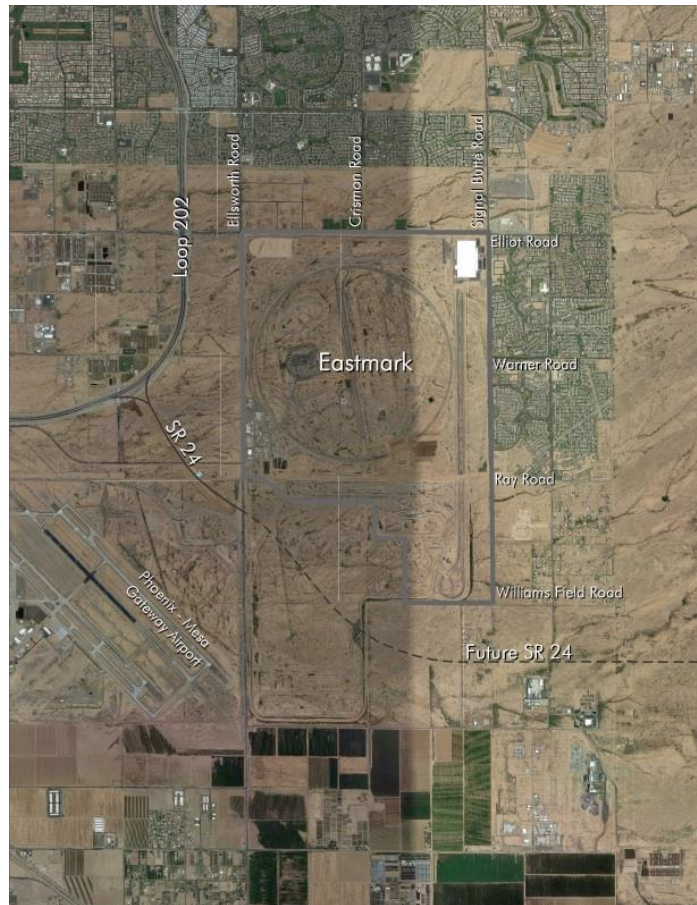




Major Amendment to Community Plan #3 Project Narrative (2.15.2018)

DMB Mesa Proving Grounds, LLC, a Delaware limited liability company (“Owner” and “Master Developer”) is the owner and/or master developer of the approximately 3,200 acre Eastmark Master Planned Community located south of Elliot Road, north of Williams Field Road, east of Ellsworth Road and west of Signal Butte Road (the “Property” or “Eastmark”) as shown in **Figure A**. The Property is also commonly referred to as Eastmark (formerly the Mesa Proving Grounds). On November 3, 2008, the City of Mesa (the “City”) approved among other items, a rezoning of the Property to Planned Community. As part of that request, a Community Plan (the “CP”) was also approved that identified the vision for the development of the Property together with development standards and permitting processes.

Figure A. Eastmark Location



This application is a request for a Major Amendment to the CP (the “Amendment”) to make changes that impact Development Units (“DUs”) 1, 2, 4 and a portion of 3 on approximately 800 acres (the “Amendment Area”). The specific requested changes include:

- 1) Modification to the Development Unit map to slightly shift the boundary between Development Units 1 and 2;
- 2) Modification to the allowable Land Use Groups (“LUGs”) within DUs 1, 2, 4 and a portion of 3 (Exhibit 4.5);
- 3) Modification of Land Use Budget (“LUB”) DUs 1, 2, 4 and a portion of 3 (Exhibit 4.5);
- 4) Modification of Section 8.4 of the CP (Development Unit Character Themes) to refine the neighborhood character theme for DUs 1, 2, 4 and a portion of 3; and
- 5) Modification of various Sections in the CP to provide corresponding modifications or other minor changes.

These changes constitute a Major Amendment as defined by the CP. The Amendment will only impact DUs 1, 2, 4 and a portion of 3 as shown on **Figure B**

and are the last areas in Eastmark to be planned and developed. The 2,400-acre area that is not the subject of this Amendment has either been developed, subdivided or planned for development in accordance with an approved Development Unit Plan ("DUP"). Note that while DU 3/4 has an approved DUP which was approved in 2014, this DUP was based on the development of a significant university campus which will not be developed at Eastmark. Concurrently with this Amendment, the Master Developer will also be submitting a revision to the DUP for DU 3/4 and/or a new DUP for a portion of that area.

