

City Council

Date: January 7, 2019

To: City Council

Through: Christopher J. Brady, City Manager

From: Jeffrey McVay, Manager of Downtown Transformation

Subject: Consider proposed Purchase and Development Agreements

that will facilitate the development of The Residences on Main; a mixed-use commercial and residential, project on privately-owned and City-owned property generally located at the northwest corner of Main Street and Country Club

Drive.

District 4

Purpose and Recommendation

Consider the proposed Purchase and Development Agreements between the City of Mesa and Main and Country Club, LLC (an affiliate of Chicanos Por La Causa). The Agreement facilitates the development of The Residences on Main (Exhibit A – Concept Plans). The Residences on Main is a proposed \$49M redevelopment, generally located at the northwest corner of Main Street and Country Club Drive. As shown on the attached Exhibit B, the project site consists of a total of approximately 2.5 acres, of which approximately 1.3 acres is City-owned land and 1.25 acres is privately-owned land recently purchased by Main and Country Club, LLC.

Background

City Staff and the Chicanos Por La Causa (CPLC) development team have been negotiating the redevelopment and sale of City-owned land since the selection of CPLC from a 2016 Request for Proposals for development the site. The development proposal includes a new five-story, approximately 190,000 rentable square-foot (250,000 gross square-feet) mixed-use building that includes 198 market-rate apartments, approximately 20,000 square feet of commercial/retail space, and approximately 200 structured and surface parking spaces.

The property was acquired in the late 1990s for a development project that was never completed. Since that time, the City has been maintaining the entire site, excluding Bailey's Brakes, at an average cost of \$1,800/year for the past five years.

Discussion

The following provides a summary of the primary deal points of the Purchase and Development Agreements.

Description of Project:

- 1. Developer will construct the following minimum private improvements:
 - a. 198 market-rate apartments (16 studio, 72 one-bedroom, 91 two-bedroom, and 19 three-bedroom)
 - b. 20,000 SF of retail/restaurant/commercial space
 - c. 200 parking spaces
 - d. Reconstruction as needed, and maintenance of a shared-access drive from Pepper Place with the Palm Court retail center to the west
- 2. Developer will design and construct public improvements within the Main Street, Country Club, and Pepper rights-of-way with an estimated design and construction cost of \$550,000. Public improvements include:
 - a. Reconstructed sidewalks along Main Street and Country Club Drive
 - b. Pedestrian improvements, including street trees, raised planters, and irrigation
 - c. Installation of a new bus shelter on Main Street
 - d. Relocation of existing street lights and traffic control
- 3. Developer will comply with project and unit amenity quality standards and exterior quality standards, i.e., LEED Gold, fitness center, pool, smart thermostats, and exterior "neon-like" project sign.
- 4. Construction will commence no later than August 31, 2019
- 5. Completion of project and all public improvements no later than March 31, 2021.

Economic Benefit Analysis

An economic and revenue impact analysis was completed for the project by Applied Economics in January 2018. That analysis projects \$4.9 million in revenues (sales and secondary property tax) to the City in the first 25 years. Direct and indirect economic benefit of the new businesses to the City would be \$206.8 million in the first 25 years, in addition to supporting approximately 100 jobs. In addition, the City will receive one-time permit and impact fees estimated at \$860,000. The full economic benefit to the City, described above is based upon the development parameters described above on the full 2.5 acre site, and would not be realized with a reduced scale project.

Terms of Agreements:

- 1. Sale of nine City-owned parcels totaling approximately 1.3 acres for \$400,000. Four City-owned parcels totaling approximately 0.82 acres are located adjacent to Pepper Place and five City-owned parcels totaling approximately 0.47 are located adjacent to Main Street.
 - a. The City-owned land was appraised at \$700,000. This appraisal, however, treated all nine City-owned parcels as part of the overall development site, including the privately held land. The City's sale price reflects the reality that the City-owned parcels have greatly reduced development potential without consolidation with the privately-owned land. The purchase price

further reflects a number of encumbrances on the land that impact the development, but were not considered in the appraisal, which include:

- Irregular right-of-way boundary along Main Street reduces the amount of functionally buildable land area and increases the area devoted to public improvement.
- ii. The limited amount of right-of-way along Country Club Drive is not sufficient to provide a walkable, pedestrian environment and the buildable area was decreased to provide an enhanced pedestrian environment.
- iii. Maintenance of a shared driveway from Pepper Place with adjacent Palm Court retail Center. 90 percent of the shared drive is on land that will be sold for the project but will not be developable for buildable area.
- iv. Elimination of City maintenance responsibility for the site, which has averaged \$1800/year for the past five years.
- 2. City design and construction of a new sewer line to serve the project, currently estimated at \$200,000. Existing sewer infrastructure adjacent to the site does not have sufficient capacity to serve the project.
- 3. City design and construction of a new median in Country Club Drive from Main Street north to Pepper Place, currently estimated at \$100,000. The new median will require right-in and right-out turning movements on Country Club Drive, which will prevent unsafe vehicular conflicts into and out of the project.
- 4. City reimbursement for public improvements completed with the project. The reimbursement is capped at \$100,000.
- 5. Allow architectural elements of the building, such as shade elements, and vertical elements of the streetscape, such as raised planters and sidewalk ramps to encroach into the ROW.

Alternatives

Modify terms to the proposed Purchase and Development Agreements.

