APPLIED ECONOMICS

October 28, 2026

Ms. Kristen Krey
Town Administrator
Town of Carefree
8 Sundial Circle
Carefree, AZ 85377

Dear Ms. Krey,

This letter presents the results of an independent third-party review of the proposed sales tax rebate agreement between the Town of Carefree and SimonCRE Maroon IV, LLC for the Craig's Crossing property. The 24-acre site, which is currently vacant, is located at the NEC of Cave Creek Road and Carefree Highway. The proposed development includes approximately 90,000 square feet of primary retail, shops, and PADs. This analysis assumes 45,000 square feet would open by December 31, 2028, and the remaining 45,000 square feet would open by December 31, 2029. The sales tax rebate will reimburse the developer for specific public improvements described in the development agreement.

To activate the sales tax rebate, the Conditions Precedent requires the developer must obtain permits and begin construction of both the public and private improvements by December 31, 2027. Additionally, by December 31, 2028, the public improvements must be completed and dedicated, 45,000 square feet of commercial space must be completed, and 30,000 square feet must be open for business. If the developer meets the Conditions Precedent, December 31, 2028 is designated as the Initial Completion Date. If the developer has fully executed leases for 45,000 square feet by December 31, 2028, they could extend the Initial Completion Date to December 31, 2029.

The term of the sales tax rebate, or the Economic Incentive Period, is ten years. If by the ninth year of the Economic Incentive Period, the developer has constructed 90% of the leasable square footage, the Town would extend term by two years. Based on the expected development timing, the developer would quality for this extension.

The development agreement includes provisions for a sales tax rebate equal to 49% of the Town's 4% construction sales tax and 49% of the Town's transaction 3% retail sales tax during the Economic Incentive Period.[1] To receive the construction sales tax reimbursement, the primary retail tenant must be open on or before the Initial Completion Date. As part of the development agreement, the Town will also defer plan review and permit fees until December 31, 2029. If the primary tenant is open on or before December 31, 2029, the Town will waive the deferred fees. However, 25% of the gross leasable space must be occupied for two consecutive years after the Initial Completion Date, or the developer must reimburse all waived or deferred fees.

[1] A 2% sales tax rate applies to food for home consumption.

The maximum rebate is $11.6 million over a period of up to 12 years, which is the Economic Incentive Period, plus a two year extension. The maximum value includes construction sales tax reimbursement, fee waivers, and sales tax rebates. The Economic Incentive Period starts when the developer meets the Conditions Precedent, and provides the Town with written notice of the Initiation Date. The latest possible start date, assuming Enforced Delay, would be January 31, 2030.

Per A.R.S. 9-500.11, part F, any proposed tax incentive must raise more revenues than the amount of the incentive within the duration of the agreement. We have reviewed the development agreement and prepared an analysis of projected taxable activities and the future sales tax revenue stream to the town over the next 12 years. We believe that the project would generate a significantly greater amount of sales tax revenues than the total amount of the rebate over the Economic Incentive Term.

Based on the expected taxable sales generated by the project, it would be possible to reach the $11.6 million maximum incentive amount, if the developer meets the conditions for a two-year extension to a term of 12 years. Total construction sales tax, retail sales tax, and permit fee waivers to the developer could total approximately $11.6 million, and net revenues to the Town could total $12.6 million during the Economic Incentive Period.

Based on our review, we believe that the agreement between the Town of Carefree and SimonCRE Maroon IV, LLC meets the requirements of A.R.S. 9-500.11. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Sarah E Murley

