

Culdesac - Purchase and Development Agreement Update

City Council Study Session
March 6, 2025

Jeff McVay

Manager of Urban Transformation

Jimmy Cerracchio

Downtown Transformation Project Manager



Background

- **October 2023: Culdesac selected through Request for Proposal process**
- **Goal: Develop a vibrant and active mixed-use neighborhood with public amenities that complements neighbors and supports downtown**
- **Appraisals: Culdesac and City have completed “as-is” land appraisals**
 - **Culdesac: \$11.65/SF**
 - Approximately \$9.7M
 - **City: \$13.44/SF**
 - Approximately \$11.2M





MESA CITY COUNCIL STUDY SESSION

March 6, 2025

ABOUT CULDESAC



Culdesac

We build cities for people that prioritize community,
mobility, and open space



The Culdesac team is led by Arizona locals and industry veterans



Ryan Johnson,
CEO & Co-founder



**Caroline Lerner
Perel,**
Chief Investment Officer



Erin Boyd,
Head of External
Partnerships



James Graef,
Chief of Staff/ Urban
Design



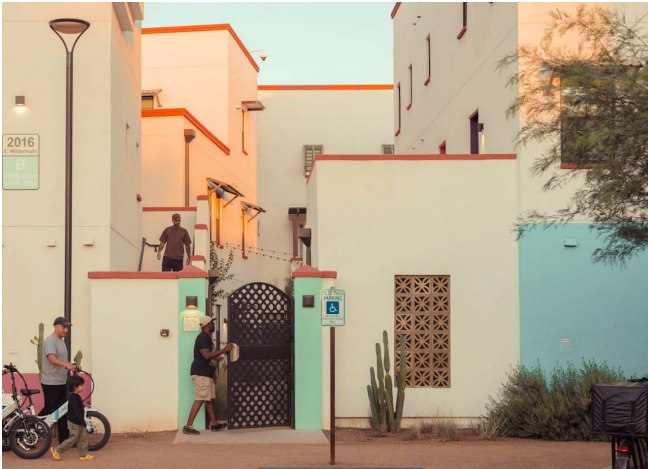
Sarah Zou,
Head of Development
and Acquisitions



Zach Schultz,
Investments

We partner with cities to develop large and small scale projects that prioritize local community, mobility, and open space

Culdesac Tempe Tempe, Arizona



P1 & P2 stabilized, 760 units + comm¹

Market rate **for rent** apartments, **retail**, **micro retail**, night **market**, farmers market, **highly amenitized**, abundant **open space**, **art** program

Pocket Neighborhoods Atlanta, Georgia



Under const., 41 for-sale units

Workforce for-sale townhomes, **innovative, affordable, flex live/work** units that can host light retail and other light business uses

Culdesac Mesa Mesa, Arizona



In design, 1000 units + comm

Market rate **for-sale** townhomes / condominiums, market rate **for rent** apartments in latter phases , **retail**, **micro retail**, and **abundant open space**

¹ at the completion of phase 5



CULDESAC TEMPE

Our flagship development, seamlessly accessible to the rest of the Valley by Light Rail

