

Marana Urban LLC Lease and Development Agreement

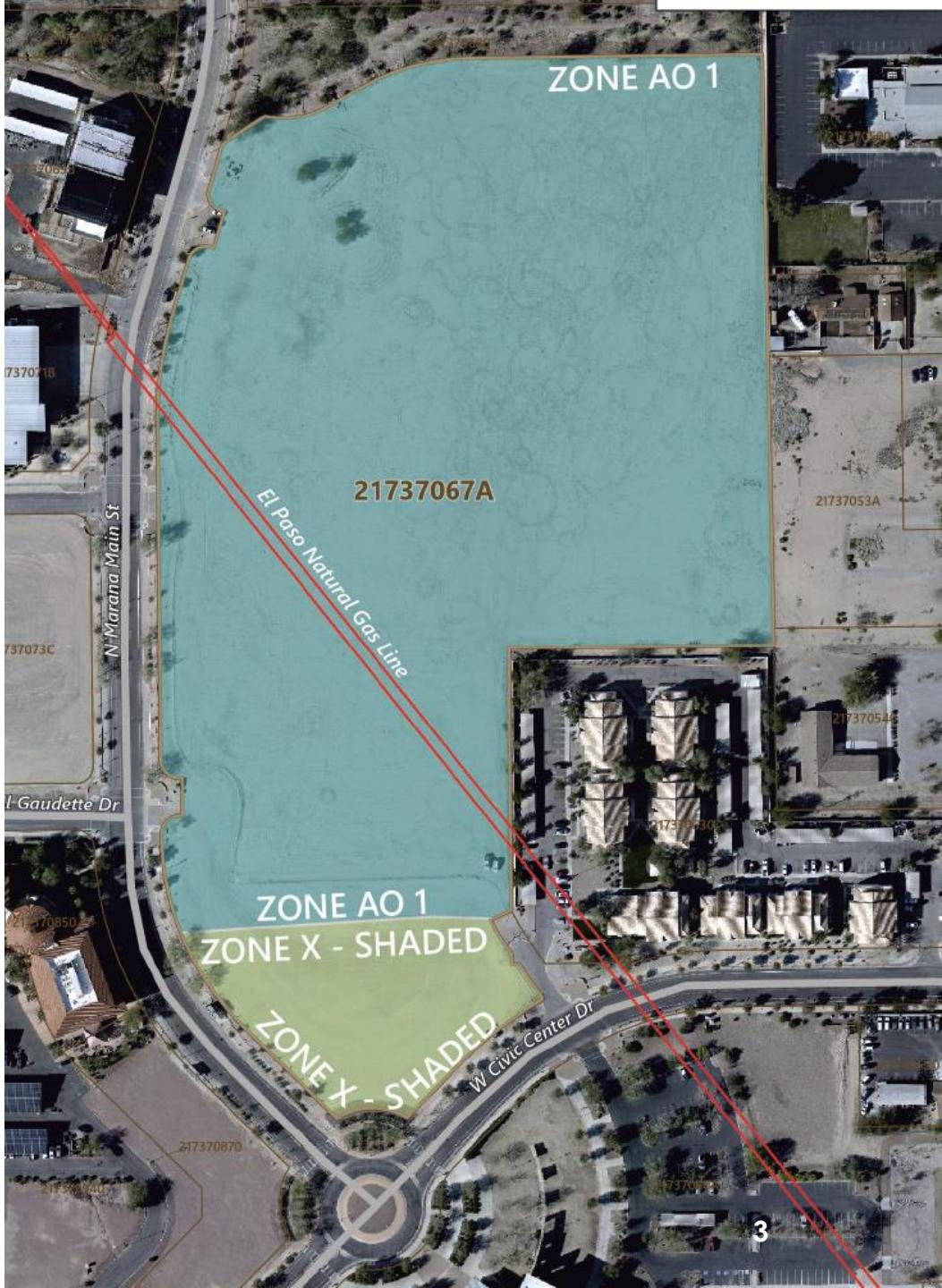
Jane Fairall, Town Attorney



Background

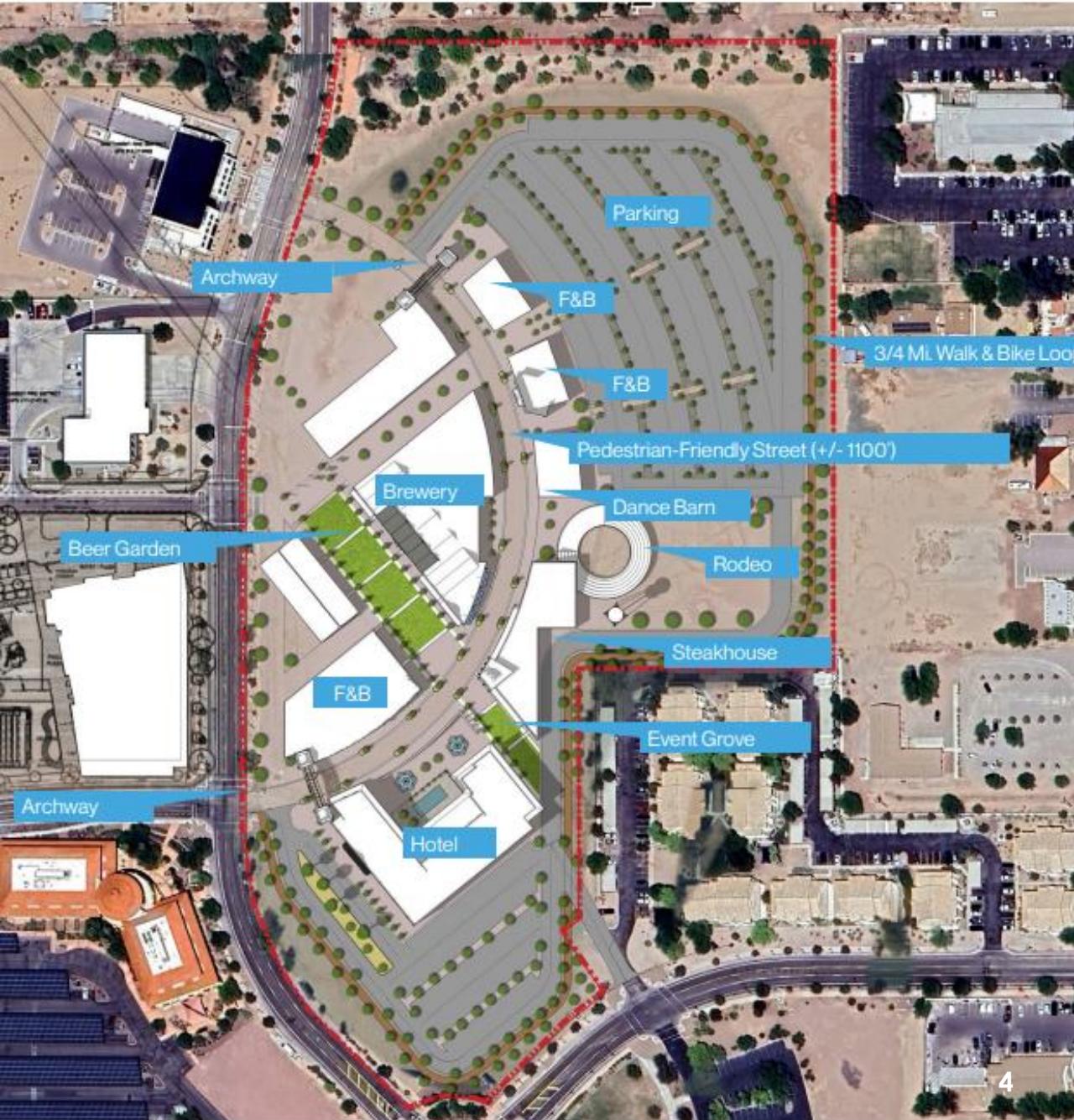
- **May 17, 2024** – Town issued RFP for Lease and Development of **19 acres** of Town-Owned Property Located at Marana Main Street and Civic Center Drive for a vibrant downtown development
 - Town received one proposal - **Marana Urban LLC**
- **November 19, 2024** – Council directed staff to begin 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



