

CITYNORTH®

INCENTIVE AGREEMENT FACT SHEET

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What is CityNorth?

Envisioned as the urban core of the Desert Ridge master-planned community, CityNorth is a unique urban development under construction near the intersection of two major freeways--Loop 101 and State Route 51-- in Northeast Phoenix. It will be a city-within-a-city, creating living, working, shopping, dining and recreational opportunities unmatched in the Desert Southwest. CityNorth will offer Phoenicians and Arizonans an all-inclusive urban lifestyle in a setting architecturally designed to harmonize with its desert environment.

Benefits to the City of Phoenix

When High Street, the first phase of CityNorth, opens in October, it will mark the beginning of the realization of more than 20 years of visionary planning, to transform a barren site into a landmark mixed-use urban enclave that will:

- Feature 5.5 million square feet of high-end retail, luxury hotels, first-class commercial and residential space on 144 acres (larger than the downtowns of many cities).
- Offer more than 2.5 million square feet of Class A office space designed to attract corporate headquarters and high-salaried employment.
- Generate an estimated \$1.9 billion in annual economic activity and create 19,000 new jobs.
- Provide nearly \$1 billion in city sales tax revenue over its lifetime and at least \$37 million in net impact fees for the cost of public infrastructure.

What is CityNorth's incentive agreement with the City?

During CityNorth's first 11 years of operation, one-half of the local sales taxes generated by shoppers, diners, hotel guests and others who spend money there will go to pay for a portion of CityNorth's parking garages. No money is being paid to CityNorth in advance by the City of Phoenix or its citizen-taxpayers. The developers will be reimbursed only to the degree that the project is successful.

Does the agreement violate the gift clause of the Arizona Constitution?

Absolutely not. No City funds were advanced and no City tax revenues are at risk. The developer must bear all of the estimated \$1.5 billion cost to develop CityNorth and assume all of the financial risk. CityNorth will generate hundreds of millions of tax-revenue dollars for the City and thousands of jobs. CityNorth will pay for itself with the revenues it generates. No payment is guaranteed. If the developer is not successful in generating the necessary tax revenue per the agreement, it gets nothing.

Wouldn't CityNorth have been built without the agreement?

The rationale for the City's incentive agreement with CityNorth to build parking garages was to ensure that the project, which was designed to make the best possible use of the land on which it would rise, will become a reality.

- Without being reimbursed for a portion of the five parking garages, CityNorth's developer would pursue a less capital-intensive design. This would likely result in more than half of the development being taken up by surface parking lots, thus limiting the number of sales tax-generating businesses and resulting in a less environmentally attractive, pedestrian-oriented, economically viable and desirable project.
- CityNorth's developer faces enormous financial risk on a project of this magnitude. The project would have been delayed and its benefits to the City diminished without the incentive agreement.

Are City tax dollars being given away to increase a developer's profits?

No. The agreement ensures that CityNorth will be of sufficient density to maximize the City's ability to generate revenue and jobs. Although the developer certainly benefits, the City will receive more revenue and economic activity than it would have without the agreement. In fact, the City will receive as much as \$900 million in new net revenue with the incentive agreement. All parties, and most importantly the public, will benefit.

Why is the Goldwater Institute challenging the agreement?

The Goldwater Institute filed a frivolous and self-serving lawsuit—wasting taxpayers' dollars—to advance its public exposure and fund-raising agenda. The CityNorth parking use agreement does not violate the Arizona Constitution. The Arizona Constitution and the body of laws regulating this agreement are clear, and the City was compliant with all of them, including statutes passed by the public's elected representatives in the Arizona State Legislature. The Phoenix City Council used incentive tools, which are used throughout Arizona, to encourage future growth to pay for itself. The lawsuit is unnecessary and wasteful.

Contact Information

For more information about CityNorth visit www.CityNorthAZ.com, or contact Marla Ellis at (480) 609-0660.

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