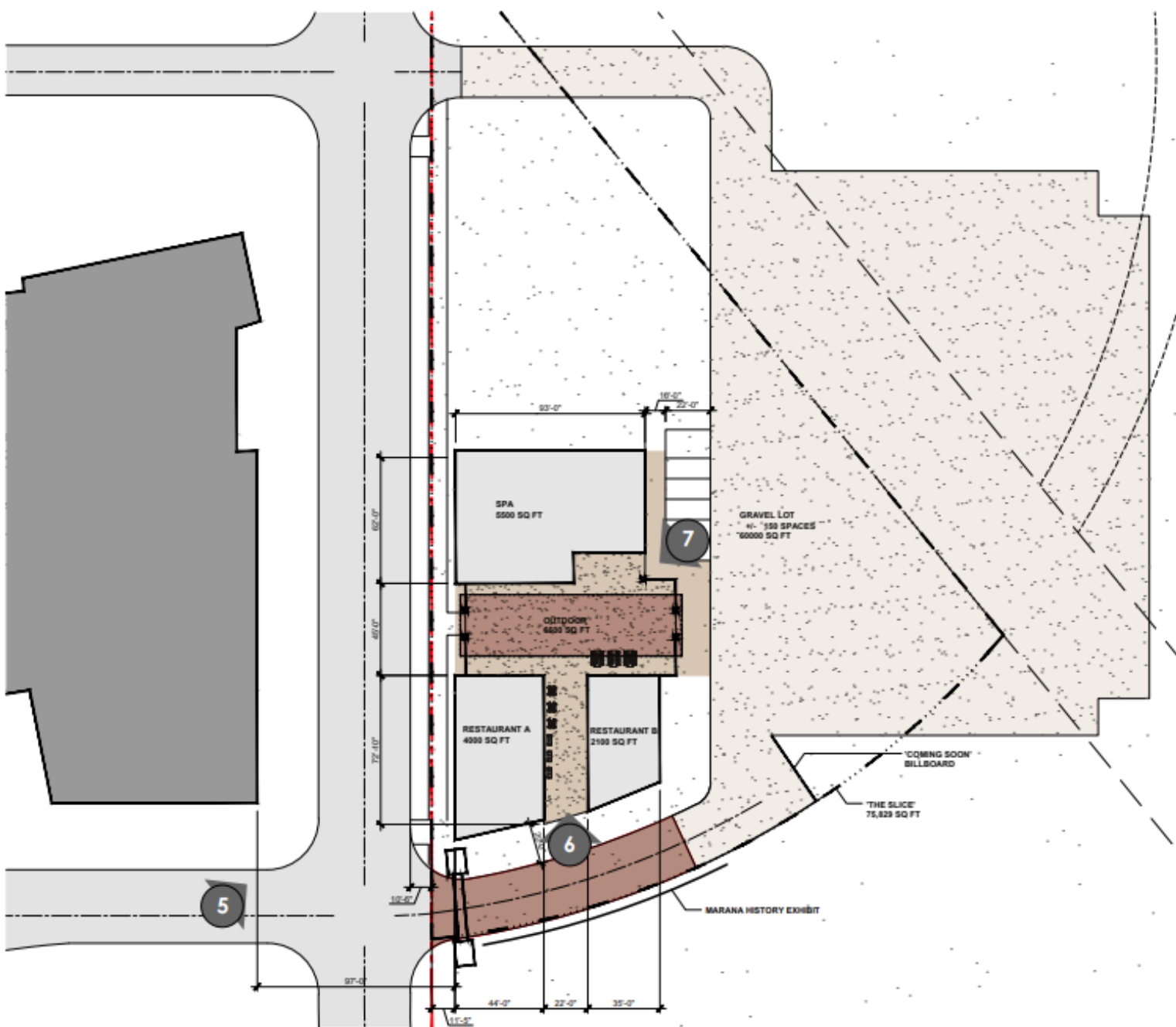




# Phase One



Image Source:  
Axis/Marana Urban  
LLC



# Phase One

Image Source:  
Axis/Marana Urban  
LLC



# Required Public Improvements

- Phase One:
  - Temporary parking lot
  - 400 lineal feet of brick-paved (or similar material) roadway with sidewalks, curbs, street lighting and street trees
  - One illuminated arch sign
  - Billboard sign to be located along I-10
- Subsequent Phases:
  - Permanent parking lots
  - Extension of the brick-paved roadway
  - Installation of a second illuminated arch sign
  - Water, sewer and drainage improvements

# Required Commercial Improvements

- Phase One: **15,000** square feet of commercial development
- Subsequent Phases: Not less than **55,000** square feet of commercial development
- May include retail, hotel, and multi-family residential uses

**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



# Reimbursement

- Required Public Improvements
  - Town will reimburse Developer for full costs as they are constructed
  - Downtown Marana Reinvestment Fund (DMRF), the Bed Tax Fund, or other sources as determined by the Town
- Required Commercial Improvements
  - Town will reimburse Developer for up to full costs
  - Begins first calendar quarter after the Town's issuance of C of O on Phase One
  - Continues until earlier of full reimbursement of Developer's costs or expiration of the lease
  - 45% of retail sales taxes and 75% of construction sales taxes generated on the property during the term of the agreement

## Retail Development Tax Incentive Agreement

- Council must find that the proposed tax incentive is anticipated to raise more revenue than the amount of the incentive within the duration of the agreement
- Council's finding must be verified by an independent third party not financed by the developer
- Town engaged Elliott D. Pollack & Company to conduct the required independent third-party review of the agreement
- Verified the finding that the proposed tax incentive is anticipated to raise more revenue than the amount of the incentive



## Retail Development Tax Incentive Agreement

- \$84 million - Current estimate for the design and construction of Required Commercial Improvements, i.e., Town's reimbursement obligation
- Findings of independent third-party report prepared by Elliott D. Pollack & Company (in constant 2025 dollars)
  - First 20 years of lease: Project projected to generate approximately \$37.5 million in direct tax revenues for Town
  - Over 75 years: \$180.1 million
  - Over 100 years: \$244.9 million
  - \$96.1 - \$160.9 million net fiscal benefit to Town

# Other Financial Terms

- **Ownership of Commercial Improvements**

- Developer will own and maintain during lease term
- Developer shall convey title to Town at no cost upon the expiration or termination of the lease
- Appraisal estimates their depreciated reversionary value at approximately \$362.9 million at Year 75 and \$477.5 million at Year 100

- **Rent**

- Fixed Rent - \$0.26 per square foot per year for leased premises and
- Percentage Rent - 3% of Developer's gross receipts for the applicable phase of the project, beginning the earlier of when:
  - Developer receives an 18% internal rate of return for the phase; or
  - 8 years after issuance of a C of O for the phase



# Staff Recommendation

**Staff recommends approval of the Marana Urban LLC Lease and Development Agreement**