Award-winning community-driven retail program

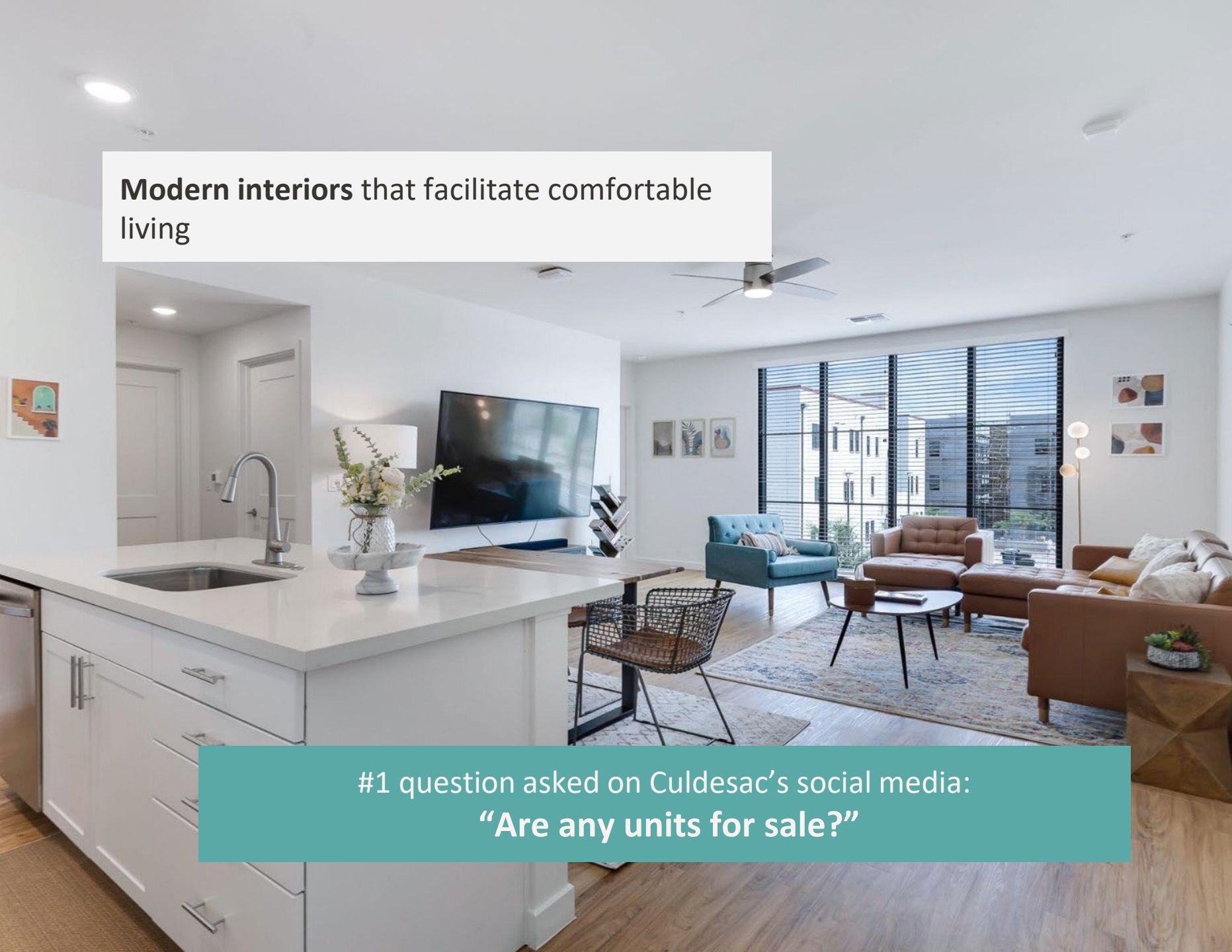


Desert adaptive architecture, vegetation,
and community spaces



Vibrant energy through intentional placemaking and on-site activation



A modern apartment interior featuring a white kitchen island with a stainless steel sink and faucet, a large flat-screen TV on a wooden console, and a living area with a blue armchair, a brown leather sofa, and a coffee table. Large windows with blinds provide a view of the city.

Modern interiors that facilitate comfortable living

#1 question asked on Culdesac's social media:
"Are any units for sale?"

288

1-, 2-, and 3- bedroom units delivered

86%

Units leased, with 83% of units occupied

80%

Renewal rate in January

A unique retail destination with over 20 local businesses

Cocina Chiwas and Aruma Cafe



James Beard award semi-finalist

Busan Mart



Korean market and prepared dishes

Archer's Bikes



Fully equipped on-site ebike shop

Sew Used



Vintage clothing store

Program highlights

- Superior in-house retail leasing capabilities allowed Culdesac to secure a phenomenal program
- Local, up-and-coming retail businesses, vendors, and partnerships
- Additional anchor retail: Pip Craft & Clay, Nomad Boba, Barber Shop

