

COUNCIL MEMORANDUM

TO: Mayor and City Council
THROUGH: Chris Brady, City Manager
FROM: Jeff McVay, Manager of Downtown Transformation
SUBJECT: Memorandum of Understanding for a proposed development near Center and Main Streets
DATE: July 10, 2017

The following summarizes a proposed development on City-owned land and the primary deal points included in the associated Memorandum of Understanding (MOU).

Drew Lot MOU

The City was approached by MAC DEVCO, LLC, a private development company, with a unique proposal for a mixed-use development on the City-owned Drew Street surface parking lot located south and west of the intersection of Center and Main Streets (see attached Exhibit A). The proposed development may also include the abandonment of a portion of the Drew Street right-of-way and streetscape/alleyway improvements. Summarized below, the MOU establishes the primary deal points for further development and lease/purchase agreement negotiations.

Developer Obligations:

- In conjunction with further negotiations, provide a business plan that details the development pro forma (acquisition, development, and operating costs; gross and net operating revenues; and operation and maintenance costs), projected commercial and residential lease rates, market analysis, and demonstrated tenant interest.
 - The developer may seek abatement of property taxes through the Government Property Lease Excise Tax (GPLET) Program. The business plan must detail the City's proposed role and how the inclusion of GPLET impacts the project's pro forma.
- In conjunction with further negotiations, provide City Manager with sufficient evidence of financial capacity and investor commitments to successfully execute and complete the project.
- Minimum development improvements include:
 - A minimum 75 room boutique hotel.
 - A minimum of 75 luxury apartments.
 - Construction of a multi-story, structured parking garage that includes a minimum of 102 public parking spaces at no cost to the City, and construction of additional structured public parking spaces at the City's request and expense.
- Renovation of an existing building located at 29 W. Main Street to include a minimum 7,000 of restaurant/retail space and design for additional

restaurant/retail space and a second story addition for conference and meeting space.

- Except for parking on the ground floor, which will remain in City ownership, responsibility for all operations and maintenance of the new structured parking garage.
- Release of the restrictions associate with a 1957 Gift Deed to the City of Mesa, which restricts the availability of the parking for use by certain property owners.
- Payment of reasonable rental amount, and/or purchase price for the air rights above the Drew Street surface lot.

City Obligations:

- City will enter into a development agreement and lease agreement with an option to purchase air-rights above the Drew Street surface parking lot, that includes a reduced lease/purchase rate that reflects the public benefit of structured/covered public parking and reduced City maintenance costs.
- City will support qualification of the project for property tax abatement through GPLET. If project elects to enter a GPLET agreement, City will engage an independent third party to complete an economic benefit analysis.
- City may abandon portions of Drew Street and alleyway to accommodate development of additional leasable space for City approved street cross-section and streetscape design. If cross-section and design are approved by City, City will construct certain public improvements within these rights-of-way.
- City may reimburse developer for construction costs associated with other public infrastructure improvements.
- City will provide impact fee offsets, consistent with City Code, for previous development on the property.
- City will consider providing rebates to a portion of the City's Transient Occupancy Tax, subject to conditions and restrictions.
- Project entitlement (zoning, design review, permitting) will follow a customized review schedule, which will be overseen by a Development Services Department Project Manager assigned to the project.
- City will initiate a rezoning case for the Drew Street surface parking lot, consistent with the provisions of the adopted Form-Based Code.

Other Provisions:

- Developer is provided rights to redevelop parking within the new structured parking garage to commercial/residential use, as demand for parking decreases, provided the minimum number of City spaces are maintained.
- Developer will use all City utilities (Electric, Gas, Sewer, Water, Solid Waste).
- MOU expires June 30, 2018.