Sarah E. Murley
Principal

## PROJECTED ANNUAL TAXABLE SALES AND SALES TAX REVENUES TO TOWN OF CAREFREE - CRAIGS CROSSING

| | | | | Economic Incentive Period | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 |
| **Taxable Sales** | **$18,270,031** | **$19,715,531** | **$25,778,213** | **$29,169,373** | **$29,898,607** | **$30,646,073** | **$31,412,224** | **$32,197,530** | **$33,002,468** | **$33,827,530** | **$34,673,218** | **$35,540,049** | **$36,428,550** | **$37,339,264** | **$38,272,745** |
| Hard Construction Cost | $18,270,031 | $19,715,531 | $4,654,431 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Restaurant & Retail | $0 | $0 | $21,123,782 | $29,169,373 | $29,898,607 | $30,646,073 | $31,412,224 | $32,197,530 | $33,002,468 | $33,827,530 | $34,673,218 | $35,540,049 | $36,428,550 | $37,339,264 | $38,272,745 |
| Food for Home Consumption | $0 | $0 | $30,573,188 | $31,337,517 | $32,120,955 | $32,923,979 | $33,747,078 | $34,590,755 | $35,455,524 | $36,341,912 | $37,250,460 | $38,181,722 | $39,136,265 | $40,114,671 | $41,117,538 |
| Lease Revenues | $0 | $0 | $1,988,715 | $2,353,275 | $2,412,107 | $2,472,410 | $2,534,220 | $2,597,576 | $2,662,515 | $2,729,078 | $2,797,305 | $2,867,237 | $2,938,918 | $3,012,391 | $3,087,701 |
| | | | | | | | | | | | | | | | |
| **City Sales Tax and Permit Fee Revenues** | **$666,360** | **$447,641** | **$1,407,866** | **$1,572,430** | **$1,611,741** | **$1,652,034** | **$1,693,335** | **$1,735,668** | **$1,779,060** | **$1,823,536** | **$1,869,125** | **$1,915,853** | **$1,963,749** | **$2,012,843** | **$2,063,164** |
| Construction (4%) | $475,021 | $256,302 | $60,508 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Retail Food/Restaurant Sales 2%/3% | $0 | $0 | $1,245,177 | $1,501,832 | $1,539,377 | $1,577,862 | $1,617,308 | $1,657,741 | $1,699,185 | $1,741,664 | $1,785,206 | $1,829,836 | $1,875,582 | $1,922,471 | $1,970,533 |
| Leases 3% | $0 | $0 | $59,661 | $70,598 | $72,363 | $74,172 | $76,027 | $77,927 | $79,875 | $81,872 | $83,919 | $86,017 | $88,168 | $90,372 | $92,631 |
| Estimated Permit and Review Fees | $191,339 | $191,339 | $42,520 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | | | | | | | | | | | | | | | |
| **Sales Tax Reimbursement** | | | | | | | | | | | | | | | |
| Cumulative Rebates & Permit Fee Waivers to Developer | $0 | $0 | $0 | $2,159,229 | $2,913,524 | $3,686,676 | $4,479,157 | $5,291,450 | $6,124,051 | $6,977,466 | $7,852,217 | $8,748,837 | $9,667,872 | $10,609,883 | $11,575,444 |
| Cumulative Net Revenues to Town | $242,261 | $372,975 | $1,098,535 | $1,935,068 | $2,792,513 | $3,671,395 | $4,572,249 | $5,495,624 | $6,442,084 | $7,412,205 | $8,406,579 | $9,425,812 | $10,470,526 | $11,541,359 | $12,638,961 |

*Note: Hard construction cost includes public improvements and general construction excluding design and engineering. Analysis assumes two-year extention of Economic Incentive Period.*

# PROJECTED SALEES PER SQUARE FT - CRAIGS CROSSING

| | Square Feet | Occupancy | Sales per Sq Ft | Lease Rate |
|---|---|---|---|---|
| Major Retail | 45,000 | 100% | $755 | $32 |
| Shops - Retail | 10,500 | 95% | $820 | $32 |
| Shops - Services | 5,750 | 95% | $0 | $45 |
| Shops - Restaurants | 9,575 | 95% | $625 | $50 |
| | | | | |
| PADS | | | | |
| Retail | 3,700 | 95% | $575 | $45 |
| Services | 4,080 | 95% | $0 | na |
| Restaurants | 11,100 | 95% | $600 | $50 |
| | | | | |
| **Total** | **89,705** | | | |

*Source for Sales per Square Foot: US Business Reporter, Retail and Restaurant Statistics, 2025.*