



City Council

Date: July 11, 2016
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation
Subject: Consider a proposed Memorandum of Understanding with Chicanos Por La Causa that will facilitate the development of approximately 2.5 acres located at the northwest corner of Country Club Drive and Main Street.

District 4

Strategic Initiatives



Purpose and Recommendation

Consider the proposed Memorandum of Understanding (MOU) between the City of Mesa and Chicanos Por La Causa (CPLC). Included in the proposed MOU is a request to enter into exclusive negotiations with CPLC to negotiate an agreement for the development of the northwest corner of Country Club Drive and Main Street. The MOU would have a period of three months, and includes criteria for one, three month extension.

Background

On October 28, 2015 the City released a Request for Proposals (RFP) for the development of the northwest corner of Country Club Drive and Main Street. On January 7, 2016, the City received one qualified proposal from CPLC. A selection committee consisting of three City staff and one representative each from the Downtown Phoenix Partnership and Downtown Mesa Association reviewed the proposal against criteria specified in the RFP and unanimously determined that CPLC's proposal met the review criteria. These review criteria included, among others, consistency with adopted plans and policies, return and benefit to the City, qualifications and experience of team, business plan/pro forma, and financial capacity to deliver.

The CPLC proposal includes the construction of a five-story, 218,000 sf mixed-use building consisting of 200 market rate residential units and 16,500 sf of retail/commercial space in two phases. As proposed, the first phase would consist of 80 residential units and 16,000 sf of retail/commercial space and the second phase

would consist of 120 residential units. The proposed residential unit mix would be four, three-bedroom; 62, two-bedroom; 92, one-bedroom; 39 studios, and three live-work. Onsite amenities include a pool, fitness room, and club room.

CPLC would act as the master developer and the for-profit subsidiaries of CPLC, La Causa Construction and Tiempo Property Management, would perform construction and property management, respectively. Total investment in the project is estimated at greater than \$40 million.

Discussion

CPLC wishes to partner with the City to develop a five-story mixed-use building with the potential to add 200 new market rate residential units to downtown. At the direction of Council, CPLC and City completed a preliminary neighborhood outreach campaign that included two neighborhood meetings, presentation to the Mesa Grande Community Alliance, and online comment form. The outreach campaign resulted in significant public participation, which highlights the interest in development of this property. Generally, the concept of a market-rate, transit-oriented development at this location is supported by the public, but continued public engagement through design refinement will be imperative to a successful development project. Overarching concerns for this proposal, and downtown development in general, which related to rental vs. ownership, market vs. affordable, and impact to the surrounding neighborhood continue to be raised. A summary of the outreach efforts and comments received has been included as Attachment 2.

The proposed MOU provides a platform to negotiate site control, development agreement, and purchase and sale agreement. The key elements of the MOU include:

1. Providing CPLC exclusive negotiations with the City of Mesa for a period of three months; during which time the City of Mesa agrees to not market, entertain offers for, or enter negotiations for the development of the property with any other developer.
2. The MOU period may be extended an additional three months should certain performance criteria be achieved by CPLC, and with mutual agreement of both parties;
3. Upon sufficient evidence of site control of the privately held parcels of the development site, CPLC and the City of Mesa will enter into negotiations for a development agreement and purchase and sale agreement for the City owned parcels;
4. The development team will be required to engage the public in the refinement and preparation of a final design concept, prior to entering into a development and/or purchase and sale agreement(s).

Alternatives

If the council takes no action on the Memorandum of Understanding between the City and CPLC, CPLC may choose to withdraw their proposal.

Fiscal Impact

The extent of City participation, if any, and return and benefit to the City will be determined through future detailed negotiations and with the direction of Council.

Revitalization Project

The partnership provides the City of Mesa with an opportunity to increase downtown vibrancy with the addition of 200 new market rate housing, new retail opportunities, and potential for creation of 110+ new jobs in a \$40 million development. The prominent, gateway location in an authentic and revitalizing downtown, light rail, and the opportunity to enhance unique, artisan retail opportunities are some of the assets highlighted by CPLC in responding to the RFP.

Conditions and Additional Details

All financial, leasing and other material commitments of either or both parties shall be conditioned upon a development agreement or other legally binding documents. A timeline for the CPLC project would also be addressed in the Development Agreement.

Attachments

Attachment No. 1: Memorandum of Understanding

Attachment No. 2: Neighborhood Outreach Summary