City Council Report

Date: August 17th, 2026

To: City Council

Through: Scott Butler, City Manager

From: Jeff McVay, Manager of Urban Transformation
Jeff Robbins, Redevelopment Program Administrator

Subject: **Ovio (District 4)**
Approving and authorizing the City Manager to enter into a Development Agreement, a Government Property Lease Excise Tax (GPLET) Lease Agreements and other necessary documents for the development of 4.05± acres of privately-owned property located at 1830 West Main Street, near the intersection of North Dobson Road and West Main Street.

Purpose and Recommendation

Consider the proposed Development Agreement, a Government Property Lease Excise Tax (GPLET) Lease, a Sidewalk Easement Agreement, and a Vehicular Ingress and Egress Easement Agreements (the "Agreements"). The Agreements would facilitate the redevelopment of approximately 4.05 acres of privately-owned real property in west Mesa located at 1830 West Main Street (Assessor Parcel Number 135-48-042). The project is an urban, market-rate, mixed-use development consisting of five stories totaling approximately 285,897 square feet (SF), with a minimum of 191 market-rate residential apartments and approximately 5,684 SF of ground-floor commercial space (the "Project").

The development will create market-rate multi-family housing, create jobs, increase revenues to the City, provide valuable public-access easements, and reduce slum and blight conditions within the West Redevelopment Area and the City's single Central Business District. Staff recommends approval of the proposed Agreements.

Background

The City was approached by the developer (Pride Ventures LLC II) requesting a GPLET to help facilitate the redevelopment of the underutilized property located at 1830 West Main Street, near the intersection of North Dobson Road and West Main Street, totaling approximately 4.05 acres. The property is located in the West Redevelopment Area and within the City's single Central Business District, initially adopted by City Council in 1999 and expanded to include the property on August 21, 2017. On April 6, 2020, the City Council found that a substantial number of blight factors still existed and redesignated and renewed the Central Business District and West Redevelopment Area.

With close proximity to the Sycamore Station light rail stop, a bus transit center, and a Valley Metro Park-and-Ride, the market-rate, transit-oriented multifamily development is an appropriate redevelopment of the property. The Project received Zoning Clearance (ZON 19-00832), and the development is consistent with the 2050 General Plan, the West Main Street Area Plan, and the West Redevelopment Area Plan.

The Project is already under construction, which is atypical for GPLET agreements. Several events contributed to construction commencing before Council action on this agreement.

- In the aftermath of the COVID-19 pandemic, price fluctuations compelled the developer to lock in contracts for materials and commence construction earlier than anticipated
- Public improvements to the park and ride required coordination with Valley Metro
- The project required a significant redesign mid-development
- The project lender was acquired by another company and required additional reviews of the agreements.

The City and Developer have negotiated a GPLET in good faith and the GPLET has been included in the developers pro forma.

Discussion

The following provides a summary of the primary deal points of the Agreements:

Minimum Project Requirements:

1. The Project includes the construction of the following minimum improvements:
   a. One building of five (5) stories totaling approximately 285,897 SF
   b. A single-level podium with a wrapped parking structure
   c. A minimum of 191 market-rate apartment units, consisting of:
      a. 15 studio units (approximately 597 SF)
      b. 102 one-bedroom units (approximately 717–861 SF)
      c. 63 two-bedroom units (approximately 1,015–1,107 SF)
      d. 11 three-bedroom units (approximately 1,433–1,751 SF)
   d. A minimum of 5,684 SF of ground-floor commercial/retail/restaurant
   e. On-site and in-unit amenities
   f. Exterior quality standards

Developer Obligations:

1. Construct the Project as provided in the minimum Project requirements (Exhibit A).
2. Construct the following Public Improvements,
   a. Enhanced landscaping along Main Street, Ironwood Drive and property line.
   b. Repair irrigation, install new trees, and maintain in perpetuity trees within West Main Street right-of-way.
   c. Traction Power Substation (TPSS) improvements.
      - Modification of the existing drive aisle adjacent to the Valley Metro light-rail TPSS property to restrict cross-access

