



City Council Report

Date: December 12, 2016
To: City Council
Through: Christopher J. Brady, City Manager
From: Bill Jabjiniak, Economic Development Director *BJ*
Subject: First Amendment to Development and Option Agreement (Sheraton Mesa Hotel at Wrigleyville West)

Strategic Initiatives



Purpose

In January 2014 the City conveyed property in the Riverview Area (see "Exhibit A-1" for map included with original agreement) to BCY Limited Partnership, an Arizona limited partnership, for the development of hospitality on a 7.85-acre parcel north of W. Paseo Drive ("Hospitality Parcel") and retail improvements on a 0.55-acre parcel north of W. Paseo Drive ("Retail Parcel.") The development of the property is subject to the terms of a Development Agreement.

The proposed amendment makes the following changes to the Development Agreement:

- Extends the dates for performance of the retail parcel, and makes a corresponding extension on the Deed
- Creates flexibility for minimum retail requirements
- Terminates the Right of First Refusal
- Acknowledges that Option Rights for 5.54-acre parcel south of W. Paseo Drive ("Phase Two Parcel") and 0.28-acre pad north of W. Paseo Drive ("Pad") have expired

Background / Discussion

The original agreement in January 2014 included many terms, including the following:

- The buyer agreed to construct a four-story, 175 room full-service hotel on a 7.85-acre parcel on the NW corner of N. Riverview and W. Paseo Drive ("Hospitality Parcel.") Construction of this facility would start no later than June 30, 2014 and be completed no later than December 31, 2015. This requirement was fulfilled with the completion of the 180 room Sheraton Mesa Hotel at Wrigleyville West in Spring 2015.
- The buyer agreed to construct a minimum 20,000 sq. ft. of rentable retail

space on a 0.55-acre retail parcel on W. Paseo Drive ("Retail Parcel," adjacent to the hotel. Construction of this development would start no later than December 31, 2016 and be completed no later than June 30, 2018. These performance dates are being extended by one year in this amendment so that construction of the retail parcel would commence no later than December 31, 2017 and be completed no later than June 30, 2019. Additionally, language has been modified to create more flexibility about what will qualify for minimum retail improvements under the development agreement.

- The agreement included an option for the buyer to purchase the 5.54-acre parcel south of W. Paseo Drive ("Phase Two Parcel"), and an option for the 0.28-acre pad north of W. Paseo Drive ("Pad"). Further, the agreement included a Right of First Refusal for the Phase Two parcel. There were certain conditions and timelines for executing the option rights. The developer did not meet these timelines; therefore, the option rights have been terminated.

Recommendation

Staff recommends approval of the amendment.

Coordinated With

This effort has been coordinated with the City Attorney's Office. Both parties agree to the recommended action.

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