19-Acre Downtown Parcel

Image Source: Axis/Marana Urban LLC

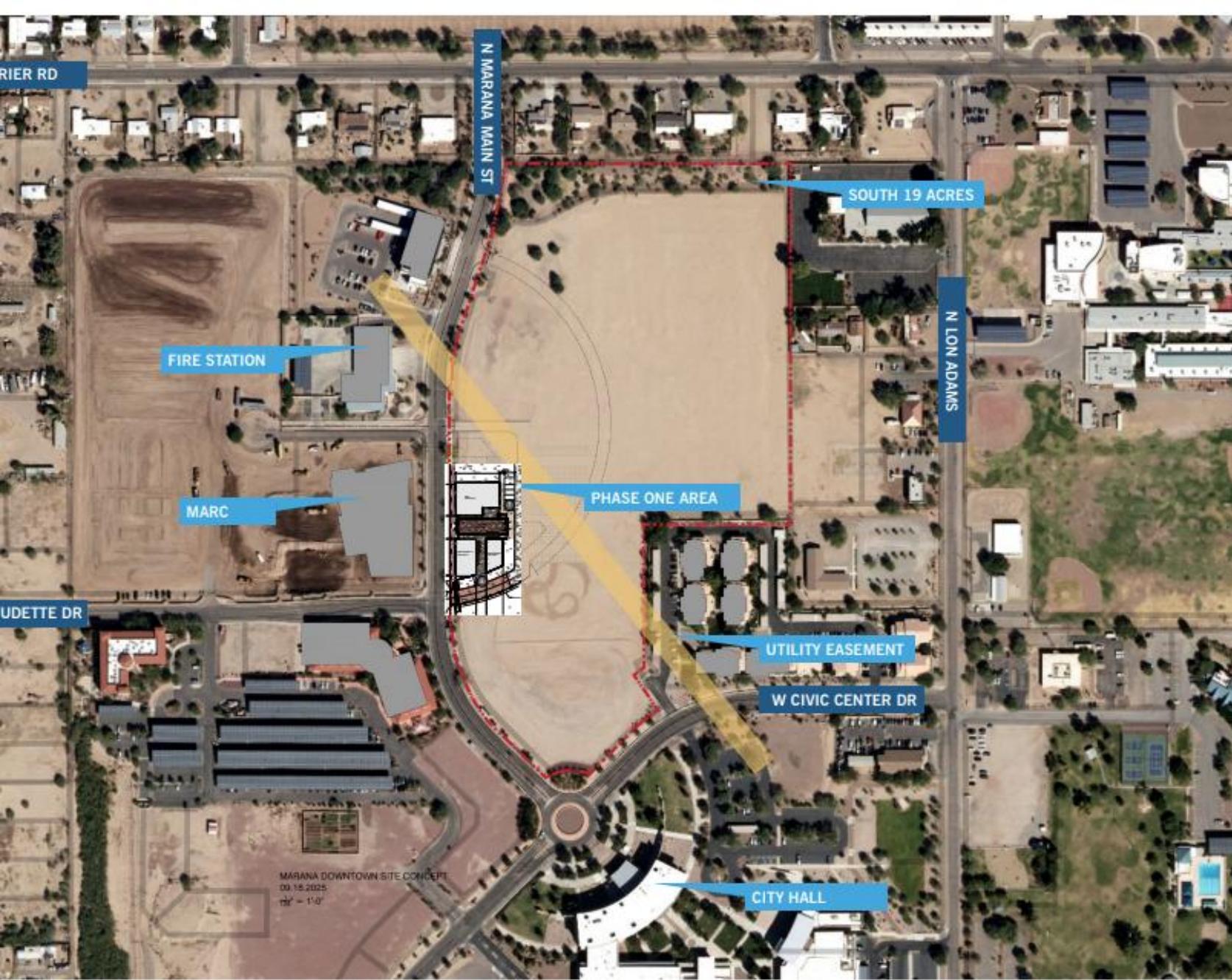


Lease and Development Agreement

- **Lease Term**
 - 75-year initial term
 - 25-year option period
- **Phased Development**
 - Anticipate 5 phases over an 11-year timeframe

