



City Council

Date: February 25, 2019
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation
Subject: Consider a proposed Fourth Amendment to the Development Agreement and Second Amendment to the License Agreement for The GRID development to modify certain compliance dates and replace the requirement for construction of a new parking structure with a requirement for development of a courtyard with resident amenities, and place additional requirements on the Developer on the use of the City-owned Pomeroy parking garage.
District 4

Purpose and Recommendation

Consider the proposed Fourth Amendment to the Development Agreement and Second Amendment to the License Agreement between the City of Mesa and the developer. Staff recommends approval.

Background

City Council approved the original Development Agreement (DA) and License Agreement with 3W Management, LLC in November 2017. As anticipated in the DA, the obligations of the DA were assigned to Palladium, LLC, an affiliate of 3W Management, LLC. Since original approval, the DA has been amended three times and the License Agreement one time. The current DA includes several milestones for permitting and developing the project, which the developer must meet to remain in compliance with the terms of the Development Agreement. These dates were previously modified in a DA amendment approved in July 2018, to accommodate an innovative construction method, and align with updated scheduling. The developer has continued to move forward with permitting and scheduling consistent with the DA. However, until recently the project did not have funding. With funding being finalized, the modified Compliance Dates would align with an updated permit and construction schedule.

The current DA and License Agreement also include provisions that require the construction of a new parking structure with not less than 140 spaces. The developer has recently provided evidence that the parking available in the existing Pomeroy Garage will be sufficient to meet the project's demand, public demand, and City's obligations to surrounding properties. The proposed DA amendment replaces the requirement for a new parking garage with a requirement to provide a resident

amenities courtyard and replaces associated exhibits. The proposed License Agreement amendment includes new provisions to protect the use of the parking spaces controlled by the City (City Spaces) and require the developer to make available up to 75 additional spaces for shared use, should public demand consistently exceed the available public parking.

Discussion

The following table summarizes the proposed modification to the DA compliance dates. Overall, the modified compliance dates represent a delay in project completion of up to one year. The proposed amendment retains the provision that allows the City Manager, in his sole discretion, to extend the compliance dates by 45 days, a maximum of three times. The developer has continued to move the project forward while seeking financing and has already submitted permit packages consistent with the current DA and is currently preparing addendums to the permit submittals to reflect the proposed revisions. Given the progress already made on permit submittals, the modified compliance dates have also been simplified to focus on construction commencement and completion.

Developer Milestones	Current Compliance Date	Proposed Compliance Date
Submit 1 st Permit Package	July 10, 2018	July 10, 2018
Execute Lease and License	July 10, 2018	July 10, 2018
Provide Financial Capacity	August 2, 2018	March 4, 2019
Submit 2 nd Permit Package	September 3, 2018	Eliminated
Submit 3 rd Permit Package	October 1, 2018	Eliminated
Commence Construction (1 st pkg)	August 15, 2018	Eliminated
Commence Construction (1 st Phase)	n/a	June 3, 2019
Commence Construction (2 nd pkg)	December 31, 2018	Eliminated
Commence Construction (2 nd Phase)	n/a	January 6, 2020
Commence Construction (3 rd pkg)	February 28, 2018	Eliminated
Complete Construction (1 st Phase)	n/a	June 15, 2020
Complete Construction (all pkg)	December 31, 2020	December 31, 2021

The proposed DA and License Agreement amendments would also allow replacement of a new 140 parking structure with a resident amenities courtyard, resulting in the entire project's parking demand being served through licensing of parking spaces within the existing Pomeroy Garage, resulting in an urban parking ratio that better reflects the project's location on light rail. The proposed parking ratios are consistent with the requirements of the Form-Based Code.

The License Agreement amendment also includes new sections that require the developer to install gates, license additional nearby parking, and/or provide enforcement if the City reasonably determines that residents/tenants of The GRID are impacting the City's use of the City Spaces and/or the licensed, but shared commercial spaces. The License Agreement amendment further requires the developer to enter into a shared parking agreement for up to 75 of the parking spaces licensed to the developer, should the City reasonably determine insufficient City and Shared spaces exist to meet the public demand.

The following table summarizes the proposed revisions to the License Agreement parking requirements.

Parking Quantity	Current License Agreement	Proposed License Agreement
Pomeroy Garage	596 spaces	604 spaces
City Spaces	257 spaces	265 spaces
Licensed Spaces (Pomeroy)	339 spaces	339 spaces
New Structure	145 spaces	- -
On-Street	14 spaces	11 spaces
Parking Ratios		
Micro Units	1 space/unit (75 spaces)	0.5 space/unit (37.5 spaces)
One-Bedroom	1.5 spaces/unit (188 spaces)	0.5 space/unit (62.5 spaces)
Two- and Three-Bedroom	2 spaces/unit (142 spaces)	1 space/unit (71 spaces)
Rowhome	2 spaces/unit (30 spaces)	1 space/unit (15 spaces)
Commercial (shared use)	5 spaces/1,000 sf (117 spaces)	3.9 spaces/1,000 sf (92 spaces)
Total	552 spaces	278 spaces

Alternatives

Modify terms to the proposed Fourth Amendment to the Development Agreement and/or Second Amendment to the License Agreement.

Denial of the proposed amendments.

Fiscal Impact

None – The developer will have the same minimum and maximum obligations to license parking spaces within the Pomeroy Garage.