



# GATEWAY AUTOMALL

September 19, 2024

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# Purpose

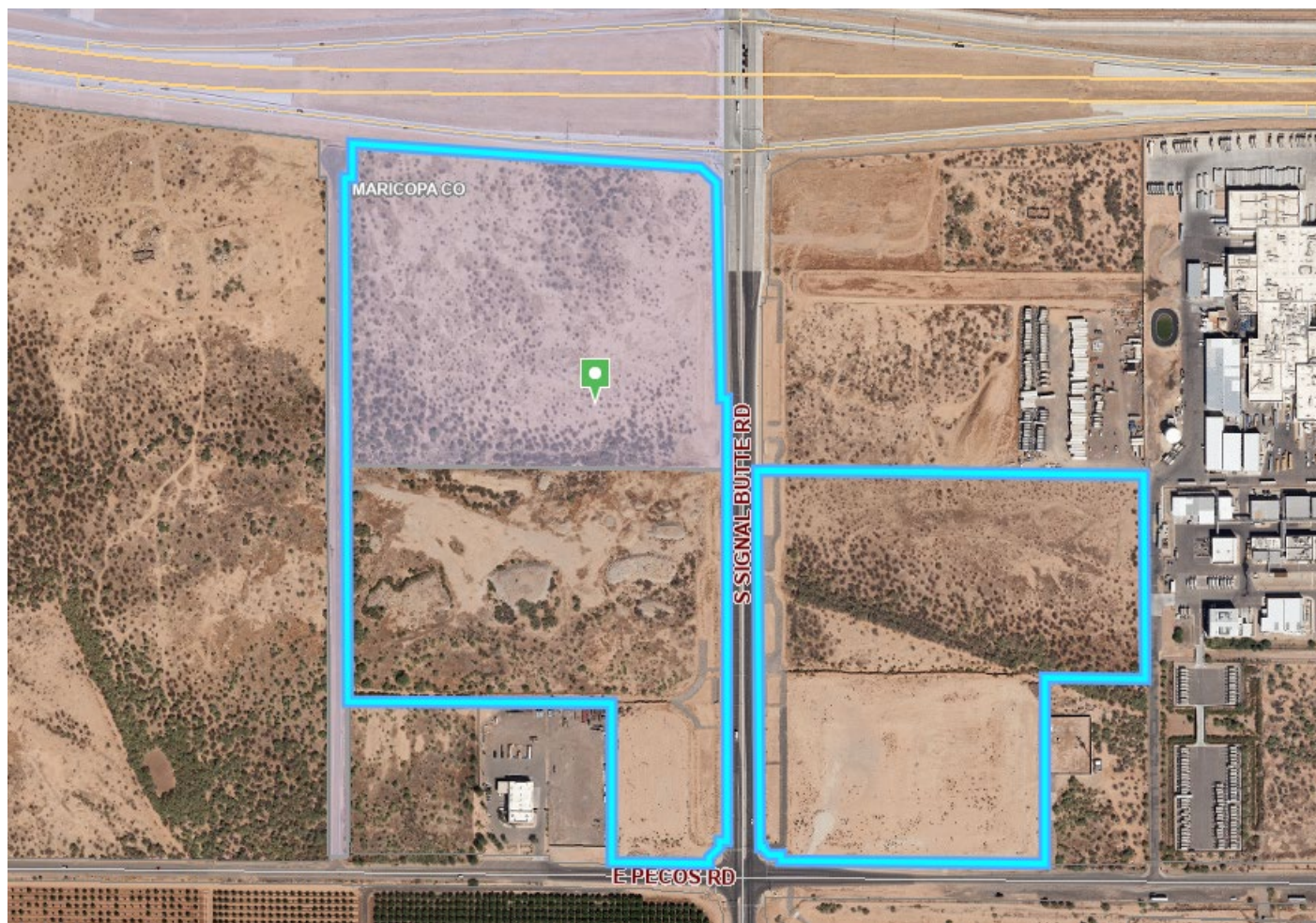
To discuss the development agreement for the Horne Automotive Development and review the retail tax incentive





# Location

North of Pecos Road and  
South of State Route 24  
on the east and west  
sides of Signal Butte  
Road



# Gateway Automall

## REZONING

### ZONING

- ZON24-00164 has current P&Z approval and is scheduled for the October 7<sup>th</sup> City Council meeting
- General Commercial

