RESOLUTION NO. 07-16

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF MARICOPA, ARIZONA, MAKING THE FINDINGS REQUIRED BY A.R.S. §9-500.11 PRIOR TO ENTERING INTO A RETAIL DEVELOPMENT TAX INCENTIVE AGREEMENT.

WHEREAS, pursuant to A.R.S. §9-500.11, as amended, the City of Maricopa, Arizona, an Arizona municipal corporation, must make certain findings prior to entering into a retail development tax incentive agreement; and

WHEREAS, the City reviewed the Memorandum dated March 29, 2007 from Richard Merritt of Elliott D. Pollack & Co., which is attached hereto as Exhibit 1, concerning the Certification of Sales Tax Revenue to the City.

NOW, THEREFORE, BE IT RESOLVED that the Maricopa City Council hereby makes the following findings before entering into a retail development tax incentive agreement (entitled and hereinafter called the "Development Agreement") with SHEA MARICOPA, L.L.C., an Arizona limited liability company ("Developer"):

1. That the proposed tax incentive is anticipated to raise more revenue than the amount of the incentive within the duration of the Development Agreement.

2. That in the absence of a tax incentive, the Developer (to the extent it constitutes a retail business facility or similar retail business facility as such terms are used in A.R.S. §9-500.11, as amended) would not located in the City in the same time, place or manner.

PASSED AND ADOPTED BY THE Mayor and Council of the City of Maricopa, Arizona, this 3rd day of April, 2007.

APPROVED:

Mayor

ATTEST:

Vanessa Bueras

City Clerk

APPROVED AS TO FORM:

D. M. Vitiello

City Attorney

VERIFICATION

Pursuant to Arizona Revised Statutes §9-500.11, as amended, the undersigned, Richard Merritt of Elliot D. Pollock & Company, hereby verifies foregoing findings nos. 1 and 2 made by the City of Maricopa, Arizona, an Arizona municipal corporation, in City of Maricopa Resolution 07-16.

Dated this 2 day of April, 2007.

Elliot D. Pollock & Company

By: Richard Merritt
Richard Merritt

Its: President

EXHIBIT "1"

Elliott D. Pollack & Company

MEMORANDUM

To: **Mr. Rick Buss**
City Manager
City of Maricopa

From: **Richard C. Merritt**

Date: **March 29, 2007**

Re: **Certification of Sales Tax Revenue to City of Maricopa**
Related to the Development Agreement between the City of Maricopa and Shea Maricopa, LLC

The City of Maricopa plans to enter into a Development Agreement with Shea Maricopa, LLC (Shea) for a development project known as the Wells. The Wells is a proposed 100 acre commercial and multi-family project located at the northwest corner of Porter Road and the Maricopa – Casa Grande Highway. The preliminary plan for the property will accommodate nearly 744,000 square feet of commercial space and 320 multi-family units.

The Development Agreement between the City of Maricopa and Shea calls for the City to reimburse and pay to Shea transaction privilege taxes generated by the commercial development, excluding the multi-family housing component, equal to the cost of the public improvements and enhanced features costs (if any) associated with the project. Reimbursement would occur from the City's construction and related contracting transaction privilege tax collections at the rate of 100% of such collections up to the total reimbursement amount. In the event the total reimbursement amount has not been repaid by the construction sales tax reimbursements, the City will reimburse Shea 50% of the City's sales taxes imposed on retail sales within the planned project up to the total reimbursement amount.

The total reimbursable amount is defined as the sum of public infrastructure costs and "enhanced features cost." The duration of the agreement is for fifteen years or until the total reimbursable amount is reached, whichever occurs first. The total reimbursable amount is estimated at $4.4 million.

Elliott D. Pollack and Company has reviewed the Development Agreement and the report entitled "The Wells – City of Maricopa Fiscal Impact Analysis" prepared by ESI Corporation. The report indicates the City will collect approximately $2.355 million in construction sales taxes from the commercial portion of the project. Retail sales tax collections from the project between 2007 and 2021 are estimated at $55.219 million according to the Fiscal Impact Analysis. The source of retail sales estimates is noted as the Urban Land Institute's Dollars and Centers of Shopping Centers.

By 2010, ESI estimates that the commercial portion of the project will be built out producing approximately $183 million in retail and restaurant sales. Based on the size of the center, this represents approximately $246 per square foot. Surveys conducted by the International Council of Shopping Centers (ICSC) and the Urban Land Institute (ULI) demonstrate that similar shopping centers generate retail sales between $228 and $269 per square foot. This data is based on average sales rates across the country and within the Western Region of the U.S. Individual centers may produce sales higher or lower than average depending upon the type of tenants in the shopping center and the demographic characteristics of the population living within the surrounding trade area. The sales per square foot figure produced by ESI Corp falls within the ICSC and ULI sales range.

The sales estimates for The Wells are consistent with sales produced by other similar projects across the U.S. and within the region. It is concluded that The Wells Fiscal Impact Analysis produced by ESI Corp appears reasonable and represents the retail sales potential for the project. Based on our research of construction costs, the construction estimates for the project also appear reasonable.

Findings:

- Based on the limited scope of this assignment, we conclude that The Wells should realize annual sales that are consistent with the provided Fiscal Impact Analysis. If the development and leasing activity for the project is consistent with the ESI Corp forecast, reimbursement of retail sales taxes will need to occur to provide for the full reimbursement of $4.4 million. Construction sales taxes are estimated at $2.35 million. Once the project is completed, the remaining reimbursement should be paid in full with retail sales taxes within the first two or three years.

- Also, according to the proposed Development Agreement, 100% of the construction sales tax collections and 50% of the ongoing sales tax receipts will be reimbursed to Shea up to the total reimbursement amount. By definition, this implies that the reimbursement to Shea cannot exceed 100% of the project's total revenues.

Certification:

Pursuant to Arizona Revised Statutes 9-500.11, Elliott D. Pollack & Company certifies that the proposed project is anticipated to raise more revenue than the amount of the incentive within the duration of the Development Agreement.

Richard C. Merritt

Richard C. Merritt
Senior Vice President