



# City Council Report

**Date:** July 1, 2025

**To:** City Council

**Through:** Scott Butler, City Manager  
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**From:** Jaye O'Donnell, Economic Development Director  
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**Subject:** Making findings required by A.R.S. § 9-500.11 (V.2) for the City to enter into a retail development tax incentive agreement related to the development of certain improvements for the project known as "Medina Station" generally located at the southeast corner of East Southern Avenue and South Signal Butte Road  
Council District 5

## Purpose and Recommendation

The purpose of this report is to discuss the findings required per A.R.S. § 9-500.11 (V.2) that would allow the City to enter into a retail development tax incentive agreement with SIMONCRE BUDDY, LLC ("Developer") and Target Corporation ("Target Corp"). The proposed retail development tax incentive agreement would facilitate the development of the commercial portion of Medina Station, a high-quality, mixed-use commercial project featuring national retail anchors and full-service restaurants. The proposed development will enhance placemaking efforts by creating a vibrant destination for shopping and dining in East Mesa.

Staff recommends that the City Council approve the Resolution.

## Background

Before entering into a retail development tax incentive agreement, A.R.S. § 9-500.11 (V.2) requires the City make findings that: (a) the proposed tax incentive will generate more revenue than the amount of the incentive given during the term of the agreement; and (b) the retail business would not locate in the City in the same time, place, or manner without the tax incentive.

Medina Station is a 64 +/- acre mixed-use development project located on the east side of South Signal Butte Road and south of East Southern Road, with a mix of commercial and residential development. The recommendation and development agreement that are the basis of this Council Report only pertains to the 40 +/- acre commercial portion of Medina Station (the commercial portion is referenced as the {00565420.1})

“Project”). The commercial site requires significant investment in public infrastructure by the Developer required for the Project site, without which, the Project site would not be suitable for commercial development. The Developer requested that the City consider a sales (transaction privilege) tax reimbursement for the public infrastructure improvements, including street improvements, streetlights, water, sewer, and storm drain along the east half of Signal Butte Road adjacent to the site, as well as street improvements and streetlights on along the south half of Southern Avenue. The public improvements also include grading on the ADOT property on the east side of the residential portion of the Medina Station site to address drainage issues; however, the reimbursement would be limited to that portion of the drainage costs attributable to the Project.

To provide a reimbursement to Developer for the public infrastructure, the City would need to enter into a development agreement that is of a type that state law requires the City Council to make the findings under A.R.S. § 9-500.11 (V.2) for a retail development tax incentive agreement. To verify the findings surrounding the amount of the reimbursement for the retail development tax incentive agreement being less than the amount of revenues the Project will raise, the City hired Applied Economics, an independent third party, to review the proposed development agreement and retail development tax incentive.

## **Discussion**

The commercial site requires significant investment in public infrastructure by the Developer to make it suitable for commercial development. The proposed retail sales tax incentive of \$6,360,696 will reimburse the Developer for the necessary public infrastructure improvements.

According to the economic impact analysis prepared by Applied Economics, the full build-out scenario is projected to generate \$27 million in gross sales tax revenue during construction and the first ten years of operations after the opening of the Dick's Sporting Goods. The Developer may receive up to \$6,360,696 in reimbursement for public improvements dedicated to the City and ADOT. If the conditions precedent are completed, the reimbursement period for construction sales tax is from the effective date of the development agreement through 60 days after Dick's Sporting Goods is operational. The Developer may qualify for additional construction sales tax up through 12 months after the fifth restaurant on restaurant row is complete if all five of the restaurants on restaurant row are open within 48 months of the effective date of the development agreement (refer to site plan for restaurant row). For the retail sales tax reimbursement, upon the completion of the conditions precedent, the economic incentive period will begin on the date that Dick's Sporting Goods is operation and will continue for ten years.

Under the minimum conditions scenario, if only the Dick's Sporting Goods is completed, the project could generate an estimated \$5.5 million in City sales tax revenue over ten years, with an estimated \$1.7 million eligible for reimbursement to the Developer. In both sales tax revenue scenarios, project revenues would generate a significantly greater amount of sales tax revenue than the total amount of reimbursement under both scenarios; therefore, the independent economic impact analysis supports the finding that the proposed project would generate significantly more sales tax revenue than the total rebate amount.

As it pertains to the finding that the retail business would locate in the City in the same time, place, or manner without the tax incentive, the Developer's representative has maintained that, without the incentive the Medina Station project would not be able to locate in Mesa in the same time, place, or manner primarily because of the level of infrastructure costs necessary to support the development. The subject site requires substantial investment in public infrastructure by the Developer to facilitate the development of the site. The public improvements eligible for reimbursement include street improvements, streetlights, water, sewer and storm drains on the east half of Signal Butte Road, street improvements and streetlights on the south half of Southern Avenue, and grading on the ADOT parcel on the east side of the site. By receiving the tax reimbursement, Developer is able to provide rents at a discounted rate to restaurants of a higher caliber that are not currently in the area of the Project, attracting new visitors to the area and meeting an area need, as well as higher tax revenue for the City. The incentive also helped the Developer obtain a larger Dick's Sporting Goods for the Project that resulted in a change to the site plan for the property to accommodate necessary additional parking.

## **Alternatives**

The following alternatives are presented for consideration:

### **APPROVAL OF THE RESOLUTION**

Approval of the resolution will demonstrate that the City made the findings required by A.R.S. § 9-500.11 (V.2) prior to entering into a retail development tax incentive agreement. Approval of the resolution is not approval of the development agreement; it allows the City to meet the findings requirement under state statute related to the development agreement. Approval of the development agreement will need to be made through a separate resolution approved by City Council.

### **NO ACTION OR NOT APPROVING OF THE RESOLUTION**

If the Council chooses not to approve the resolution, the City will not be able to enter into a retail development tax incentive agreement with the Developer.

Staff recommends the City Council approve the resolution making findings required by A.R.S. § 9-500.11 (V.2) prior to entering into a retail development tax incentive agreement.

## **Fiscal Impact**

The proposed retail development tax incentive agreement will allow the City to reimburse the Developer up to \$6,360,696 for the construction of public infrastructure improvements. These improvements must be completed and dedicated to the City and ADOT, and Dick's Sporting Goods must be operational before any construction sales tax reimbursement can occur. During construction and over the first ten years of operations, Medina Station is projected to generate \$27 million in City sales tax revenues, of which a maximum of \$6,360,696 would be reimbursed for public

improvements. Therefore, the City is expected to receive more revenue than the total value of the incentive.

### **Coordinated With**

The Office of Economic Development has worked closely with the City Attorney's Office, Development Services, Engineering, and Transportation on this project.