Strong public-private collaboration: key to Culdesac's resident experience and community relationships

Collaborating on right-sized parking requirements



Culdesac Tempe Parking

First-ever agreement between a developer and a city for zero residential parking

Aligning with city economic development priorities



Uplifting Historic Business

Co-invested with City of Tempe in a turnkey 865 sq. ft. barbershop

Accelerating neighborhood improvements



Tempe Bike Infrastructure

Led the City of Tempe's winning application from USDOT

Solicited 200+ community comments to accelerate the improvement of nearby bike lanes

CULDESAC MESA PROPOSAL

✧ In Mesa, a new chapter
begins for Culdesac ✧



Site 17: a key node of the Phoenix Metro along the light rail corridor



Developing Site 17 hand-in-hand with the city and the community

Key project details submitted to the city in RFP

- 1,000 residential units across the site
- 25 - 50K retail square footage¹
- 25 - 50K amenity square footage

¹All commercial/retail space will be employment space for businesses and retailers. Residential Units will also include live-work units that can be used for employment



Feedback since RFP

- A bold, energetic vision
- Quality homeownership opportunities
- Right-sized parking
- Small business / entrepreneur support

Painting the vision: **Site 17**

A key node of greater Phoenix and along the light rail corridor and steps away from Downtown Mesa, Site 17 has an opportunity to transform into a remarkable, car-lite hub with home ownership opportunities that pushes sustainability, grows talent, and sets the standard as a leading neighborhood development in Arizona.

Culdesac Mesa will offer quality, infill homeownership opportunities adjacent to Downtown on Site 17

Strong ties enabled by **homeownership**



Example: Homeownership across price points in the first phase allows for new demographics to put down roots

Quality urban design, with attention to detail



Example: Cohesive, human-scale design that evokes a sense of character and belonging

Sustainable lifestyle aided by integrated features



Example: Pedestrian oriented, mixed-use development that promotes reductions in air and noise pollution

Vibrant retail that will add to Downtown Mesa



Example: New townhome live / work unit layout allows space for services not already offered downtown

Homeownership opportunities that promote long-lasting community

First Phase

- ▶ **For-sale 2- and 3-bedroom townhomes**
- ▶ **Fee simple sales**
- ▶ **Dedicated parking spots**
- ▶ **Live/work units** that foster a sense of community (e.g. wellness studio and boutique shops)

Future Phases

- ▶ **Additional unit types** (e.g. studio, 1-bed, 2-bed, and 3-bed)
- ▶ **Varying ownership structures** (e.g. for-sale townhomes / condominiums, for-rent apartments)



Quality urban design inspiration that draws from desert modern and historical Spanish influences



Above precedent developments are showcased as design inspiration only

Sustainable lifestyle for a more comfortable and healthy neighborhood

Sustainable amenities available for residents



Example: Electric vehicle and solar adaptable construction

Desert adaptive design makes indoor / outdoor living reality



Example: Thoughtful design that reduces heat island effect

A better quality of life for residents and neighbors



Example: Pedestrian and bike lanes that reduce air and noise pollution

Vibrant retail in a range of commercial spaces from pop-up tables to live/work, micro-retail, and larger anchor stores



