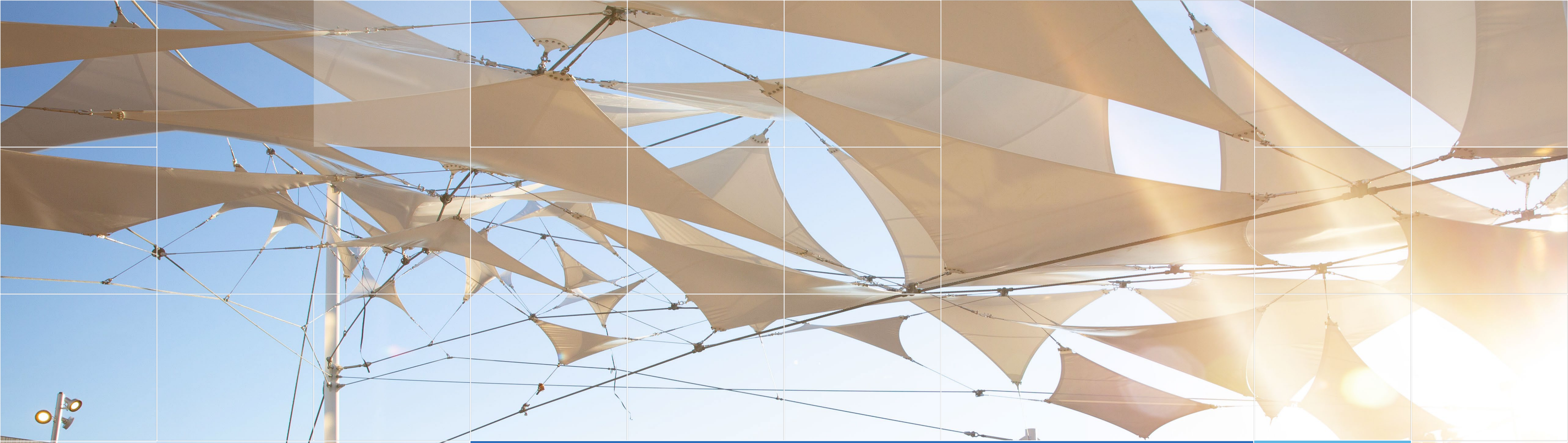


Cannon Beach Hotel.

Jaye O'Donnell, Economic Development Director

Sarah Steadman, Assistant City Attorney

August 13, 2026

mesa·az
ECONOMIC DEVELOPMENT

Purpose.

The proposed Cannon Beach Hotel project will consist of an upscale hotel with a minimum of 130 rooms and various amenities, including a roof top deck and event space, ground level pool, hot tub, and lawn area, a bar and lounge connected to an outdoor terrace overlooking the surf pool, and an upscale or upscale casual, full-service restaurant consisting of a minimum of 7,000 square feet of indoor and outdoor space.

We will be discussing major terms and conditions for a proposed development agreement to provide developer with a retail sales tax incentive for the reimbursement of public infrastructure along Warner Road.

Location.