Denial of the proposed agreements.

Attachments

Exhibit A: Concept Plans

Exhibit B: Project Site

EXHIBIT A CONCEPT PLANS



RESIDENCES ON MAIN MAIN MAIN MIXED USE BUILDING ON NW CORNER OF NORTH COUNTRY CLUB DRIVE AND WEST MAIN STREET, MESA, AZ



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Chicanos Por La Causa, Inc

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112 n. central avenue, suite 300, phoenix, az 602.296.7860 phone 602.862.4923 fax winslow & partners architecture planning interior design

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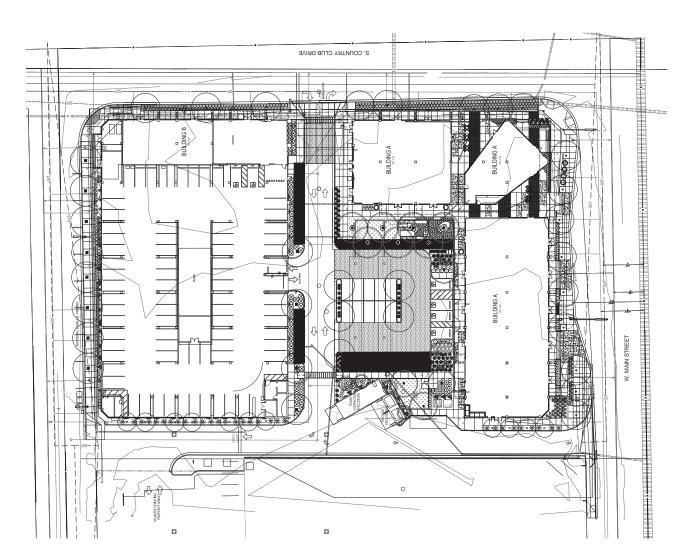
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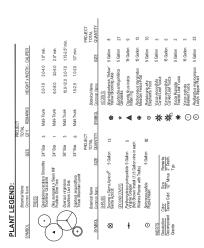
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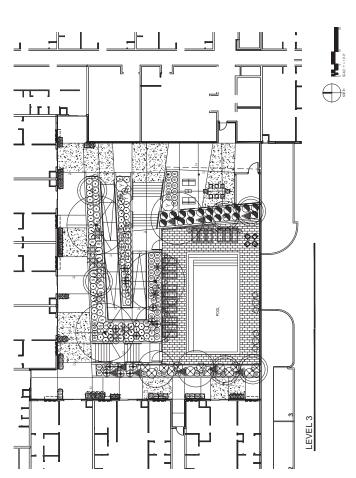
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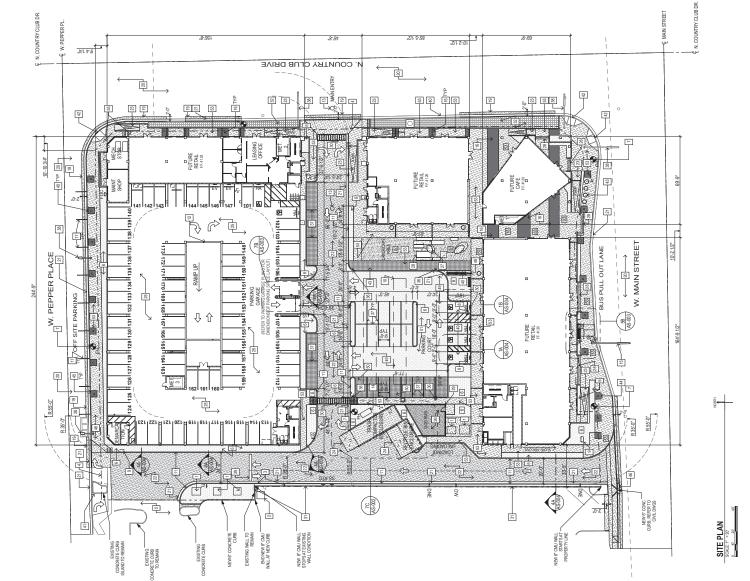




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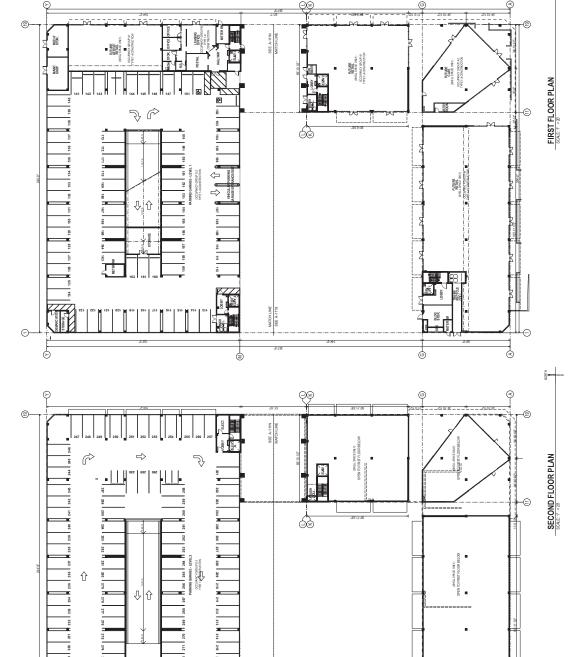
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EXHIBIT B PROJECT SITE

Exhibit B Project Site

