




City Council Report

Date: January 7, 2019
To: City Council
Through: Christopher J. Brady
From: William J. Jabjiniak, Director – Economic Development
Erinn Huber, Project Manager 
Subject: Development Agreement between the City of Mesa and MC Hotel–River View, LLC for the property on the northeast corner of Paseo Lago Vista and Sheffield Avenue (APN 135-37-904) (Council District 1)

Purpose and Recommendation

To consider the proposed Development Agreement and Agreement to Purchase Real Property, which also include a Special Warranty Deed and Access Agreement, between the City of Mesa and MC Hotel–River View, LLC. The documents allow MC Hotel–River View, LLC to purchase an approximately 12,000 SF (0.275 acre) City-owned parcel located at the northeast corner of Paseo Lago Vista and Sheffield Avenue across from the Cubs Stadium (APN 135-37-904) for the development of a limited-service hotel.

Staff recommends the City Council approve the following documents:

1. Development Agreement with MC Hotel-River View, LLC
2. Agreement to Purchase Real Property between City of Mesa and MC Hotel-River View, LLC with attached Special Warranty Deed and Access Agreement

Background

Since the completion of the Chicago Cub's Sloan Park Spring Training Complex, the City of Mesa envisioned that certain areas within the Spring Training Facilities Site, would be developed with hospitality and retail improvements to serve visitors. To meet this expectation a Courtyard Marriott hotel has been proposed on the developable land adjacent to the existing Sheraton Hotel on the northeast corner of Paseo Lago Vista and Sheffield Avenue.

BCY Limited Partnership ("BCY") owns the Sheraton Hotel on land purchased from the City of Mesa in January 2014. The Courtyard Marriott development will be owned by MC-Hotel River View, LLC. BCY shares ownership with MC Hotel-River View, LLC.

The proposed Courtyard Marriot with a 16,000 square feet retail/restaurant component is currently recommended by staff for approval at the December 19th Planning and Zoning Hearing.

Discussion

Development Agreement

MC Hotel–River View, LLC proposes and agrees to construct the following

- 4 story, at least 125 room limited-service hotel containing such amenities as a restaurant, bar, pool, and fitness center
 - Construction must commence no later than June 30, 2019 and be complete no later than December 31, 2020
- A minimum 16,000 square feet of retail space
 - Construction must start no later than June 30, 2019 and be complete no later than December 31, 2020

Economic Impact

The hotel development represents an estimated \$16.3 million investment, adds 51 new full-time equivalent jobs, and provides 91,140 square feet of new hospitality and retail space. The investment will provide the City of Mesa with around \$217,000 in permit/impact fees, and an estimated \$200,000 in construction sales tax. In the long run the hotel could provide on average a total Transient Lodging Tax of \$193,000 per year and an increase in Transaction Privilege Tax to the City of Mesa around \$77,000 per year.

Agreement to Purchase Real Property between City and MC Hotel–River View, LLC

- City agrees to sell 0.275 acres (or 12,000 square feet) for the development of hospitality and retail improvements
 - Sale Price: \$300,000 payable as follows:
 - \$50,000 in Earnest Money
 - Closing payment of \$250,000 due at Closing

Exhibit to the Purchase Agreement: Special Warranty Deed with Property Restrictions, Right of Reverter and Rights of Re-Entry

The City has inserted key protections in the City's Special Warranty Deed in the event of non-performance

- If MC Hotel–River View, LLC fails to meet the commencement of construction the title will automatically revert back to the City. The City will pay MC Hotel–River View, LLC \$300,000 for the purchase price
- If MC Hotel–River View, LLC fails to meet the completion of construction date for the improvements, then the City may exercise its right of re-entry to recover title and full ownership. If it does, the City will pay MC Hotel–River View, LLC the following:
 - \$300,000 (the amount paid for the property by MC Hotel–River View, LLC)
 - Actual out of pocket costs for improvements, less:
 - An amount required as a holdback to pay contractors, subcontractors, etc. whose work may require payment; and
 - Cost of demolition of uncompleted improvements.

Exhibit to the Purchase Agreement: Access Agreement

- MC Hotel-River View, LLC can enter the City-owned parcel in accordance with the Agreement to Purchase Real Property and Access Agreement for the purpose of conducting various inspections (land survey, soil and environmental, design and engineering studies) and work.

Alternatives

If Council does not approve the Development Agreement or the Agreement to Purchase Real Property as recommended, then Council may choose one of the alternatives listed below:

Not Approve One or More of the Agreements: The Council could choose to not approve the Development Agreement and/or the Agreement to Purchase Real Property as presented. If the agreements are not approved by Council, the City-owned parcel could remain vacant as surrounding parcels are privately owned and may hinder future development of the City-owned site.

Direct Staff to Modify the Agreements: Council could direct staff to modify the Agreements.

Take No Action: The Council could choose to take no action or table the item until a future date. The impact of any delay, specifically to the Development Agreement, is unknown.

Fiscal Impact

The sale of City-owned land will provide increased revenue for the City.

Coordinated With

The Office of Economic Development worked with Real Estate Services and the City Attorney's Office.