



December 23, 2014

Mr. Larry Tarkowski  
Town Manager  
Town of Prescott Valley  
7501 E. Civic Circle  
Prescott Valley, AZ 86314

Dear Mr. Tarkowski,

Applied Economics has been contracted by the Town of Prescott Valley to perform an independent third party review of the development agreement between the Town and Prescott Valley Investment Group LLC. This agreement concerns the 10.91 acre site located on the southeast corner of State Route 69 and Truwood Drive in the Eastridge Community Facilities District. It is intended that this parcel will be used for a Northern Arizona Regional Recreational Vehicle Sales Center operated by Little Dealer, Little Prices.

When the Eastridge Community Facilities District was formed in 2003, assessment liens were established against the property to finance bonds for the construction of public improvements and a schedule of payments was set up for each property owner. This development agreement includes provisions for the Town to take over remaining assessment payments on parcel APN 103-05-009Y. The remaining payments total \$143,821 over the next three and a half years.

The development is expected to include approximately 18,500 square feet of built space for a new RV dealership. Projected taxable sales are estimated at \$18.3 million per year beginning in 2016, with a partial year of operations in 2015. Estimated sales are based on the size of the dealership and current sales at other RV dealers in the region. All RV sales would be taxed at a rate of 2.33 percent by the Town. There would be additional construction sales tax revenues to the Town in 2015 estimated at \$30,000. Although the Town is making assessment payments from the General Fund on behalf of the developer, it is important to note that the no sales taxes are being refunded. Additionally, the amount of construction and retail sales taxes generated in the first year alone, which only represents a partial year of operations for the RV dealership, exceeds the amount of the assessment payments over the next three and a half years. By the second year of operations, annual sales tax revenues to the Town are estimated at \$427,000 per year.

The economic and revenue benefits of this project to the Town significantly exceed the benefits received by the dealership. Based on our review, we believe that the project would generate a substantially more sales tax revenues during the first year of operations than the total of the remaining assessment payments. Should you have any questions or concerns regarding this analysis, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Sarah E. Murley'.

Sarah E. Murley  
Principal