        - Modifications to the bus transit center platform
        - Pedestrian crossings
    d. Transit Center pedestrian and landscape improvements.
    e. Demolition of a restroom facility.
3. Ironwood Drive landscaping to be maintained in perpetuity by the Developer.
4. Construct and dedicate a Sidewalk Easement along the west and north property lines, providing perpetual public pedestrian access connecting Main Street to the transit center.
5. Dedicate a Vehicular Ingress and Egress Easement along the west and north property lines, providing perpetual public vehicular access connecting West Main Street to the Park-and-Ride and transit center.
6. Maintain, in perpetuity and at the Developer's sole cost, those portions of the Public Improvements expressly identified in the Development Agreement.
7. Use of City water, sewer, solid waste, and natural gas utility services.
8. Reimburse the City $5,400.00 for the cost of the economic impact analysis prior to the effective date of the Lease.

City Obligations:

1. Approval of a GPLET Lease Agreement providing an eight-year tax abatement upon developer completing all public and private improvements and meeting all other obligations of the agreement.
2. Provide a customized plan review schedule for the project.

Government Property Lease Excise Tax (GPLET):

The Government Property Lease Excise Tax (GPLET) statutes (A.R.S. §§ 42-6201 et seq.) allow, following completion of construction, the developer to convey the property and improvements to the City, and the City to then lease the property and private improvements back to the developer in accordance with the GPLET lease agreement. Located within Mesa's West Redevelopment Area and Central Business District, the project is eligible for abatement of property taxes during the eight (8)-year GPLET lease term, which commences upon issuance of the final Certificate of Occupancy for the improvements.

In compliance with the GPLET statute (A.R.S. § 42-6209), the City obtained a professional analysis of the economic and fiscal benefit of the Project confirming that the project meets the statutory requirements for a GPLET lease with an eight-year property tax abatement, including: (1) the property is located within the City's single, designated Central Business District and within a Redevelopment Area; (2) the Project will increase the value of the land by greater than 100%; and (3) the Project is projected to generate greater revenues to the state, county, and city than the property taxes abated.

The project is estimated to generate a total economic impact of $60 million from 2027 to 2034, directly and indirectly, and supporting an estimated 28 direct jobs and $5.8 million in labor income during the eight-year GPLET term. The development is estimated to generate $5.2 million in tax revenues to the city, county and state from sales and income taxes between 2027 through 2034, with $920,331 of the $5.2 million representing new tax revenue to the City.

The Developer will pay a one-time, lump-sum “in-lieu” payment to the impacted school districts, based on the taxes assessed against the property that the districts would otherwise have received had the land remained vacant and property tax not been abated. The in-lieu payments are: $74,854 to the Mesa Public School District; $12,762 to the Maricopa Community College District, and $589 to the East Valley Institute of Technology District. In further compliance with the GPLET statutes, the City provided notice to the impacted taxing authorities at least 60 days in advance of Council’s consideration of the lease and development agreement, and provided the independent economic benefit analysis to the impacted taxing authorities at least 30 days in advance of Council consideration. At closing of the GPLET, the developer will pay a lump sum of $500,000 to the City to support the City’s redevelopment priorities.

Key Compliance Dates:

Complete construction of all Private Improvements and Public Improvements on or before December 31, 2027.

Alternatives

Modify the terms of the proposed Development Agreement and GPLET Lease.

Deny the proposed agreements.

Fiscal Impact

During the term of the GPLET Lease, the developer will pay the City GPLET rent of $10,000 annually ($80,000 total).

A minimum of $520,000 in construction transaction privilege tax (construction sales tax).

A contribution of $500,000 to the City’s redevelopment priorities.

Coordinated With

The agreement terms were coordinated with the City Manager’s Office, the City Attorney’s Office, and the Development Services Department.

Attachments

Exhibit A: Project Renderings and Site Plan

EXHIBIT A

PROJECT RENDERINGS AND SITE PLAN

RENDERINGS

1 Southwest Perspective
Scale: Not to Scale

2 Northwest Perspective
Scale: Not to Scale

1 South Building Perspective
Scale: Not to Scale

SITE PLAN