



# City Council Report

**Date:** August 26, 2019  
**To:** City Council  
**Through:** Christopher J. Brady, City Manager  
**From:** William J. Jabjiniak, Economic Development Director  
Will Novak, Economic Development Project Manager  
**Subject:** Approval of Development Agreement and GPLET for the Landing at Fiesta Village. (Council District 3)

## Purpose and Recommendation

This memo explains the project and purpose for considering the proposed Development Agreement (DA) between the City of Mesa and W.M. Grace Companies. The DA is structured to allow the City of Mesa and W.M. Grace Companies, Grace Capital Investment Corporation and Fiesta Village Luxury Apartments to enter into a Government Property Lease Excise Tax (GPLET) agreement on two parcels, approximately 10.2 acres, that will be built into multi-family market-rate housing.

Staff recommends that the City Council approve the following documents:

1. Resolution authorizing the City Manager to execute the Development Agreement
2. Resolution authorizing the City Manager to enter a Government Property Lease Excise Tax between the City of Mesa and W.M. Grace Companies, Grace Capital Investment Corporation and Fiesta Village Luxury Apartments.

## Background

The former strip center at the northwest corner of Alma School and Southern has been vacant for over a decade and was named as one of the worst blighted lots in the metropolitan area by *The Arizona Republic* in 2015. The Southwest Redevelopment Area (RDA) blight study indicated this lot was found to have four factors of blight (out of a possible 9 blight factors); only 2% of all parcels in the Southwest RDA had this many blight factors.

The Southwest RDA was approved by City Council in March 2018. Developing in RDAs is often difficult due to a variety of factors including depressed economic condition and outdated infrastructure, to name a few. The existence of an RDA plus the designation of a Central Business District (CBD) on these parcels allows the City to offer the maximum benefit of the GPLET – an eight-year full abatement of the excise tax; for which this project would qualify.

The entire project is proposed as a mixed used residential and retail development at the northwest corner of Alma School Road and Southern Avenue. However, the 220-unit multi-family, market-rate apartment complex to be known as “The Landing at Fiesta Village” is the *only* portion of the project that is currently seeking approval for GPLET.

## **Discussion**

At this time, W.M. Grace Companies has requested a GPLET to make this project viable. By approving the GPLET, the City will enable the redevelopment of a long-blighted parcel to transform into a positive revenue generating development.

To ascertain the economic and tax impact of this project, the City of Mesa Office of Economic Development retained the services of an outside economic analysis from Applied Economics. Applied Economics projected a potential revenue loss to three school districts (Mesa Public Schools, Maricopa Community Colleges, and the East Valley Institute of Technology) during the eight-year GPLET abatement in the amount of approximately \$303,000. In order to keep the school districts fully funded and to ensure no loss of revenue, the developer has agreed to a one-time payment in lieu of taxes (PILOT) of approximately \$303,000. All three school districts were notified of the potential GPLET and Mesa Public Schools wrote a letter in support of granting a GPLET for this project (see attached).

## **Alternatives**

If the council does not approve the resolution to move forward with the DA and the GPLET lease as drafted and recommended, they may choose one of the alternatives listed below:

Not approve the Agreement: The Council may choose not to approve the DA and GPLET. If the council chooses not to approve the agreement, the project will cease in its current form. Any development on this corner would be up to future market forces.

Direct Staff to Modify the Agreement: Council may direct staff to modify this Agreement. Any changes to the agreement would have to be brought back before Council. The developer has expressed an interest in expediting this project.

Take No Action: The Council may choose to take no action or table the item until a future date. The impact of any delay, specifically the DA, is unknown, however it would likely severely delay or even halt the redevelopment of this corner.

## **Fiscal Impact**

There is no additional investment required by the City of Mesa.

## **Coordinated With**

The Office of Economic Development worked closely with Development Services department and the City Attorney's Office on this project. Outside assistance was also retained in the form of an economic analysis provided by Sarah Murley of Applied Economics.

## **Attachments**

- Map of the project
- Letter of support from Mesa Public Schools







**Business and Support Services**  
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Scott Thompson  
ASSISTANT SUPERINTENDENT  
[swthompson@mpsaz.org](mailto:swthompson@mpsaz.org)

March 12, 2019

Mr. Will Jabjiniak, Economic Development Director  
City of Mesa  
20 E Main St Suite 200  
PO Box 1466  
Mesa AZ 85211-1466

RE: Alma School & Southern Ave., Mesa AZ 85202

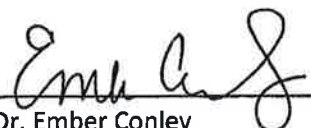
Dear Mr. Jabjiniak:

This letter is to advise that the Mesa Unified School District #4 is supportive of the Government Property Lease Excise Tax (GPLET) transaction with W.M. Grace Companies regarding the proposed development on the NW corner of Alma School and Southern Avenue.

It is our understanding that the proposed term of the GPLET transaction under consideration is a period of up to eight years upon completion of construction as evidenced by a final Certificate of Occupancy, and the City intends to abate the excise tax during the period of that lease.

If you have any further questions, please feel free to contact Scott Thompson at (480) 472-7206 or by email at [swthompson@mpsaz.org](mailto:swthompson@mpsaz.org).

Sincerely,

  
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Dr. Ember Conley  
Superintendent

  
\_\_\_\_\_  
Mr. Scott Thompson  
Assistant Superintendent, Business Services