South of Warner Road and on the east side of S. Power Road

Total site is approximately 35.61 acres

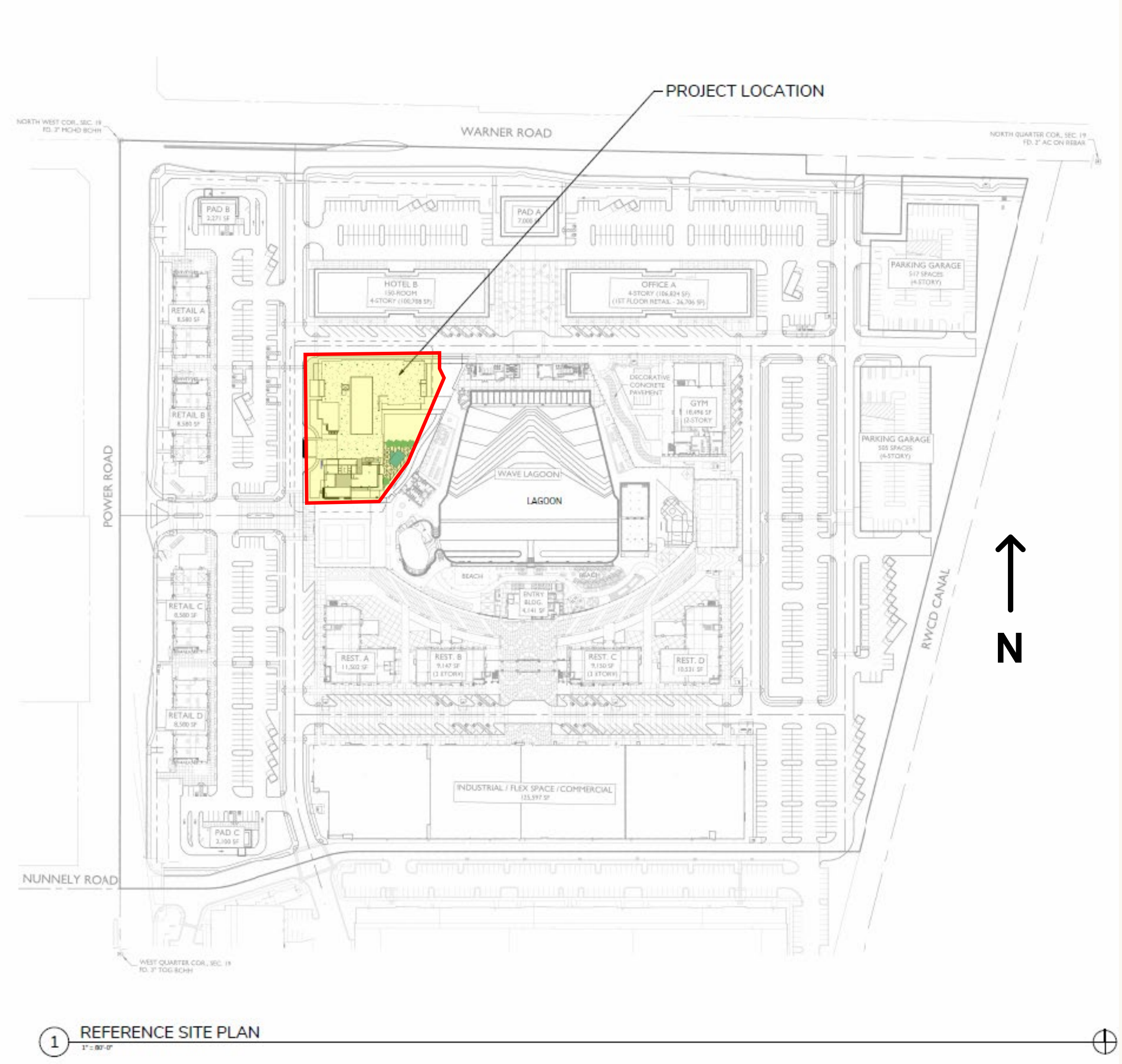
Hotel site is approximately 1.32 acres

Cannon Beach Hotel.

PROPOSED DA

DA Project Area = Only (1.32 +/- acres) for Hotel Development, property owned by Cannon Beach Hotel LLC

Tax Reimbursement for Public Infrastructure for the Hotel and Restaurant



Overview of DA Structure.

Reimbursement of taxes up to $950,000 for dedicated public infrastructure if Developer completes all the following conditions precedent:

- 18 months from DA effective date to obtain building permits for public infrastructure
- 36 months from DA effective date to complete public infrastructure which must be designed, bid, and built per applicable law, including A.R.S. Title 34
- Dedication of the public infrastructure (City)
- Required dedications of right of way to City prior to dedication of public infrastructure
- Upscale hotel (currently a planned Tapestry by Hilton) must complete construction and be open to the public within 36 months of the effective date of the DA