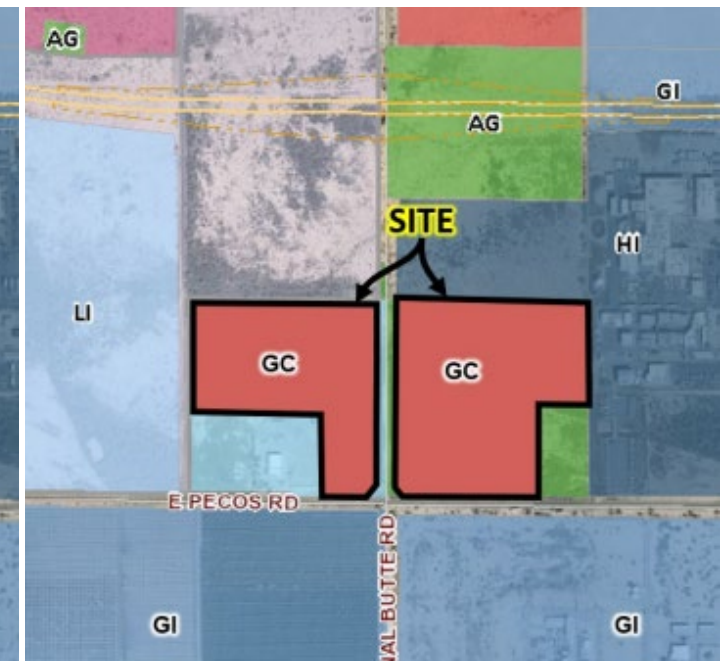
### PROPOSAL

- ~62-acre mixed-use development
- Commercial Uses - new car auto dealerships and general commercial
- Retail Sales Tax Incentive

Current



Proposed





# Gateway Automall

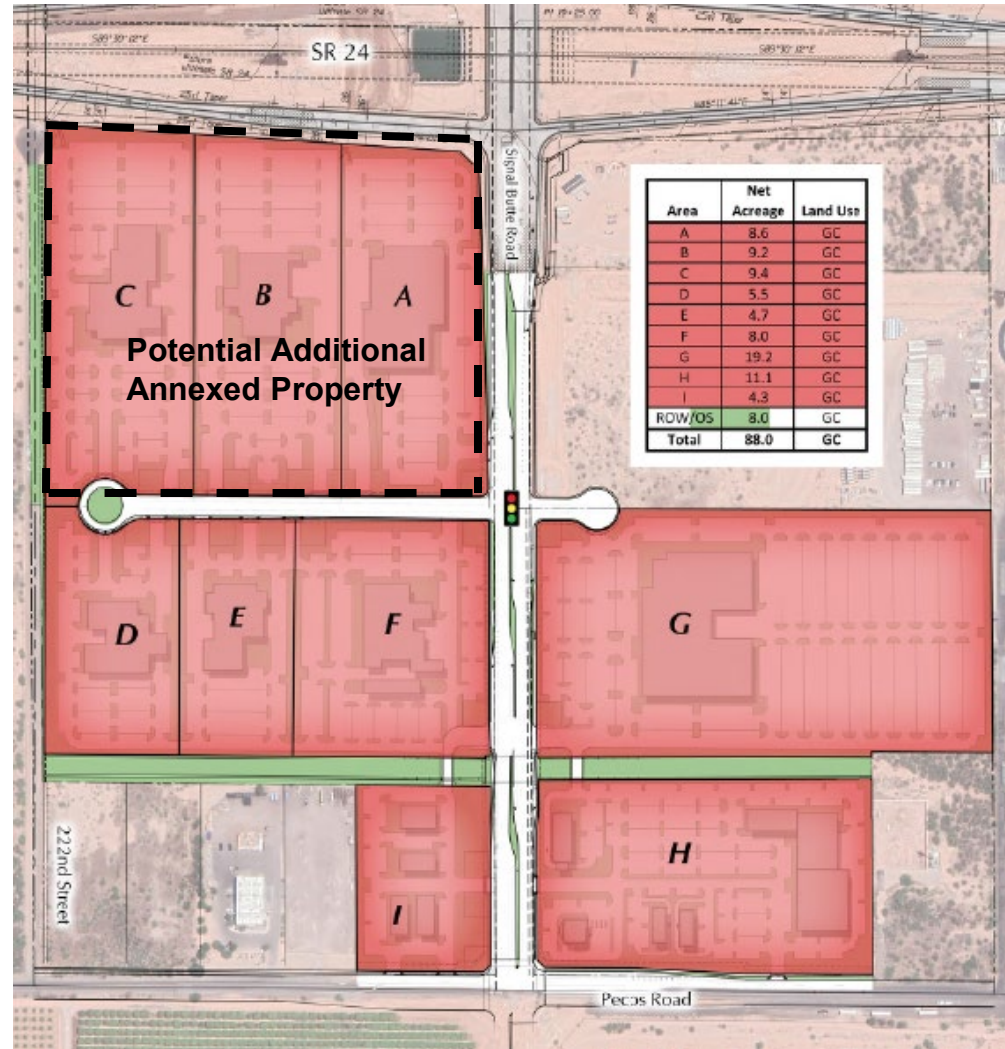
## POTENTIAL ANNEXED PROPERTY

### ZONING

- General Commercial

### PROPOSAL

- 62-acre Mixed-Use Development, plus ~25 acres in the county if property is annexed
- Commercial Uses
  - Auto Dealerships (New, Used, Motorcycle)
  - General Commercial
- Retail Sales Tax Incentive



