



City Council

Date: July 9, 2018
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation
Subject: Consider a proposed Second Amendment to the Development Agreement to revise the project compliance dates and permit fee payment schedule for The GRID development.
District 4

Purpose and Recommendation

Consider the proposed Second Amendment to the Development Agreement between the City of Mesa and the developer. Staff recommends approval.

Background

City Council approved the current Development Agreement (DA) with 3W Management, LLC in November 2017. As anticipated in the DA, the obligations of the DA were assigned to Palladium, LLC, an affiliate of 3W Management, LLC. The DA includes several milestones for permitting and developing the project, which the developer must meet to remain in compliance with the terms of the Development Agreement. In order to accommodate an innovative construction method, and to accurately align milestone dates with the updated permitting and construction schedule, the developer has requested modification to the compliance dates. To date, the developer is in compliance with these milestones.

In addition, the approved DA requires the developer to deposit 80 percent of the total estimated permit fees for all three permit packages with the submittal of the first permit package. The City's standard permit fee payment schedule requires 65 percent of the estimated permit fee for each individual permit package, as it is submitted. The developer has requested amending the DA to follow the standard permit fee payment schedule.

Discussion

The following table summarizes the proposed modification to the DA compliance dates. While the modified dates will delay construction commencement, the accommodation of an innovative construction method allows shorter construction timelines that result in no delay in the completion of construction. The proposed amendment retains the provision that allows the City Manager, in his sole discretion, to extend the compliance dates by 45 days, a maximum of three times.

Developer Milestones	Current Compliance Date	Proposed Compliance Date
Submit 1 st Permit Package	April 1, 2018	July 10, 2018
Execute Lease and License	April 1, 2018	July 10, 2018
Provide Financial Capacity	N/A	August 2, 2018
Submit 2 nd Permit Package	June 1, 2018	September 3, 2018
Submit 3 rd Permit Package	July 1, 2018	October 1, 2018
Commence Construction (1 st pkg)	July 1, 2018	August 15, 2018
Commence Construction (2 nd pkg)	September 1, 2018	December 31, 2018
Commence Construction (3 rd pkg)	November 1, 2018	February 28, 2018
Complete Construction (all pkg)	December 31, 2020	December 31, 2020

In addition, the current permit fee payment schedule (80 percent of all estimated permit fees at 1st permit fee submittal) was established as a “check” for the City to ensure that the developer was financially invested in the project. The proposal to follow the City’s standard permit fee payment schedule (65 percent of estimated permit fees for individual packages at time of submittal) is supported by sufficient evidence of design and construction contracts, as well as progress on building permit submittals, that show the intended financial commitments.

Alternatives

Modify terms to the proposed Second Amendment to the Development Agreement.

Denial of the proposed amendment.

Fiscal Impact

None