



MAYOR & COUNCIL MEMORANDUM

November 18, 2025

Subject: Consideration of Site-Specific Sales Tax Economic Development Incentive for Costco Wholesale (Ward 4) Page: 1 of 3

Issue – Mayor and Council are asked to provide direction regarding a Site-Specific Sales Tax incentive request for Costco Wholesale, the development of a destination retail store near Old Vail Road and Houghton.

City Manager's Office Recommendation –It is recommended that the Mayor and Council direct staff to proceed with the next step in the incentive approval process for Costco Wholesale. Upon direction to proceed, the City will collect a fee of \$5,000 from the applicant, and commission an Independent Financial and Economic Analysis of the project. Once completed, staff will return to Mayor and Council with the results of the analysis.

Background – On June 5, 2012, Mayor and Council adopted Resolution No. 21913 approving the application and review procedures for economic development incentives. The process for review and consideration of the Site-Specific Sales Tax Incentive is as follows:

1. Pre-Proposal and Initial Screening

The interested party meets with the City's Economic Initiatives staff for initial consultation. An internal pre-proposal meeting may be held with staff from Economic Initiatives, the Finance Department, and the City Attorney's Office. If the project meets initial screening criteria, an item will be scheduled for Mayor and Council consideration of the pre-proposal before proceeding with further due diligence efforts. The Mayor and Council-approved initial screening criteria stipulate that the project:

- Provides direct financial benefit to the community through additional jobs and/or increased revenues.
- Involves significant capital investment by the applicant.
- Eliminates or prevents adverse physical, social or economic conditions.
- Triggers spinoff benefits for other properties or businesses.
- Is timely or urgent in improving economic conditions or development.

2. Proposal Analysis and Due Diligence

Upon Mayor and Council direction to proceed, the City will collect a \$5,000 fee from the applicant, and an application conference will be scheduled to review more detailed information on the pre-proposal. The City will commission an Independent Financial and Economic Analysis of the project to determine the economic impact and to what degree the City will receive direct benefits from the project.

3. Mayor and Council Consideration and Approval

Mayor and Council may be requested to provide direction regarding proceeding with the project and/or modifying deal points. Mayor and Council direction may be memorialized through a letter or notice of intent, memorandum of agreement or similar document. Based upon the direction provided by Mayor and Council, a Development Agreement formalizing the incentive may be presented for Mayor and Council consideration and approval.

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Present Consideration – Costco Wholesale Corporation (Costco) proposes to develop a 22.35-acre vacant site located at 9748 East Old Vail Road, Tucson, Arizona 85747. The project will include the construction and operation of a new Costco Wholesale retail warehouse and an associated fuel facility. Costco operates as a membership-based retail and wholesale business offering a wide range of national brand and private-label merchandise for both commercial and personal use.

The proposed warehouse will encompass approximately 158,000 square feet and include retail sales areas, ancillary service spaces, and operational facilities. The fuel facility will feature a prefabricated canopy, multiple fueling dispensers, underground storage tanks, a prefabricated controller enclosure, and related equipment. The surrounding site improvements will primarily consist of surface parking areas and landscaped open spaces.

Both the warehouse and fuel facility will be entitled concurrently and constructed in a single phase. Upon completion, the facility is expected to employ approximately 250 full-time staff members.

Consideration of this incentive will provide Costco's site selection team with assurance of local support through a sales tax reimbursement intended to offset the public improvement costs associated with project development.

Additionally, the developer is concurrently pursuing the necessary approvals to permit a Big Box retail store at the proposed location.

The internal pre-proposal meeting was held with staff from Economic Initiatives, Planning and Development Services, and the City Attorney's Office. Based on this initial review, it was determined that the project meets the initial screening criteria. The project is now before Mayor and Council for direction to proceed with the Independent Financial and Economic Analysis, to determine the economic impact and to what degree the City will receive direct benefits from the project. Should Mayor and Council provide direction to proceed, an independent analysis will be conducted, and staff will return to Mayor and Council with the results. If, after reviewing the analysis and other relevant information, the Mayor and Council give direction to proceed with the Site-Specific Sales Tax incentive, a draft Development Agreement will be presented for Mayor and Council consideration and approval.

Plan Tucson Considerations – This item is related to the Elements of (1) *Business Climate* and *Redevelopment & Revitalization*. Specifically, this item is supported by the following policies:

- RR1 – Redevelop and revitalize in areas with the greatest potential for long-term economic development by focusing public resources, tools, and incentives to catalyze private investment.
- RR4 – Build from existing assets of areas identified for redevelopment and revitalization.
- BC2 – Continue to develop and implement local strategies, services, and incentives to enhance Tucson's business climate.

Comprehensive Economic Development Strategy (CEDS) -

- Goal 2 – Attract investment to diversify Tucson's economy.
Priority 2.5 – Utilize Tucson's incentive programs to attract capital and development.

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Financial Considerations – Should Mayor and Council provide direction to proceed, the City will collect a \$5,000 fee from the applicant. This fee reflects the cost to commission an Independent Financial and Economic Analysis.

Operating Cost and Maintenance Input – N/A

Legal Considerations – The City Attorney has reviewed the proposal to ensure adherence to applicable laws.

Respectfully submitted,



Kristina Swallow
Assistant City Manager

KS/MC
Economic Initiatives
City Manager's Office

Attachment(s): Incentive Application