# 2018 Automotive Point Analysis

## Assessment based on:

- Accessibility, visibility, and other demographic features

## Findings:

- Land near SR 24 and Signal Butte Road is the only location in Mesa that meets the requirements for an auto mall
- Based on SanTan Freeway, Superstition Springs and Apache Junction Clusters, this area is available to most makes

# DA Structure

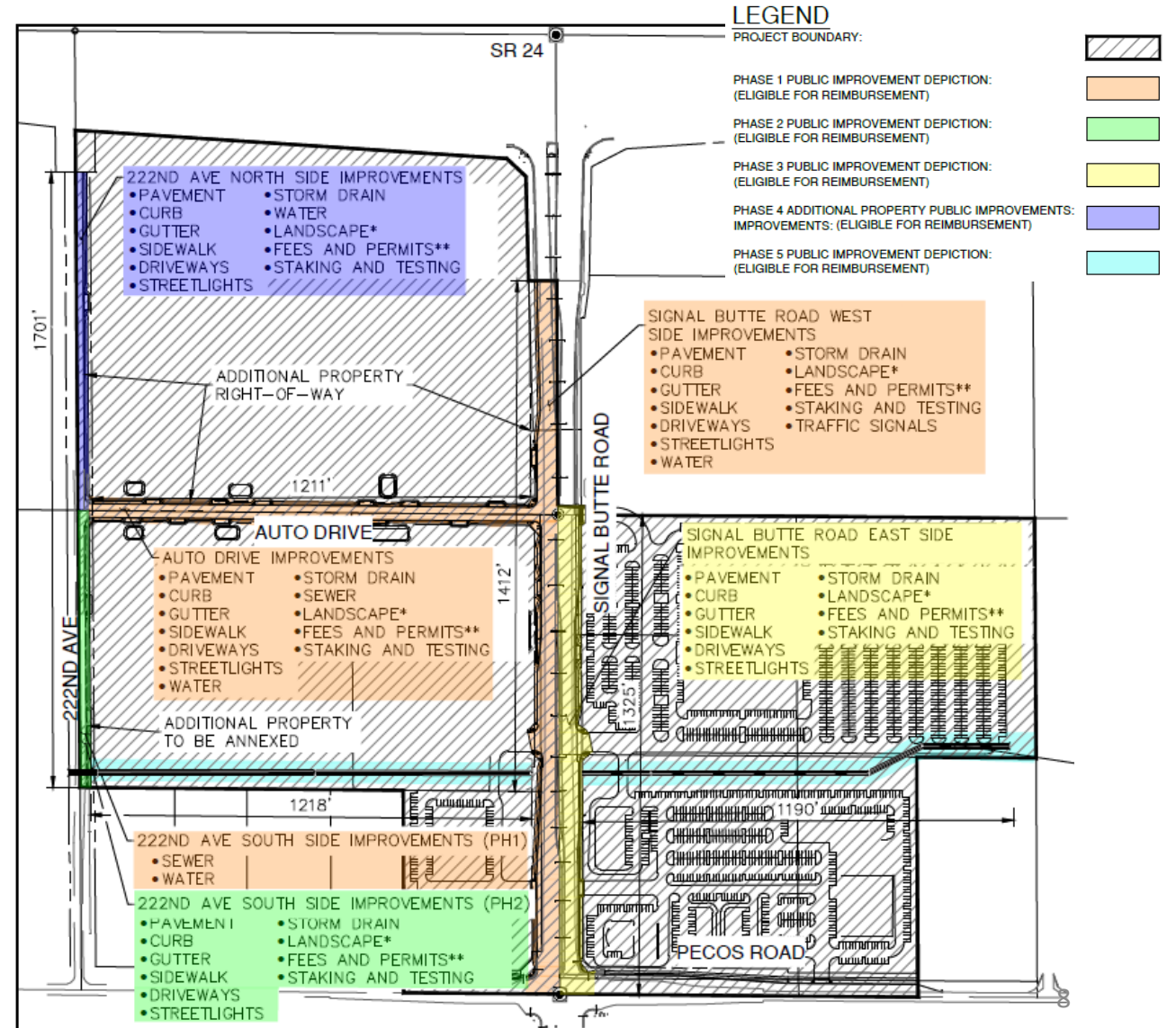
- Reimbursement tax incentive up to \$11.6 million if Developer completes all of the following:
  - Infrastructure improvements will be phased. Phase 1 has a total reimbursement amount of \$6.25M. The first phase to be completed and dedicated by April 1, 2028 which must be designed, bid, and built per applicable law, including A.R.S. Title 34
  - Required right-of-way dedications for phase 1 by April 1, 2028
  - First new car dealership open and operating for business by July 1, 2029
  - Additional new car dealerships will trigger additional phases, and each additional phase will have a dedicated reimbursement amount. There are five phases total, with the total reimbursement amount being \$11.6M.