Figure B



Proposed Amendment

Ten (10) years have transpired since the original approval of the Eastmark entitlements and much has occurred during this period which has significantly impacted development in Eastmark and within the Mesa Gateway area. While development curtailed after the 2007 Great Recession and the grand plans and visions that formed the basis for the Eastmark vision did not transpire, the entitlement philosophy and structure for Eastmark have worked remarkably well and provided the necessary vision to guide development of the first 2,400 acres of the Property. The Eastmark CP has provided the structure that resulted in the creation of neighborhoods that are reflective of and consistent with the original vision as well as providing for the necessary flexibility to be able to quickly react to unanticipated employment opportunities that have started to shape the character of development occurring in the northern portions of Eastmark along Elliot Road. While the first 2,400 acres of development has occurred in a manner consistent with the CP (in some cases minor or major changes have been approved), additional refinements to the CP are necessary to continue with the development of the remaining 800 acres. Below is an overview summary of the proposed changes:

- Changes to allow the Campus LUG to be utilized within DUs 1, 2 and 4. This LUG is being requested to be able to allow for the types of large scale employment uses that are being developed along the Elliot Road corridor. These DUs currently do not allow the Campus LUG and instead only allow for higher intensity, vertical employment uses. The addition of the Campus LUG will allow these areas to be considered for a broader range of potential employment uses as well as a broader range of more typical retail and commercial use.
- Changes to allow the Village LUG (and to a lesser extent Estate LUG) to be utilized within DUs 4 and 2. The Village LUG has been widely used in Eastmark and provides the main vehicle for the development of a diverse range of single family development. This change will allow single family and other medium density residential to extend to Ellsworth Road, essentially replacing residential areas that were originally intended to occur within the DU 5 and 6 areas (and which now are planned for employment use). From a global perspective, there is a roughly equal shift in acres of this use.
- Changes to allow for elimination of minimum development parameters within the Land Use Budget. Specifically, we are seeking to eliminate the minimum residential requirement in DUs 1 and 2 and elimination of the minimum non-residential requirement in DUs 2 and 4. A reduction in the minimum non-residential parameter is also

requested in DU 1. While minimums were not intended to constrain first generation development, staff has expressed concern that the stated minimums may not be met in the first generation of development and therefore, reducing or eliminating minimums will allow for the first generation to meet these minimums.

- Changes to the Character Area Themes for DUs 1, 2, 3 and 4. Based on proposed changes together with a recognition of how the overall general area is developing and anticipated to further develop, the character themes have been modified to reflect the development of residential neighborhoods at a more conventional scale within DU 2 and 4 as well as the recognition that development in DU 1 and 2 will likely occur in a more conventional format (non-residential) than originally anticipated within the first generation of development. Additionally, shifts in commercial markets are demonstrated a reduced overall demand for office and retail which are translating to changes in character of these areas.
- Changes to Vision and other housekeeping and corresponding changes. A refinement and update to the vision to reflect 2018 development patterns and that development is occurring in a more traditional pattern as opposed to a more vertical, urban form as outlined in the vision.

Evolution of Development and Major Changes occurring since the 2008 adoption of the CP

In 2008, the original vision for the Property contemplated an environment that would include significant resort and hospitality uses, urban type commercial, office and residential and that uses would morph over time to be very urban in nature with the ability to take on an urban character with substantial height and intensity. The term “21st Century Desert Urbanism” was coined to describe this vision for Eastmark. In the ten (10) years since the original approval, several significant events and changes have occurred which have contributed to the reshaping of the community and development in Eastmark and the area in general. The Great Recession, which impacted the entire US economy and was particularly impactful to development in Arizona, was a significant event that changed the course of development in Eastmark. As a result of this globally impactful event, as well as other factors, anticipated uses and plans did not materialize (Gaylord abandoned plans to develop a 2,400 room resort and 400,000 square foot Convention Center (and 2nd resort)). Conversely, other non-anticipated industrial type employment in a campus-like setting did occur in the northeast portion of the Property with the development of a 1.3 million square foot

manufacturing facility in 2011. Today, that facility is occupied by one of the largest companies in the world and is acting as a catalyst for other large-scale users who are attracted to the area in part, because of the existence of infrastructure. Apple is operating their \$2 billion, data command center from the site. Having one of the largest and most important companies in the world at your front door is having an impact on the types of uses that are also considering this area. Additional users that have recently constructed along the Elliot Road Corridor include a water bottling plant and a hospital. A data center has also purchased a site west of the 202 interchange and additional data center announcements are planned along the Elliot Road corridor in the next couple of months. Other key employment users are considering locating facilities within this area and propose to develop in large scale, campus like facilities which are only allowed within the Regional Center/Campus LUG.

Another highly anticipated development that was planned for the area and which did not materialize included the development of a 150-acre Grand Canyon University campus to have been located at Ellsworth and Point Twenty-Two Boulevard. Development of this site would have activated the entire area along Ellsworth Road, but Grand Canyon did not move forward after receiving necessary approvals from the City in 2014.

With regard to commercial retail uses, another significant dynamic is occurring globally that is impacting demand for commercial buildings. Given the rise of internet shopping, buyer habits are heavily moving to purchase of goods online rather than shopping at the traditional mall. We are also seeing trends whereby grocery goods are also moving to an internet sales format as well, though the impact to the traditional neighborhood grocery is not yet apparent. These changes are impacting commercial demand and are still evolving. Plans for a fifteen (15) acre neighborhood commercial center with a grocery anchor are taking shape at Signal Butte and Point Twenty-two Boulevard and will be opening sometime in 2019. Originally it was anticipated that this use would first occur at Ray and Ellsworth, but local grocer and commercial users have not moved to develop in that area citing that the area is not yet ripe for this type use. We are currently updating our commercial demand projections and will include them in this report when available as they will provide an informational assessment of how much commercial is viable at Eastmark to serve the needs of residents in Eastmark and in the trade area.