Development Timeline

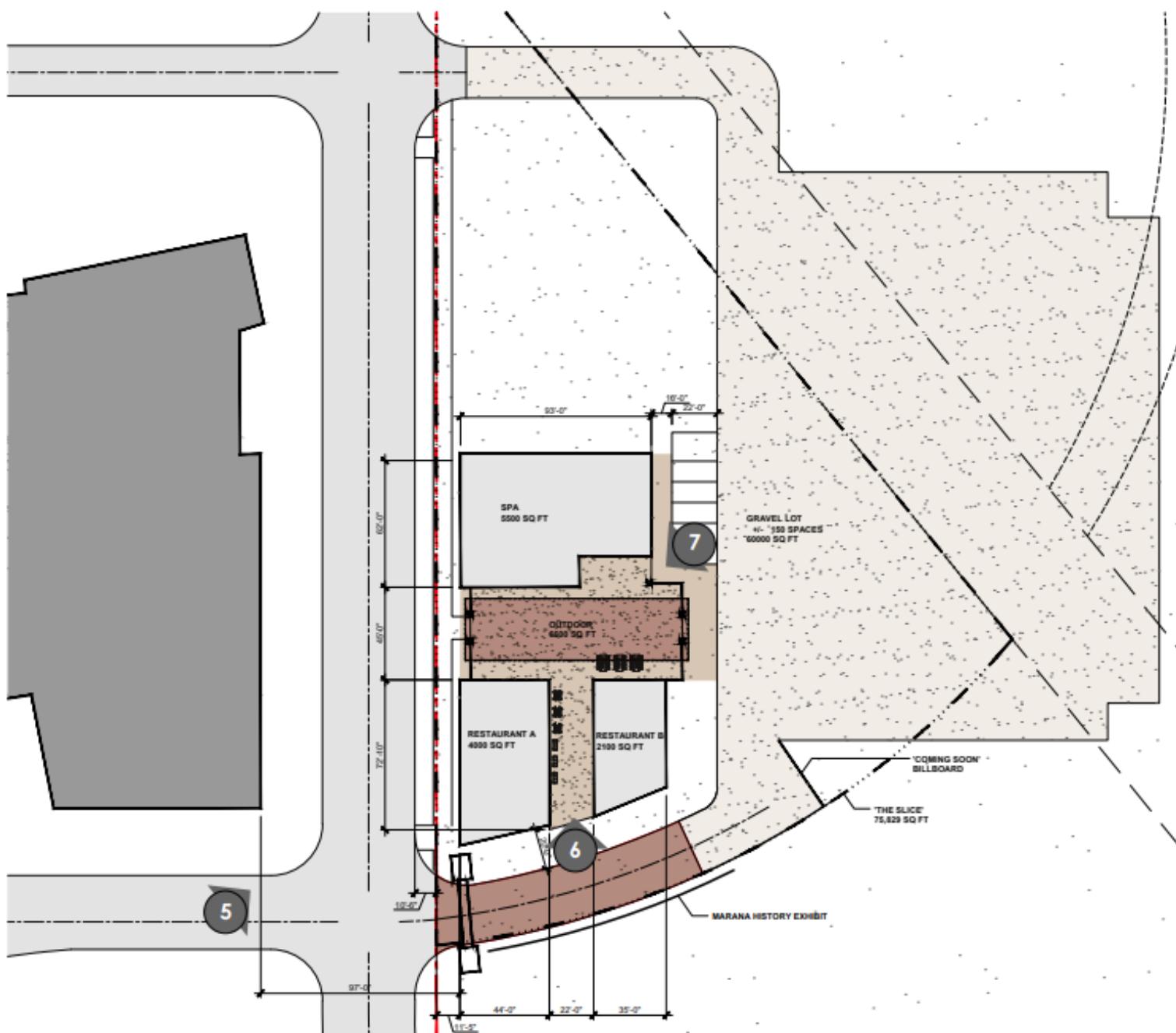
- **18 months** - Developer shall submit to the Town a development plan for construction of the improvements required for Phase One
- **24 months** - Developer shall begin construction in conformance with the approved development plan
- **36 months** - Developer shall substantially complete construction 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