# Infrastructure for Reimbursement

## PROPOSED PROPERTY

Requires investment in public infrastructure that includes:

- Pavement
- Curb, gutter and sidewalks
- Storm drain
- Streetlights
- Traffic signals
- Utilities
  - Sewer Line
  - Water Line





# Proposed Retail Development Tax Incentives

- Sales tax reimbursement equal to 50% of the 1.2% non-dedicated general fund sales taxes received by City generated by the operations of the dealership(s), including sales, parts, and taxable portions of service centers
  - City of Mesa total sales tax rate is 2%
  - Reimbursement does not include any funds dedicated for Streets and Maintenance (0.3%), Quality of Life (0.25%) and Public Safety (0.25%)
  - Motorcycle dealership tax reimbursed only after two new car dealerships are open for business to public
- Reimbursement capped at \$11.6 million and will only cover the actual cost of public improvements constructed and dedicated to the City
- The incentive period is 12 years and begins when the first new car dealership opens
- The incentive period **can be extended** up to three times for a period of three years per extension for each subsequent new car dealership - maximum of 21 years (December 31, 2050)

# Tax Incentive: Findings & Economic Impact Analysis

- Per A.R.S. 9-500.11, Council Must Find:
  - The proposed tax incentive (dealerships) will raise more revenues than the amount of the incentive during the term of the agreement; and
  - Dealerships 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 - completed by Applied Economics
- A.R.S. 42-6010 requires that 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.
- Separate resolutions will be presented to Council for approval of agreement and findings.

# Project Economic Impact Analysis

- Revenues to the City:

The project would generate a significantly greater amount of sales tax revenues than the total amount of the rebate



<b>ONE DEALERSHIP - Estimated Sales Tax</b>	
Reimbursement to Developer by 2034	\$2.7M
Revenues to City by 2034	\$6.6M



<b>FIVE DEALERSHIPS - Estimated Sales Tax</b>	
Reimbursement to Developer by 2049	\$11.6M
Revenues to City by 2049	\$156M

*\*Under the Five Dealerships scenario, a new dealership is added every five years. This is why the reimbursement to the developer takes longer, but results in a higher revenue to the city.*



# Next Steps

September 19, 2024

City Council meeting to hear resolution of adoption of notice of intent to enter into a retail development tax incentive agreement

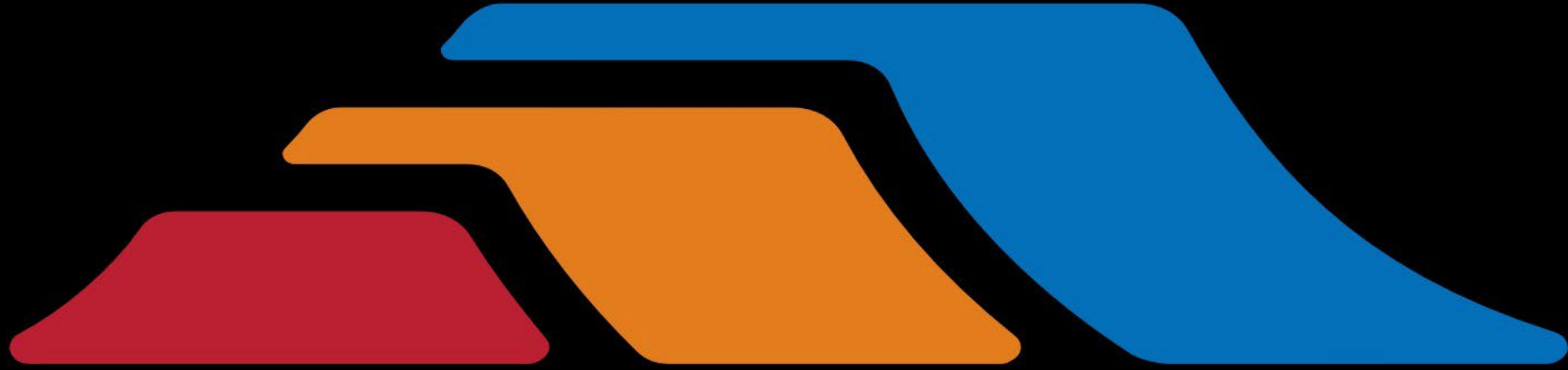
October 7, 2024

City Council meeting to hear introduction of Zoning Ordinance

October 21, 2024

City Council meeting to consider and take action on the rezoning request and development agreement





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