With the development that has occurred and recognizing the unique locational characteristics of the Elliot Road corridor in particular, the City of Mesa branded this area in 2015 as the Elliot Road Technology Corridor and created an expedited zoning process for properties along Elliot Road. Through their robust economic development efforts, Mesa has also been successfully attracting major users to the area as is evidenced by several major users who are developing facilities or

who have announced that they will develop facilities in the area and beyond. The uses that are now anticipated for this area are more industrial in nature with large building footprints, requiring significant water and electric resources. This is a significant contrast from the original vision which anticipated several large resorts, convention facilities, golf courses, executive housing, all a short distance from a "Kierland style" urban core which would house high rise offices for Fortune 500 companies and headquarters, retail, commercial and high-rise condominium and apartments with heights up to 150 feet.

While the development that is taking shape along the Elliot Road corridor is quite different from what was envisioned in 2008, it is still contributing positively to the overall goals of the City to develop employment uses in the Gateway area. This development is particularly well suited for this type of development within the sensitive flight corridor areas of the Phoenix-Mesa Gateway Airport (the "Airport") which occurs parallel to Elliot Road. This emerging industrial development pattern, combined with the recognition that this area is a highly sought area for residential development, have both contributed to the need to recognize that the original vision of a vertical, urban place is ready for an update to not only reflect what is occurring, but also to provide an appropriate and realistic blueprint for the remaining portions of the Property that have yet to be developed.

Surrounding Development

The Amendment Area is surrounded by both developed and developing areas. To the north of Elliot Road, property is primarily undeveloped but zoned for industrial uses. The Niagra Bottling company is building a \$76 M manufacturing and bottling facility with approximately 450,000 square feet of manufacturing space within this area north of Elliot Road. To the northwest is a hospital facility that has been constructed but not yet operational. Property to the west of Ellsworth Road is undeveloped State Land. Property to the east of the Amendment Area is within Eastmark and is developing with single family and multi-family homes. The Queen Creek School District is planning on building a high school on a sixty (60) acre site located at Ray and Copernicus. Plans for several large-scale data center uses have been approved within DUs 5 and 6 including 1,400,000 total square feet of data center on fifty-one (51) acres and a 2nd facility totaling 552,000 square feet of data center on sixty-five (65) acres. The 1.3 M square foot Apple facility is further east at Signal Butte and Elliot Road. Adjacent land to the south is also developing with single family homes to the south of Ray Road.

Summary

The purpose of this Major Amendment is to pave the way for the development of the remaining 800 acres of the 3,200 acre Eastmark community. This change is necessary to continue the development pattern and character that is occurring in this area of the Gateway area which is of a lower intensity, light industrial nature with a more traditional and conventional residential development pattern than was visioned in the Eastmark CP. Ten (10) years ago, when the Eastmark plans were approved, a flexible framework was established that would allow development to occur that was responsive to the marketplace, which was compatible with the Airport and which provided significant opportunity for employment uses to occur, all within a modern, urban context. Dense, vertical type urban development with golf oriented resort uses, convention facilities and entertainment set the tone for the vision.

Since 2008 development of Eastmark progressed bringing us to 2018, where almost 2,400 acres have been developed, are developing or are planned for development. Importantly, all of the development that has occurred has accomplished the major goals of 1) Consistency with the Eastmark Vision, 2) being able to react quickly to market users, 3) creating development that is compatible with the Airport, and 4) providing opportunity for major employment use. Residential development has also provided diverse and highest-quality neighborhoods with significant open space and connectivity to easily reach the Eastmark Great Park. Development of superior school options has occurred and is continuing with the development of the Queen Creek High School. This change in character from an urban vision to a more traditional suburban scale is due in part to the following significant events:

1. Gaylord abandoned plans to develop a 2,400 room resort and 400,000 square foot Convention Center (and 2nd resort)
2. Grand Canyon University abandoned plans to develop 150-acre 2nd Campus at Eastmark
3. Development of a 1.3 million square foot First Solar Facility at Elliot Road and Signal Butte
4. Purchase of First Solar facility by Apple
5. City of Mesa brands Elliot Road Technology Corridor and creates zoning overlay to expedite industrial and employment uses along the Corridor
6. East Mesa is one of the hottest markets for residential in the U.S.

These factors have changed the character of this area, and instead, are creating a different type of opportunity, where high tech industrial uses can develop in large scale facilities. The Amendment recognize these changes and provides the vehicle to allow the continued development of residential into DU 4 and 2, in part, as a trade for areas in DU 5 and 6 that were originally intended for residential. The Amendment allows for the campus-like industrial development pattern to also occur in DUs 1, 2 and 4, to provide additional opportunity for major users looking

to locate on shovel ready sites in the Elliot Road corridor. The CP continues to allow for the flexibility to respond to such demands. Importantly, the CP continues to provide for the opportunity for uses to be able to redevelop into more urban type patterns in the 2nd and 3rd generation as envisioned in the CP.

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