



# City Council Report

**Date:** August 27, 2018  
**To:** City Council  
**Through:** Karolyn Kent, Assistant City Manager  
**From:** Christine Zielonka, Development Services Department Director  
Angelica Guevara, Development Services Project Manager  
**Subject:** DMB Mesa Proving Grounds Fourth Amendment to the  
Development Agreement  
Council District 6

## Purpose and Recommendation

The purpose of this report is to recommend that the City Council approve a resolution authorizing the City Manager to enter into the Fourth Amendment to the Pre-Annexation Development Agreement (DA) for the DMB Mesa Proving Grounds (currently referred to as Eastmark). The original Development Agreements, First, Second, and Third Amendments are attached as Exhibits 1, 2, and 3.

## Background

DMB Associates, Inc., a Scottsdale-based real estate company, began redeveloping the former Mesa Proving Grounds in 2008. The project encompasses approximately 3,200 acres of land and is located south and east of Ellsworth and Elliot Roads. Since 2008 there have been numerous modifications to the anticipated development of the property due in large part to market conditions related to the economy.

## Discussion

The original development agreement for Eastmark envisioned a major resort with additional amendments that later envisioned a university campus. Economic projections at the time were estimated to provide a major economic impact and job creation in the region. The City had agreed to complete specific infrastructure related projects to support those developments, but due to the changes in the economy, the developments never materialized.

The Fourth Amendment to the DA outlines Eastmark's reimbursable obligations to the City of Mesa for the projects that were designed and completed, the reimbursement owed by Eastmark for actual costs incurred, and the projects that are agreed to not move forward.

In addition, other items included in the Fourth Amendment include agreements for Mesa to use the reimbursement credit towards future City assets needed within Eastmark.

The following is a list of the specific agreements outlined within the Fourth Amendment to the Development Agreement:

1. The City will not seek reimbursement for ½ street improvements for Elliot Road Phase 1 or the Signal Butte Water Transmission Main (Elliot to Ray) as these were the City's First Solar obligations.
2. Eastmark and the City agree to not move forward with constructing the non-potable system backup well, the non-potable flow control structure, piping and individual meters/flow control, and partial Ellsworth Road.
3. Mesa agrees that Eastmark assigned the \$6.5M in streets bonds to the Elliot Tech Corridor Project.
4. Eastmark will reimburse the City \$1,217,527 for actual costs incurred for the Ray Road Wastewater Interceptor project.
5. Eastmark will reimburse the City \$192,445 for actual costs incurred for the Non-potable System Turnout Structure project.
6. Eastmark and the City will split 50/50 the cost for right-of-way acquisition, design and construction and other associated costs for the raw water line from the Central Arizona Project Canal to the Signal Butte Water Treatment Plant. Eastmark's share is \$464,000.
7. The total reimbursement owed to the City for the three above-mentioned completed projects is \$1,873,972 and will be used as a reimbursement credit for land acquisition within Eastmark.
8. Mesa will continue to make available \$3.0M that could be utilized for future non-residential water and sewer improvements for economic development projects.
9. Eastmark and the City agreed previously to eliminate a credit obligation in the amount of \$570,970 for the purchase of right-of-way in further consideration of Eastmark not receiving and waiving the right to development impact fee credits as part of the Second Amendment to the Pre-Annexation and Development Agreement.
10. Mesa desires to utilize the reimbursement credit towards land acquisition for a future Mesa public library and two water wells that need to be located on Eastmark property.
11. Eastmark presented a property option located near Ellsworth Road and Point Twenty-two Blvd. for a future station that would be set aside at no cost.
12. Eastmark agrees with the City's recommendations for the well sites.
13. Eastmark and the City agree that the current "future fire station" location adjacent to the Great Park would instead be an ideal location for a Mesa

public library. Appraisals will need to be completed for the site to determine land values to apply reimbursement credit towards the purchase price.

14. Eastmark stated in a previous meeting that they agree to remove the requirement for Mesa to purchase a police station site from Eastmark once Eastmark makes the final \$2.2M fire payment to the City.

### **Alternatives**

The following alternatives are presented for consideration:

- 1) Approve the Fourth Amendment to the DMB Development Agreement.
- 2) Take no action which would have the effect of preventing the City from accepting \$1,873,972.00 in reimbursement credit to be used towards land acquisition within Eastmark and would require the City to purchase the needed second fire station site and well sites.

### **Fiscal Impact**

Approval of the Fourth Amendment will not have a significant fiscal impact.

### **Coordinated With**

The Fourth Amendment has been coordinated with the City Attorney, Engineering, Fire, Water Resources, Development Services and DMB.