



# City Council Report

**Date:** July 1, 2025

**To:** City Council

**Through:** Scott Butler, City Manager  
Marc Heirshberg, Deputy City Manager

**From:** Jaye O'Donnell, Economic Development Director  
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**Subject:** A resolution to enter into a Development Agreement with SIMONCRE Buddy, LLC and Target Corporation for the development of certain improvements for the project known as "Medina Station" generally located at the southeast corner of E. Southern Avenue and S. Signal Butte Road. Council District 5

## Purpose and Recommendation

The purpose of this report is to discuss and consider approval of the development agreement with SIMONCRE BUDDY, LLC ("Developer") and Target Corporation ("Target Corp"). The proposed retail development tax incentive agreement would support the commercial portion of Medina Station—a high-quality commercial project featuring national retail anchors and full-service restaurants.

Staff recommends the City Council approve the development agreement.

## Background

Medina Station is a planned mixed-use development on approximately 64.5 +/- acres located at the southeast corner of Signal Butte Road and Southern Avenue in Mesa that was rezoned under Case No. ZON23-00691 to Limited Commercial with a Planned Area Development Overlay (LC-PAD), including a Council Use Permit and Site Plan Review. The overall development will include retail, commercial, restaurant, and multifamily residential uses. However, the recommendation and development agreement outlined in the subject Council Report apply only to the approximately 40-acre commercial portion of the site, referred to as the "Project"; the multifamily residential portion of Medina Station will be developed separately by a different entity and is not part of the proposed development agreement.

The Project is designed to enhance the quality of life for Mesa residents and serve as a regional destination by introducing high-quality retail and dining options not currently found in the area. It aims to attract both local patrons and visitors from neighboring communities. The Project is designed to include approximately 337,340 square feet of {00565418.1}

commercial space, featuring:

- Restaurant Row: Five upscale, mid-class, high-quality, or contemporary casual full-service restaurants. Each will have fewer than 100 locations nationally and will be the first of its kind in Mesa (excluding locations at Mesa Gateway Airport). These restaurants are anticipated to generate, on average, 73% more annual sales than typical national chains and are expected to serve as regional destination dining experiences.
- Retail Anchors: Three large retail stores totaling approximately 245,300 square feet, including a two-story Dick's Sporting Goods estimated at 80,000 square feet.

The Project complies with Mesa's zoning regulations, the General Plan, and an existing Development Agreement (DA24-00054) recorded with Maricopa County which limits land uses on the site.

## **Discussion**

The Project presents a significant economic benefit to the City, including job creation and increased sales (transaction privilege) tax revenue generated by construction and new commercial activity. The subject site requires a substantial investment in public infrastructure by the Developer to support development, including street improvements, streetlights, water, sewer, and a storm drain. Also, the Developer will grade drainage basins on ADOT property east of the residential area that are required to maintain historical flows. These improvements are essential to the Project as presented to attract the type of high-quality development that will generate long-term economic value for the City of Mesa.

In recognition of these economic factors, the Developer, Target Corp, and the City are proposing to enter into a retail development tax incentive agreement for the reimbursement to Developer of public infrastructure, with a maximum reimbursement of up to \$6,360,696 ("Development Agreement"). Under the Development Agreement, the Developer would be required to install public infrastructure in accordance with applicable law (including A.R.S. Title 34) and may be reimbursed for the eligible improvements dedicated to the City and ADOT. Without this incentive, the Project would not be able to locate in Mesa at the same time, place, or manner—primarily due to the high infrastructure costs necessary to support the proposed development and the reimbursement affording the Developer the opportunity to reduce rents to attract the high-quality commercial retailers and restaurants that do not currently have locations in southeast Mesa.

The purpose of the Development Agreement is to guide the future development of the Project as a high-quality, mixed-use site with certain economic incentives to bring new tax revenue to the City. The Development Agreement includes the following major stipulations:

## Design Elements

The Project will be developed in accordance with an approved comprehensive design

guidelines and standards that ensure high-quality architecture and site design. The Developer submitted these guidelines to the City as a prerequisite for site plan approval. To maintain design quality, any changes to these guidelines must undergo review and receive a recommendation from the Design Review Board, followed by final approval by the Planning Director.

### Public Improvements

The Developer will build and dedicate street improvements to the City of Mesa at two main locations. On the east side of Signal Butte Road (from US 60 to Southern Avenue), this includes pavement, curbs and gutters, sidewalks, driveways, streetlights, storm drains, water and sewer lines, as well as necessary staking and testing. On the south side of Southern Avenue (from Signal Butte Road to about 805 feet east), the improvements include pavement, curbs and gutters, sidewalks, driveways, streetlights, and staking and testing. The Developer will also grade drainage basins on ADOT property east of the residential area to manage off-site drainage that will be dedicated to ADOT and will follow ADOT standards. All the public improvements will be dedicated to and maintained by the City and ADOT, respectively.