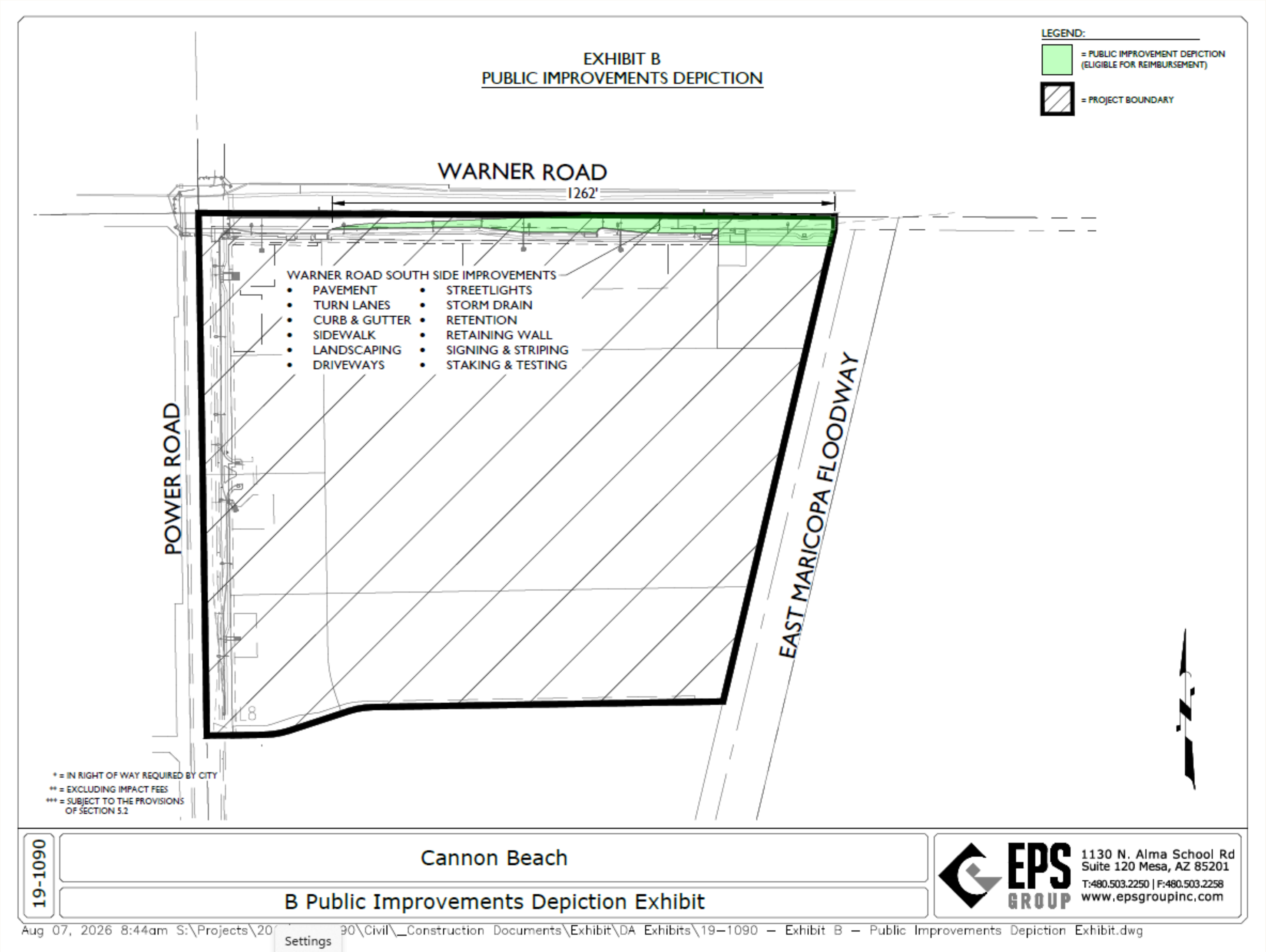
Reimbursement for public infrastructure using portions of the Construction Sales Tax and Retail Sales Tax generated by the Hotel and Restaurant

Infrastructure for Reimbursement.

PROPOSED PROPERTY

Requires public infrastructure on Warner Road that includes:

- Pavement and Turn Lanes
- Curb and Gutter
- Sidewalks and Landscaping
- Driveways and Streetlights
- Storm Drain, Retention, Retaining Wall
- Signing and Striping
- Staking and Testing



Construction Tax Incentive.

- Eligible Construction Tax: 100% of the 1.2% non-dedicated general fund sales taxes received by City for Construction Contracting for the Hotel and Restaurant
- One-time payment of Eligible Construction Tax collected from the Effective Date of DA through the date completion of construction of the Hotel and Restaurant (C of O issued)
- Subject to the maximum reimbursement cap of $950,000

Retail Sales Tax Incentive.

- Eligible Sales Tax: 50% of the 1.2% non-dedicated general fund sales taxes received by City for taxable activities for the hotel and restaurant
- Requires Completion of the Conditions Precedent
- Economic Incentive Period: 10-year period beginning on the date of completion of construction of the Hotel and Restaurant (C of O issued)
- Sales tax rebate will be made four times per year
- Subject to the maximum reimbursement cap of $950,000

Statutory Requirements: Findings & Economic Impact Analysis.

- Per A.R.S. § 9-500.11, Council Must Find:
  - The proposed sales tax incentive (project) will raise more revenues than the amount of the incentive (reimbursement) during the term of the agreement; and
  - Development would not locate in Mesa in the same time, place or manner in the absence of a tax incentive.
- Statute requires independent third-party review of the Council findings
- A.R.S. § 42-6010 requires that construction and sales tax incentives offered to retail businesses be provided only as reimbursement for public infrastructure dedicated to, and accepted and controlled upon completion of the project by the City.
- Two Council Meetings Required
  - Notice of Intent Resolution
  - Resolutions for approval of the Development Agreement and the Council findings (requires a 2/3 vote of the Council)

Third Party Economic Impact Analysis.

- Performed by Applied Economics
- Includes economic analysis and impact summary with projected sales tax, City tax revenues, public improvements, total economic impact, job creation, annual labor income, and construction activity
- Revenues to the City: The project would general a significantly greater amount of sales tax revenues than the total amount of the rebate
- Final analysis report will be provided to City Council in conjunction with the resolution requiring the City Council findings.

Next Steps.

<u>August 17, 2026 City Council Meeting</u>

- Notice of Intent Resolution

<u>September 14, 2026 City Council Meeting</u>

- Development Agreement Resolution
- City Council Findings Resolution