Pop-up spaces, tables, and booths at regular markets

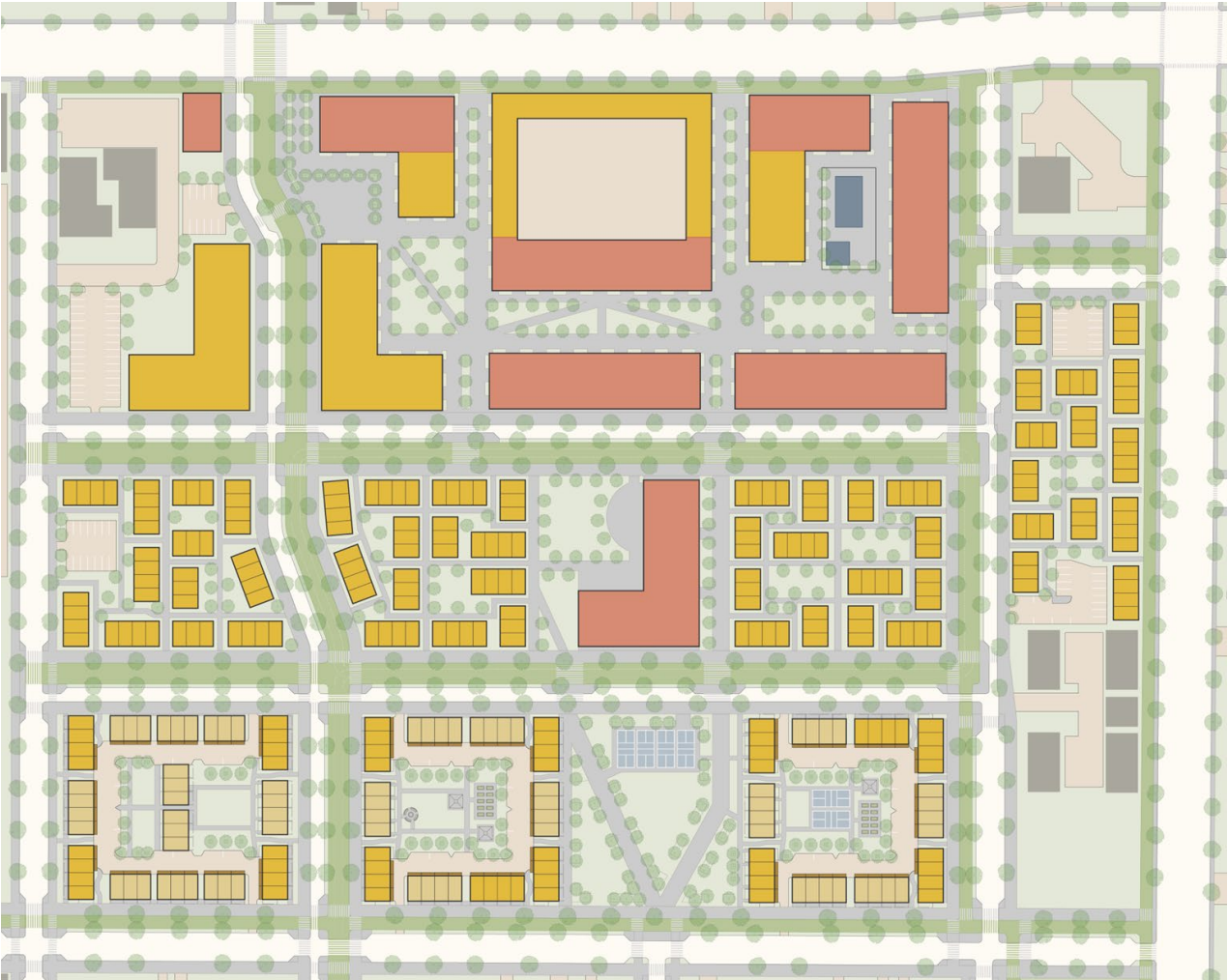


500 - 750 SF live/work space for emerging entrepreneurs



1300+ SF space for unique anchor tenants (i.e., dining, entertainment, shopping)

We remain committed to developing 1,000 residential units, a strong retail program, and vibrant open space



