



Project Red Hawk

Development Agreement & Government
Property Improvements Lease Presentation

City Council Study Session – June 27th, 2019

Office of Economic Development





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AT&T

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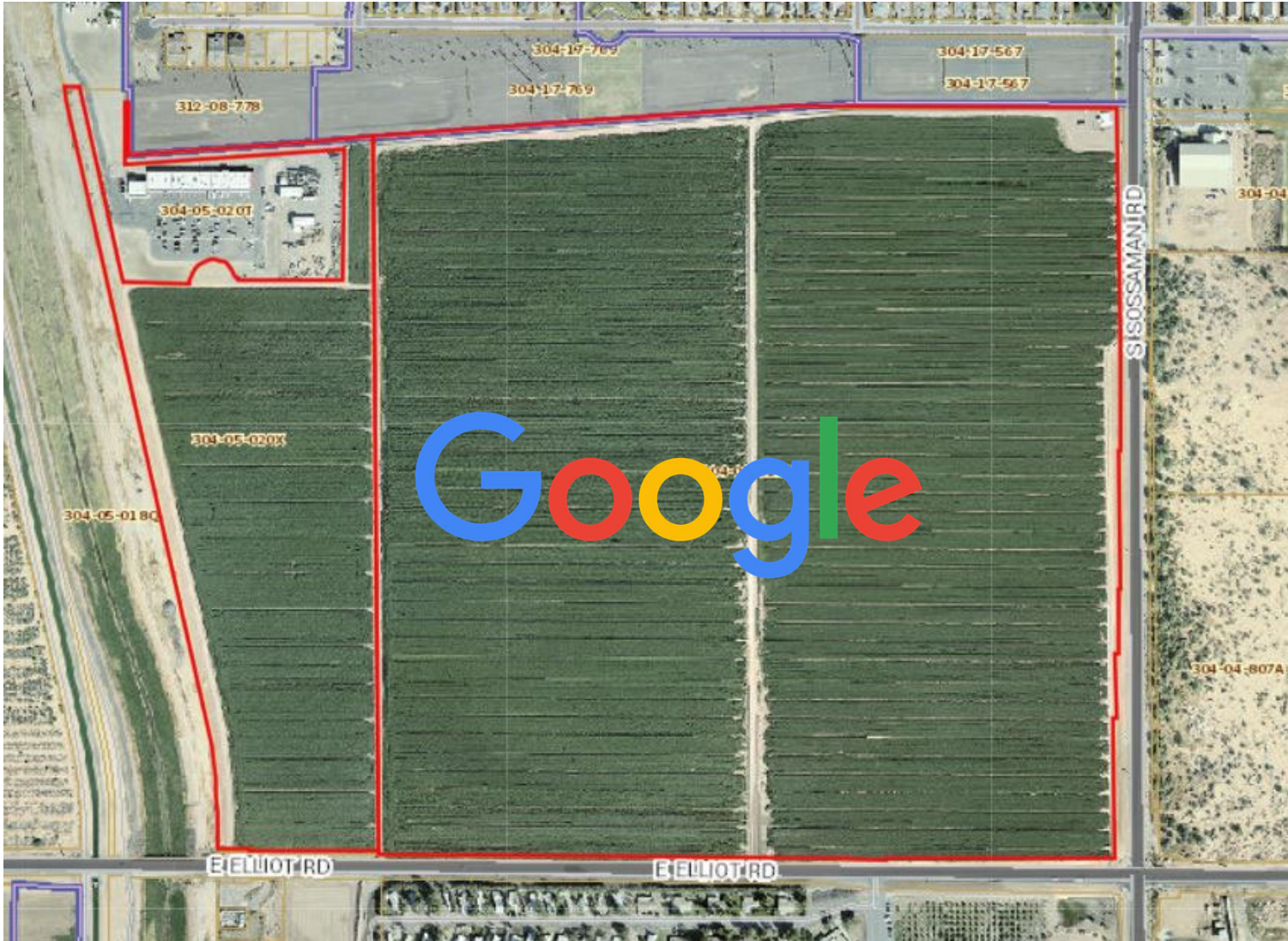
BOEING[®]

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Google

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Project Site

Morrison Ranch
Business Center

~186 Acres

NWC of Elliot &
Sossaman

Existing Zoning:
Employment
Opportunity (EO)
Zoning District,
approved by
Council on April
1st, 2019



Project Obligations

Performance Milestones in the Development Agreement

- July 2025 - Milestone I – Minimum of \$600M in CapEx, \$180M in Taxable Construction Cost & 250,000 SF of Development
- July 2027 - Milestone II – Minimum of \$800M in CapEx, \$240M in Taxable Construction Cost & 500,000 SF of Development
- July 2029 - Milestone III – Minimum of **\$1 Billion** in CapEx, \$300M in Taxable Construction Cost & 750,000 SF of Development
 - Average Salary of all Project FTEs to be minimum of \$65,000/year

City of Mesa Obligations

Water

- The City proposes to make an initial 1,120 AFY of water supply available for the project, and should they meet the Performance Milestones, they will have the ability to reach 4,480 AFY of supply.
- Project Red Hawk will also have sufficient emergency back-up supplies for water, which includes utilizing on-site storage, existing wells on their site, acquiring their own water rights & supplies, and transferring long-term storage credits to the City.

City of Mesa Obligations

GPLET

- We are proposing a 25-year GPLET for the project, which is critical in their financial evaluation of developing the project.
- The site is outside the CBD & RDA, and is ineligible for the 8-year full tax abatement. Additionally, they are subject to a 150% premium of the published Excise Tax Rates, due to being outside these CBD & RDA areas.

25-Year GPLET Analysis

- In 2019, the site will generate **\$3,604** in Real Property Tax Revenue.
- If it stays farm land for the next 25 years, it will generate a total of **~\$162,007**.
- The GPLET is a critical component for Google to develop a campus here in Mesa, and they will still be paying a significant **~\$32,967,000** in Excise Taxes over the 25-year term of the Lease.
- If Project Red Hawk were not to receive a GPLET, they would pay an estimated **~\$48,916,134** in ad valorem Real Property Taxes.
- Furthermore, the City expects to generate a minimum total of **~\$28.1 million** in Construction Sales Tax, Electricity Sales Tax and Personal Property Tax as a result of this project.

Projected Tax Revenue over 25 years

- This Table below represents the projected total tax revenue to be collected by all taxing entities over 25 years.
- These calculations were derived from the Milestone Minimums, as well as industry standard assumptions for similar developments.

Tax Revenue Types	Projected Revenue
GPLET Excise Tax Revenue	\$32,967,000
Electricity Sales Tax Revenue	\$97,174,242
Construction Sales Tax Revenue	\$15,356,517
Personal Property Tax Revenue	\$11,069,748
Total Tax Revenue	\$156,567,507

Summary & Considerations

- Google has expressed a commitment to the thoughtful use of water, and maintaining a high level of water stewardship
- Over the 25-Year Term of the GPLET the City alone would receive approx. **\$28.1M** in direct revenue from Electricity Sales Tax, Personal Property Tax & Construction Sales Tax revenue.
- A GPLET will still significantly increase the Property Tax generated from this property as it sits today, and also allow for additional property tax growth as they construct additional development on the site, due to Excise Tax Rates being based on square-footage.
- City Staff recommends and asks that Mayor & Council **approve** this Development Agreement and Government Property Improvements Lease, which we hope will facilitate the development of Google's new campus in Mesa.



Questions & Discussion

