

**TOWN OF PRESCOTT VALLEY  
REQUEST FOR COUNCIL ACTION  
Date: January 22, 2015**

**SUBJECT:** Development Agreement Earnhardt Volkswagen Dealership

**SUBMITTING DEPARTMENT:** Executive Management

**PREPARED BY:** Greg Fister, Economic Development Manager

**AGENDA LOCATION:** Comments/Communications , Consent , Work/Study ,  
New Business , Public Hearing , Second Reading

---

**ATTACHMENTS:** (a) Development Agreement, (b) Resolution No. 1904, (c) Applied Economics Report, and (d) Site Map

---

**SUMMARY/BACKGROUND:** It is proposed that the Town Council adopt Resolution No. 1904 approving a Development Agreement with Presly Investments, L.L.C. to encourage construction of a new Volkswagen Dealership on approximately two acres located below the current Earnhardt KIA Dealership in Prescott Valley.

**BACKGROUND:** On Jun 10, 1999, the Council adopted Ord. No. 465 re-zoning approximately 82 acres at the toe of Glassford Hill for what was originally conceived as the Glassford Hill Marketplace (the first phase of which would involve an automobile dealership). On Jul 8, 1999 the Council adopted Res. No. 900 approving a development agreement for the Town to design and construct needed public improvements. If gross income from Town TPTaxes was insufficient to cover the costs by Sep 1, 2006, the developers would reimburse 50% of the insufficiency. This was secured by a deed of trust on 8.5 designated acres. That same day, the Council entered into a development agreement with Yavapai Hills, Inc. to develop approximately 463 acres just below this area (north and south of SR 69) for both residential and commercial purposes.

When the hoped-for auto dealership was not built, the developers of Glassford Hill Marketplace proposed an apartment complex that would generate much needed revenue and allow the Town to apply a rent surcharge which would also be credited against the Town improvement costs. In addition, the developers would deed portions of their property to the Town for open space. Thus, on May 31, 2001 the Council (a) adopted Ord. No. 501 re-zoning land for phase 1 of the apartment complex, (b) amended the earlier development agreement for the Town to take title to the 8.5 designated acres for open space and secure the Town's earlier investment, and (c) entered into a new development agreement for additional open space in return for paying development and utility connection charges for the apartment complex. In the end, 26.2 acres were conveyed for open space (including the original 8.5 acres). In late 2001, the Glassford Hill Marketplace developers sold land for an auto dealership and 6.51 acres of that land were designated to secure the Town's earlier investment. And, on Nov 15, 2001 the Council adopted Res. No. 1052 approving an FDP for phase 1 of the apartment complex, and adopted Res. No. 1056 approving an FDP for a Mitsubishi auto dealership. It later became a KIA dealership.

In 2004, Yavapai Hills, Inc. began working with Kitchell to develop a commercial project on its property north and south of SR 69, known as "Crossroads". The earlier development agreement was amended on Aug 11, 2005 to provide financial incentives (including reimbursement of certain public improvement costs through a portion of the TPTaxes generated in Crossroads). Based on a "site plan" Town staff

subsequently approved building permits for construction of Home Depot and a nearby speculation building (north of SR 69) and Sam's Club and Cracker Barrel (south of SR 69). Later permits were issued for Hobby Lobby, Dollar Tree, and speculation buildings. And, in 2009 a hotel was constructed east of the auto dealership.

Back in Glassford Hill Marketplace, as the Sep 1, 2006 deadline approached for payment of any insufficiency in TPTax collections and rental surcharges it was found that \$665,763.71 in TPTaxes and \$97,328.08 in rental surcharges had been collected (totaling \$763,091.79). This left a shortfall of \$2,910,648.71 and a potential repayment to the Town of \$1,455,324.11. After considerable discussion, it was agreed that a deed-in-lieu of foreclosure to the 6.51 acres would be issued by the developers (and the Town would be given a 10' access easement across the north edge of the KIA dealership to make those acres more useable). The Council approved this settlement on Apr 10, 2008.

On Feb 9, 2012 the Council approved an assignment of the Crossroads development agreement from Yavapai Hills, Inc. to Kitchell. And, on Jul 25, 2013 the Council approved a further amendment to that agreement to extend the term to allow for an additional period of reimbursing TPTaxes as a financial incentive (for which Kitchell accelerated conveyance to the Town of approximately 181 acres for open space and recreational use).

**THIS ACTION:** Recently, ownership of the KIA auto dealership in the Glassford Hill Marketplace has passed to the Earnhardt companies and they have expressed an interest in expanding that dealership to include Volkswagen on 2 acres located to the south in Crossroads. They have indicated they would close escrow on the property in late January 2015 and would build a new show room of approximately 10,500 sq. ft. this year. In return, they have requested that the Town remit from its general fund an amount equal to the costs they will incur in relation to the Town's fees and charges for construction of the new building, up to a cap of \$50,000. Those would include fees and charges for building permits, engineering, zoning permits, development impacts, and utilities. Remittance would not occur until the new building has been constructed and a certificate of occupancy obtained.

ARS §9-500.11 authorizes the Town to appropriate public monies for and in connection with economic development activities, including any assistance, undertaking, or program involving improvement of real or personal property or other activity that the Town finds and determines will assist in the creation or retention of jobs or will otherwise improve or enhance the economic welfare of the inhabitants. Staff has indicated that construction of the new Volkswagen dealership will indeed create jobs and produce significant new TPTax revenues. Indeed, staff has arranged for an independent analysis by Applied Economics whose final Report indicates that the Town will receive in TPTax revenues substantially more than will be expended from the general fund in relation to reimbursement of the fees and charges mentioned in this development agreement.

---

**OPTIONS ANALYSIS:** The Council may adopt Resolution No. 1904 approving this Development Agreement, consider changes to the Development Agreement prior to adoption and approval, OR decline to adopt the Resolution or approve the Agreement.

---

**ACTION OPTION:** Motion to authorize the Mayor (or, in his absence, the Vice Mayor) to sign Resolution No. 1904 approving the proposed Development Agreement with Presly Investments, LLC (an Earnhardt entity), OR Motion not to approve the proposed Development Agreement. **VOTE.**

---

**RECOMMENDATION:** Staff recommends authorizing signature of Resolution No. 1904 and approving the proposed Development Agreement.

---

**FISCAL ANALYSIS:** The attached analysis by Applied Economics indicates that this Development Agreement is expected to produce within a short period of time more in TPTax revenues than will be expended from the general fund to encourage location of the new auto dealership within the Town limits. Staff believes that the proposed economic development incentives are a wise use of public funds to benefit the economic well-being of the community. In fiscal year 2015-16, \$50,000 will be budgeted in the General Fund Non-departmental Economic Development Incentive budget.

---

**REVIEWED BY:**

Management Services Director \_\_\_\_\_

Town Clerk \_\_\_\_\_

Town Attorney \_\_\_\_\_

Town Manager \_\_\_\_\_

---

**COUNCIL ACTION:**

Approved  Denied  Tabled/Deferred  Assigned to \_\_\_\_\_