Site plan is conceptual and will change

~1000
Residential Units¹

800 - 1000
Parking Spaces²

25k-50k
Commercial/Retail SF¹

25k-50k
Residential amenity SF

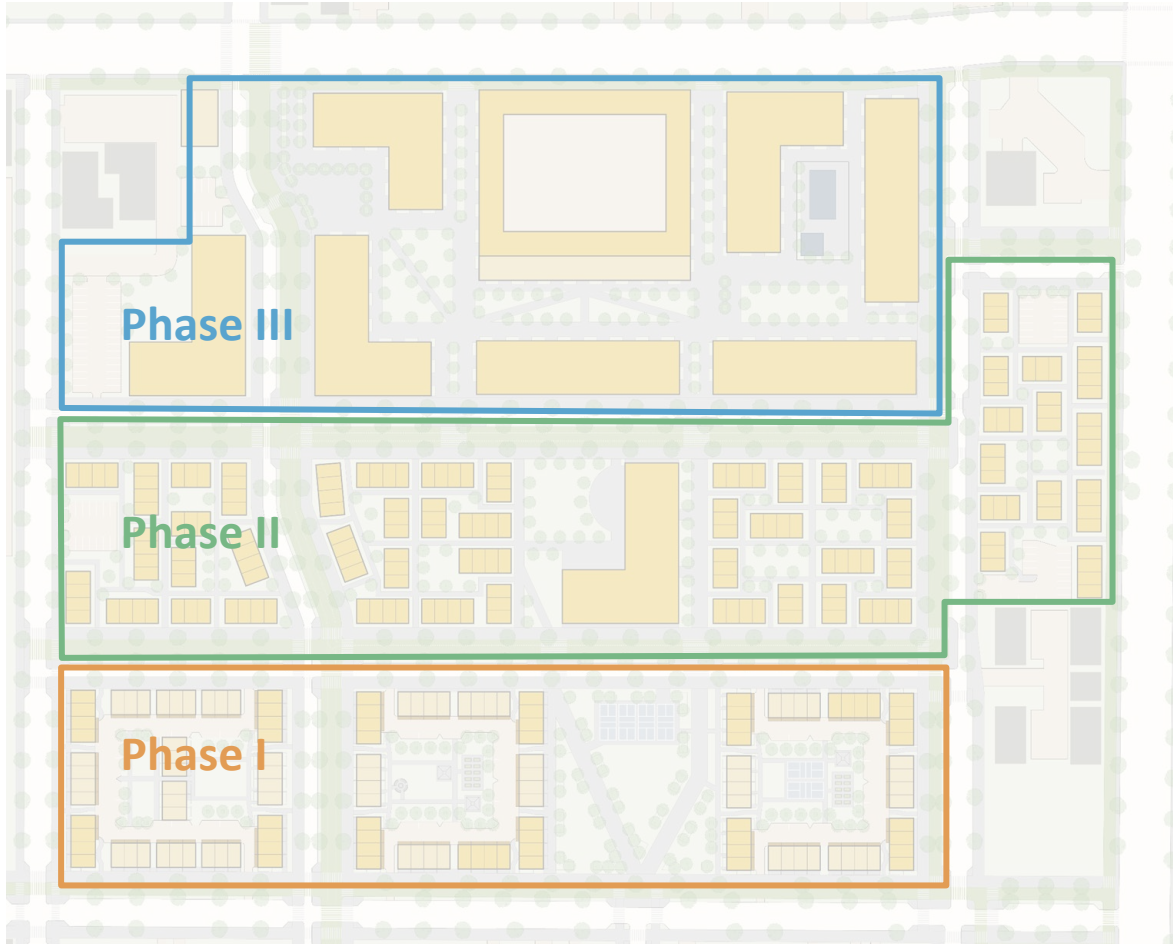
Ground floor:

- Residential
- Retail and amenity space

¹ All commercial/retail space will be employment space for businesses and retailers. Residential Units will also include live-work units that can be used for employment

² Parking ratio in Phase 1 will be a 1:1, with varying ratios in future phases. Total parking spaces will include both on-street and off-street parking.