The Developer may be reimbursed for the costs of these improvements through a construction contracting and sales tax rebate of up to \$6,360,696, based on taxes collected by the City from construction of the Project and the tax generated by the restaurants on “Restaurant Row” and major retail anchors on the property, subject to certain conditions and limitations. (More details are provided in the Economic Incentives section below.)

### Economic Incentives (Construction and Sales Tax Rebate)

The City is proposing a performance-based tax rebate agreement with the Developer to support the Medina Station commercial development. The rebates come from two sources of non-dedicated sales tax collected by the City: 100% of eligible construction contracting sales tax, and 50% of the eligible sales tax from taxable activities at the restaurants on Restaurant Row and the Retail Anchors such as Dick’s Sporting Goods.

To qualify for any rebate, the Developer must meet key milestones (“Conditions Precedent”) including: obtaining all necessary permits within six months of the Development Agreement’s effective date (“Effective Date”); completing and having the City and ADOT accept the respective public improvements within 18 months of the Effective Date; making all required dedications to the City before acceptance of the public improvements; and completing and opening Dick’s Sporting Goods within 48 months of the Effective Date.

Upon completion of the Conditions Precedent, the Developer may receive as a reimbursement 100% of the non-dedicated eligible construction contracting tax for the Project received by the City from the Effective Date through 60 days after the Dick’s Sporting Goods is open to the public, but to receive the full construction contracting tax reimbursement all five qualifying restaurants on Restaurant Row must be open within 48 months of the Effective Date; the full construction contracting tax reimbursement would cover the time period from the Effective Date up through 12 months after the fifth restaurant on Restaurant Row is completed and open to the public. It should be noted

that the eligible reimbursement for public infrastructure on the ADOT property is a maximum rebate of 60% of the construction costs.

As for the sales tax reimbursement, following the completion of the Conditions Precedent, the economic incentive period begins when Dick's Sporting Goods opens and continues for ten years thereafter. During the economic incentive period, the Developer will be eligible to receive 50% of the non-dedicated sales tax collected by the City that is generated from taxable activities at the restaurants on Restaurant Row and the Retail Anchors.

If the Developer fails to meet any required milestones of the Conditions Precedent, the Development Agreement will automatically terminate, and no incentives will be paid, except for any surviving obligations. The Development Agreement supports the significant upfront investment required for the public infrastructure necessary to attract high-quality retail and restaurants that will bring long-term economic benefits to the City of Mesa.

## **Alternatives**

The following alternatives are presented for consideration:

### **APPROVAL OF THE DEVELOPMENT AGREEMENT**

Approval of the Development Agreement will create new sales tax revenue for the City from the proposed commercial development and promote high-quality development in East Mesa.

### **NO ACTION OR NOT APPROVING OF THE DEVELOPMENT AGREEMENT**

If the Council chooses not to approve the Development Agreement, the City will not be able to enter into a retail development tax incentive agreement with the Developer. Without the agreement, the City would not receive the anticipated tax revenues that would be generated by the Project as presented.

Staff recommends the City Council approve the development agreement.

## **Fiscal Impact**

The proposed retail tax reimbursement will not exceed \$6,360,696 and is intended to cover the cost of specific public improvements that will be completed by the Developer, then dedicated to, accepted, and controlled by the City and ADOT, respectively.

The independent third-party analysis required by A.R.S. § 9-500.11 (V.2) and conducted by Applied Economics indicates the full build-out scenario is projected to generate \$27 million in City tax revenue during 2026 and the first ten years of operations. As noted previously, the Developer will be eligible to receive the full reimbursement amount up to the maximum \$6,360,696 if all the Conditions Precedent are completed; however, the actual amount received by the Developer will depend upon (a) the eligible construction costs of the public infrastructure, (b) whether Restaurant Row and the Retail Anchors

are completed in their entirety and when they are completed, and (c) the eligible tax collected by the City. By way of example as to how the level of development of the Project can impact the tax reimbursement received, under the minimum conditions scenario, where the Conditions Precedent are complete but only Dick's Sporting Goods is built (not the other Retail Anchors or Restaurant Row), the Project could generate \$5.5 million in tax revenue for the City, but only \$1.7 million will be eligible for reimbursement to the Developer. In the full build out scenario, where all 328,425 square feet of new retail space is built, the Project is estimated to generate \$27 million in City sales tax and Developer would be likely to receive the full \$6,360,696. In both the full build-out and minimum conditions scenarios, total projected revenues received by the City exceeds the maximum incentive (reimbursement) amount, satisfying the requirements of A.R.S. § 9-500.11 (V.2) as confirmed by the third-party analysis.

Overall, the findings of the economic impact analysis conducted by Applied Economics confirm that the: (a) amount of tax revenues raised by the proposed development will be more than the sales tax reimbursement incentive to the Developer; and (b) development of the Project would not have occurred in the same time, place or manner without the tax incentive.

### **Coordinated With**

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