RESOLUTION NO. 12561

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESA, ARIZONA, APPROVING AND AUTHORIZING THE CITY MANAGER TO ENTER INTO A DEVELOPMENT AGREEMENT, GOVERNMENT PROPERTY IMPROVEMENT LEASE, AND OTHER DEAL DOCUMENTS TO FACILITATE THE DEVELOPMENT OF AN AC HOTEL BY MARRIOTT ON THE PROPERTY LOCATED AT THE NORTHEAST CORNER OF MAIN STREET AND CENTENNIAL WAY.

Whereas, OCAP Main St, LLC, an Arizona limited liability company ("Developer"), owns or is in the process of purchasing the real property located at the northeast corner of Main Street and Centennial Way in Mesa, Arizona, totaling approximately 32,496 square feet, described as the "Property" in the Development Agreement (the "Property").

Whereas, following its purchase of the entirety of the Property, Developer intends to develop on the Property an upscale AC Hotel by Marriott with various high-quality amenities, including an outdoor pool, meeting room space, and a kitchen and lounge with a bar and indoor and outdoor dining spaces that will provide guests and the general public with a dining option in downtown Mesa (collectively, the "Project") and to enter into a development agreement with the City to facilitate the development of the Project on the Property (the "Development Agreement").

Whereas, the Property is in the Town Center redevelopment area and is entirely within the City's single Central Business District initially adopted by the Mesa City Council in 1999. The City Council found a substantial number of blight factors still existed within the Central Business District and on April 6, 2020, the City Council by resolution redesignated and renewed the Central Business District and Town Center redevelopment area. In the reevaluation of the Central Business District, the blight assessment study conducted and presented to the City Council found the Central Business District, which includes the Property, maintains a predominance of blight and is a "blighted area" as described in A.R.S. § 36-1471, *et seq*.

Whereas, A.R.S. § 9-500.05 authorizes the City to enter into a development agreement relating to the development of real property in the City.

Whereas, the City Council finds it is in the best interests of the City for the Project to be constructed on the Property and for the City to enter into the Development Agreement that will, among other things: (i) require construction of certain public infrastructure that will be dedicated to and accepted and controlled by the City; (ii) require construction of certain private improvements, including an approximately eighty-five thousand (85,000) square foot AC Hotel by Marriott with a minimum of one hundred fifty (150) hotel rooms, a minimum of one thousand five hundred (1,500) square feet of meeting room space, an outdoor pool, and a kitchen and lounge serving breakfast, lunch, and light fare and appetizers for dinner consisting of a minimum of two thousand (2,000) square feet of indoor and outdoor space; (iii) require granting to the City, at no cost, a perpetual public utilities easement on a portion of the Property (the "Easement") for installation, repair, and maintenance of, and access to the electrical public infrastructure that will be constructed and installed related to the Project and thereafter dedicated to and controlled by the City; (iv) require granting to the City and organizations partnering with the City, at no cost, use of certain meeting room space in the hotel, and the prioritization of reservation requests from the City for such meeting room space; (v) require making available a block of rooms at the hotel for major entertainment and sporting events in Mesa; and (vi) prohibit certain land uses.

Whereas, in order to ensure the Project is able to be constructed with the upscale hotel and at the quality demanded by the City, Developer requested, and the City is willing to provide, a reimbursement for public infrastructure dedicated to and accepted and controlled by the City, and such reimbursement will be paid from the construction sales tax generated by the Project that is collected and actually received by the City, pursuant to the terms of the Development Agreement.

Whereas, upon completion of the Project, it is the desire and intention of Developer and the City that the owner of the Property transfers the Property and all the improvements constructed thereon to the City, and thereafter leases the same from the City pursuant to a government property improvement lease pursuant to A.R.S. §§ 42-6201, *et seq*. (the "Lease") on the terms and conditions set forth in the Lease, including to abate certain taxes during the term of the Lease as allowed by and in compliance with A.R.S. §§ 42-6201, *et seq*.