3 phases of land acquisition and development



Site plan is conceptual and will change

250 ft \hat{N}

Phase I - Southern Edge:

- ▶ Immediate activation with cart/food truck program, pop-up plaza, and mobility hub
- ▶ Catalyze via lower density (10-20 dua), for-sale townhomes, and live-work units, some of the highest-demand unit types at Culdesac Tempe

Phase II - Center:

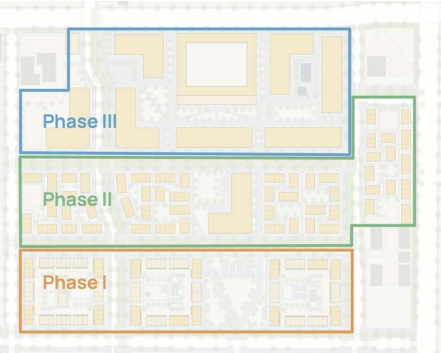
- ▶ Initial retail and amenities including grocery, coffee, and gym
- ▶ Build momentum via additional townhomes and missing middle, courtyard product (30-50 dua)

Phase III - Northern Edge:

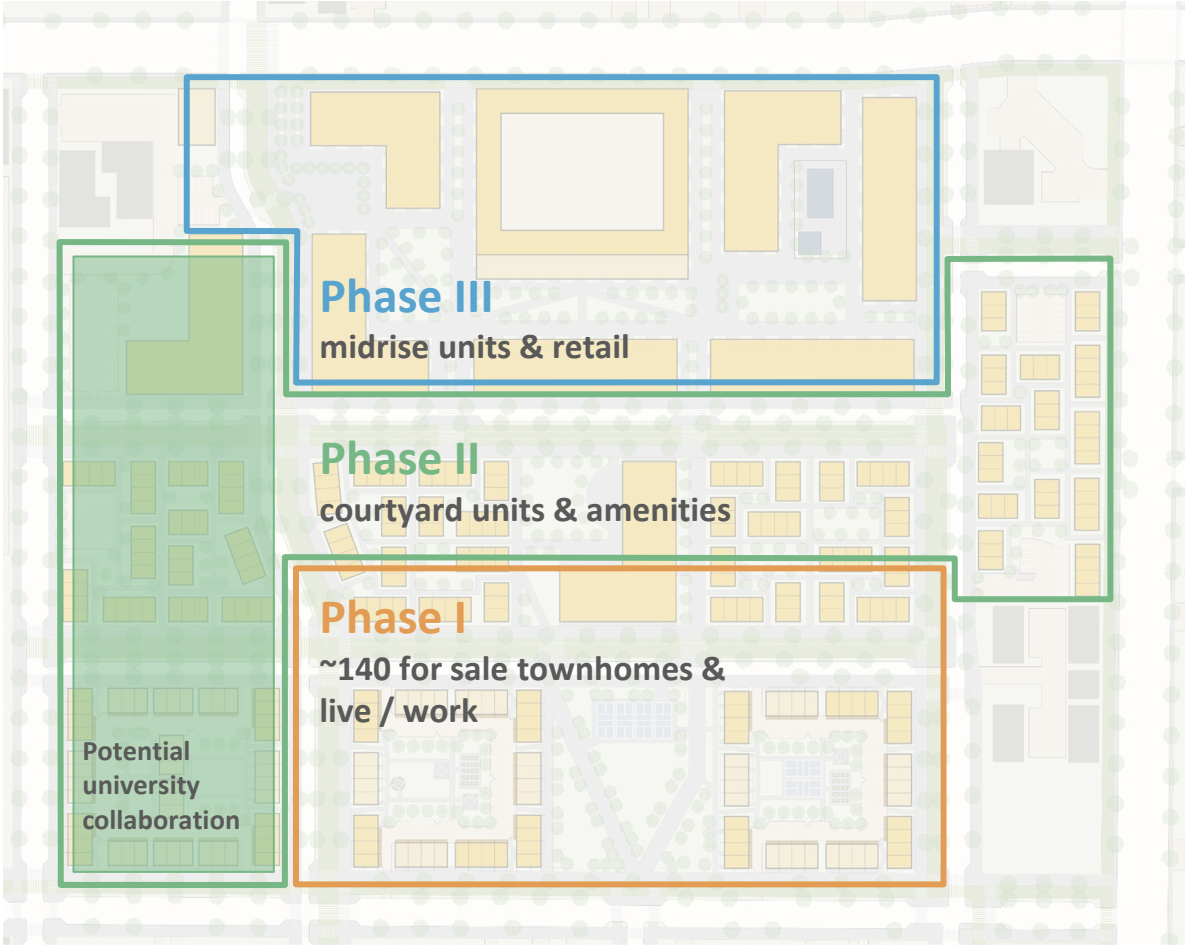
- ▶ Full commercial suite with restaurants, bike shop, and coworking
- ▶ Fulfill increased demand through midrises with ground floor retail and amenities (60-120 dua)

