City Council Report

Date: August 17, 2026

To: Mayor and Council

Through: Scott Butler, City Manager

From: Jaye O'Donnell, Economic Development Director
Benjamin Snow, Economic Development Deputy Director

Subject: Resolution adopting a notice of intent to enter into a retail development tax incentive agreement pursuant to A.R.S. § 9-500.11 (version 2) related to the development known as "Cannon Beach Hotel" generally located southeast of the southeast corner of Power Road and Warner Road. (District 6)

Purpose and Recommendation

Staff recommends that Council approve the resolution adopting a notice of intent to enter into a retail development tax incentive agreement pursuant to A.R.S. § 9-500.11 (version 2) ("A.R.S. 9-500.11") related to the development of improvements for the project known as "Cannon Beach Hotel" generally located southeast of the southeast corner of Power Road and Warner Road.

Background

Cannon Beach is an approximately 37.14-acre mixed-use development project located at the southeast corner of Power Road and Warner Road, with a mix of commercial, recreational and entertainment uses. The retail development tax incentive agreement only would apply only to the approximately 1.32- acre Cannon Beach Hotel portion of Cannon Beach (this portion is referenced as the "Project").

The Project would include an upscale, full-service hotel and an upscale or upscale-casual, full-service restaurant. Development of the Project requires significant investment by the developer in public infrastructure, including improvements to Warner Road and related utility and drainage infrastructure. Without these improvements, the Project site would not be suitable for the proposed commercial development.

The proposed development agreement would establish the development and performance requirements for the project and provide for the reimbursement of a portion of eligible public infrastructure costs from construction transaction privilege tax and retail sales tax revenues generated by the Project.

Discussion

A.R.S. § 9-500.11 requires a city or town to adopt a notice of intent to enter into a retail development tax incentive agreement at least fourteen days before approving such an agreement. The adoption of the notice of intent is required for City Council to consider the approval of the development agreement for the Project because the agreement meets the definition of a “retail development tax incentive agreement” under A.R.S. § 9-500.11.

The approval of the Resolution for the notice does not constitute approval of the development agreement by City Council; it only allows the development agreement to be placed on a City Council agenda for consideration in accordance with the requirements of A.R.S. § 9-500.11.

If the notice of intent is approved, Staff intends to place the development agreement on the September 14, 2026, City Council meeting agenda for consideration.

Alternatives

The following alternatives are presented for consideration:

> APPROVAL OF THE RESOLUTION: Approval of the resolution does not constitute approval of the development agreement or obligate the City Council to approve the agreement at a future meeting. It allows the proposed development agreement to be placed on a future City Council agenda for consideration in accordance with A.R.S. § 9-500.11: If the resolution is approved, staff intends to place the proposed development agreement on the September 14, 2026, City Council meeting agenda for consideration and possible approval.
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> NO ACTION OR DENIAL OF THE RESOLUTION: If the Council takes no action or does not approve the resolution, the proposed development agreement cannot be presented for consideration and possible approval as currently scheduled.

Fiscal Impact

Approval of the resolution and adoption of the notice of intent have no immediate fiscal impact. The potential fiscal impact of the proposed development agreement will include reimbursement of up to $950,000 of dedicated public infrastructure costs for Warner Road if Developer completes all the minimum requirements as set forth in the development agreement. Construction Sales Tax and Retail Sales Tax will be used to provide reimbursement. The maximum eligible reimbursement period will be ten years.

A third-party economic impact analysis was completed by Applied Economics and includes projected sales tax, city tax revenues, public improvements, total economic impact, job creation, annual labor income, and construction activity. The approximately $50M hotel project will also include 162 full and part-time jobs, and could attract additional visitor spending within the Cannon Beach development and elsewhere in the city, supporting additional jobs and sales taxes. The project could generate $9.5 million in gross sales tax (General Fund and dedicated) and secondary property taxes over ten years, including $950,000 in General Fund sales taxes reimbursed to the developer. The project would generate significantly more sales taxes than the amount of the reimbursement within the term of the development agreement, and the cost of the reimbursement would be limited to the cost of public infrastructure dedicated to the city, thereby meeting the statutory requirements for retail sales tax reimbursements.

Coordinated With

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