



# City Council

**Date:** April 1, 2024  
**To:** City Council  
**Through:** Christopher J. Brady, City Manager  
**From:** Jeffrey McVay, Manager of Downtown Transformation  
Jimmy Cerracchio, Project Manager, Downtown Transformation  
**Subject:** Memorandum of Understanding for a proposed development  
at the southwest corner of Mesa and University Drives  
**District 4**

## Purpose and Recommendation

Approving and authorizing the City Manager to enter into a Memorandum of Understanding (MOU) with RN 1 Real Estate, LLC (aka Culdesac). The MOU outlines the high-level deal points to be included in future development and purchase agreements related to proposed development at the southwest corner of Mesa and University Drives, also known as Site 17. Staff recommends approval of the proposed MOU.

## Background

In August 2023 the City received two responses to a request for proposals seeking a development partner for Site 17. Upon reviewing the developer qualifications and conceptual site plans, in October 2023 City Council directed staff to enter negotiations for an MOU with Culdesac. Downtown Transformation staff has negotiated the high-level deal points included in the proposed MOU.

## Discussion

Summarized below, the proposed MOU terms establishes the framework for development negotiations and the high-level deal points to be included in future development and purchase agreements.

### Developer Obligations:

- Development of a mixed-use neighborhood consistent with the RFP response.
  - RFP response included approximately 1,000 residential units, in a variety of housing types.
  - RFP response included 25-50K SF of commercial/retail space and 25-50K SF of residential amenity space.
  - RFP response was for a car-light project with approximately 800 parking spaces.
- Project will be developed in three phases, which will each include performance measures.
  - The development will be based upon the guiding principles developed by the community. The guiding principles will be integrated into the master plan which will be used by the City to evaluate the appropriateness of

- each phase of development (Vibrant and Active, Good Neighbor, Varied District, Strengthens Downtown, Publicly Accessible, and Complementary)
  - Each phase will include minimums for private improvements, such as number of dwelling units, square footage of commercial space, and residential amenities.
  - Each phase will include minimums for enhanced public improvements, such as streetscape, parks, and open space.
  - Each phase will include milestones for zoning entitlement, issuance of building permits, commencement of construction, and completion of construction.
  - Zoning entitlements will be completed following approval of future development and purchase agreements.
  - Each phase will require developer to demonstrate financial capacity to complete construction.
- Sale of property will be in three phases and will be conditioned upon developer receiving zoning and permitting entitlements and demonstrating financial capacity.
- Developer will provide easements to allow public use of parks and open space.
- The Project will use City of Mesa utilities (water, sewer, electricity, solid waste, and gas).

#### City Obligations:

- City will not solicit or entertain development proposals or offers during the term of the MOU.
- The City agrees to work with the Developer to reduce the parking requirement for the community.
- City may reimburse or provide credits to developer, up to a capped amount, for the construction of certain public infrastructure improvements. Reimbursement may include a percentage of the non-dedicated construction transaction privilege tax collected by the City.
- City will support the implementation of streetscape improvements and transit options to prioritize the biking, walking, and “transit over cars and parking” goals of the project and support safe pedestrian and bike access to Main Street, light rail stations, and bike canals.
- City will provide impact fee offsets for previous development on the property.
- Review of construction plans, applications, and other submissions by developer may be completed in accordance with a customized or expedited review schedule, agreed upon between City and Developer.
  - City staff will partner with Developer to provide support in any required rezoning process for the project and will provide a dedicated City staff member as a single point of contact.
- City will provide any then available utility rate incentives for end users and tenants.
- City will support or co-sponsor developer’s application for state or federal grants that support the biking, walking, and “transit over cars and parking”, goals of the Project.

Other Provisions:

- Purchase of City land will be based on fair market value, which may take into account the value of certain development costs, such as public improvements and public amenities or enhanced costs.
  - Sale of future phases will be based upon initial property appraisal with annual adjustments.

**Fiscal Impact**

No fiscal impact, at this time.

**Coordinated With**

The terms of the proposed MOU were coordinated with the City Manager's Office and the City Attorney's Office.

**Alternatives**

Modify the terms of the proposed MOU.

Denial of the proposed MOU.