Whereas, as required by A.R.S. § 42-6209(A)(3), the City Council determines that the government property improvement that will be constructed on the Property for the Project will result in an increase in property value of at least one hundred percent (100%).

Whereas, as required by and in compliance with A.R.S. § 42-6209(C)(1), the City notified the governing bodies of Mesa Community College, Mesa Public Schools, and the East Valley Institute of Technology (collectively, the "School Districts") and Maricopa County of the City's intent to enter into the Lease and provided all required documentation to the School Districts and Maricopa County.

Whereas, as required by A.R.S. § 42-6209(C)(2), the City Council determines that within the term of the Development Agreement, the economic and fiscal benefit to the state and the City will exceed the benefits received by the prime lessee as a result of the Lease on the basis of an estimate of those benefits prepared by an independent third party in a manner and method acceptable to the City Council. Additionally, the City provided such estimate to Maricopa County and the School Districts in compliance with A.R.S. § 42-6209(C)(2).

Whereas, in compliance with A.R.S. § 42-6209(G), the term of the Lease will not exceed eight (8) years, including any abatement period, regardless of whether the Lease is transferred or conveyed to subsequent prime lessees during that period, and as soon as reasonably practicable but within twelve (12) months after the expiration of the Lease, the City will reconvey the Property and improvements back to the owner.

Whereas, as an element of the conditions precedent to the City entering into the Lease and as a material part of the consideration for City entering into the Development Agreement, Developer agrees to, among other things, (i) grant to the City, at no cost, the Easement; and (ii) enter into a parking license agreement with the City, in which Developer will be obligated to pay to the City parking fees for the license of one hundred (100) parking spaces in the Hibbert Garage for fifty (50) years.

Whereas, the City Council finds and determines that the Project will generate substantial monetary and non-monetary benefits for the City, will assist in the creation or retention of jobs, and will enhance the economic welfare of the inhabitants of Mesa by, among other things: (i) providing for the construction of public infrastructure in and around the Property; (ii) providing for planned and orderly development of the Property consistent with and advancing the goals of the City's adopted general plan, central main plan, and zoning ordinance; (iii) increasing tax revenues to the City arising from or relating to the improvements to be constructed on the Property, including transaction privilege tax and transient lodging tax revenues; (iv) creating new jobs during and after the development of the Project; (v) increasing the demand for City services and utility revenues during and after the development of the Project; (vi) substantially increasing parking revenues to the City primarily by the City collecting parking fees for the license of one hundred (100) parking spaces in the Hibbert Garage for fifty (50) years; (vii) advancing the redevelopment goals of the City by, in part, developing and activating a high-profile property in downtown Mesa that is currently partially vacant, and furthering the City Council's objective to reduce the slum and blight in the Central Business District; and (viii) enhancing quality of life for the City's residents, supporting tourism, and serving a need in downtown Mesa by providing a high-quality option for accommodation and dining in a high-profile location in downtown Mesa.

Whereas, the Development Agreement, Lease, parking license agreement for spaces in the Hibbert Garage, and other documents to facilitate the development of the Project on the Property (collectively, the "Deal Documents") will need to be executed, and the City Council determines it is in the best interests of the City to enter into the Deal Documents.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESA:

<u>Section 1</u>. The City Council approves the transaction to facilitate the development of the Project on the Property as described in this Resolution and presented to the City Council. The City Manager or designee is authorized, on behalf of the City of Mesa, to execute the Deal Documents and any amendments, modifications, renewals, or extensions of the Deal Documents provided they do not materially alter the terms or purpose of the transaction as presented to the City Council.

<u>Section 2</u>. The Deal Documents were previously approved by the City Council via Resolution No. 12557, and this Resolution is to re-approve the Deal Documents in accordance with A.R.S. § 42-6209(C).

Passed and adopted by the City Council of the City of Mesa on August 10, 2026.

____
Mark Freeman, Mayor

Attest:

____
Holly Moseley, City Clerk