We've morphed phases after hearing from stakeholders

Original concept >>>



Latest concept



A **tight-knit, energetic, dense site plan** transitioning where possible to low-rise adjacent to neighborhoods

Altered P2 allows land for **potential student housing** nearest to Downtown

Expanded P1, with **more homes for sale** and **1 parking spot per unit**

Site plan is conceptual and will change

250 ft \hat{N}



Culdesac

culdesac.com

Purchase and Sale Agreement Deal Points

Structure of Sale

- **3 separate transactions**
 - **Phase 1**
 - **Sale dependent on:**
 - Executed Development Agreement recorded against Phase 1 property
 - Zoning entitlements and subdivision plat
 - Building permits for construction obtained
 - Evidence of financing for Phase 1 improvements
 - All easements executed and to be recorded at closing of Phase 1
 - **Must close 24 months after execution of purchase agreement**
 - Includes due diligence period and entitlements
 - **Phase 1 construction must commence 12 months after closing date**
 - **Phase 1 purchase price \$2.74M (estimated based on approximately 5.5 acres)**



Purchase and Sale Agreement Deal Points



Structure of Sale

- **Option Properties**

- **Phase 2 & 3 options**

- **Option term commences on previous phase closing**
 - **\$100,000 option payment to seller at closing of previous phase**
 - **Options expires 36 months after closing of previous phase**
 - **Ability to extend 12 months at discretion of city manager**
 - **Pre-requisites to exercise options**
 - **Future phases purchase price determined using a CPI adjustment on current appraised value**
 - **Ability to purchase Phases 2 & 3 simultaneously with entitlements and evidence of sufficient financial capacity**



DEVELOPMENT AGREEMENT

Development Agreement Deal Points

Developer Obligations

- **Minimum Improvements**
 - **1,000 Residential Units**
 - Minimum 140 for-sale townhomes
 - **2-5 Story Buildings**
 - **Minimum of 25k Commercial/ Retail Sq Ft**
 - **Minimum of 25k Residential Amenity Sq Ft**
 - **Open Space, Green Spaces**
 - **800 - 1,000 Parking Spaces**
- **On-site Public Improvements and Public Improvements including:**
 - **Open space**
 - **Streetscapes and mobility**
- **Re-platting of land**
- **Public access easements to open space**



Development Agreement Deal Points



Phase 1 - Developer Obligations

- **140 for-sale townhome units**
- **Minimum area of publicly accessible open space**
- **Commence construction 12 months after close of sale**
- **Complete construction 24 months from closing date**

Development Agreement Deal Points

City Obligations

- **Consent to re-platting and entitlements**
- **Abandonment of portions of existing streets and full abandonment of Wilbur Road**
- **Re-investment of land sale proceeds in public improvements**
 - **Phase 1: Culdesac has requested 100% of land sale proceeds are available to reimburse for public improvements within Culdesac**
 - **Phase 2 and 3: Negotiating amount of land sale proceeds to fund on-site & off-site streetscape and mobility improvement versus reimbursement within Culdesac**



Development Agreement Deal Points



City Obligations

- **Concierge services for zoning and permit entitlement reviews**
- **Provision of impact fee offsets for previous development on the project property**
- **Support or co-sponsor application(s) for state or federal grants that multi-mobility goals of project**
- **Reimbursement of non-dedicated portion of construction sales tax in negotiation**

Next Steps

- **Finalize Purchase and Development Agreements**
- **Return to City Council with final agreements in Spring 2025**
- **Enter into Purchase Agreement in Spring 2025**
- **Initiate final design and planning and zoning entitlements**



Discussion and Direction

