



City Council

Date: January 13, 2020
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation
Subject: Consider a proposed Fifth Amendment to the Development Agreement, an Amended and Restated Lease Agreement, and an Amended and Restated the License Agreement to modify compliance dates and facilitate development of The GRID on City-owned property located on the southwest corner of Main and Pomeroy and above the Pomeroy parking garage.
District 4

Purpose and Recommendation

Consider the proposed Fifth Amendment to the Development Agreement, an Amended and Restated Lease Agreement, and an Amended and Restated License Agreement between the City of Mesa and the developer. Staff recommends approval.

Background

City Council approved the original Development Agreement (DA) and License Agreement with 3W Management, LLC in November 2017. Since that original approval, the DA has been amended four times, the Lease Agreement has been amended once, and the License Agreement has been amended twice. The DA, as amended, 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. While the developer has continued to move forward with final design and permitting, project funding was not secured until December 2019. Consequently, the project is not in compliance with several of the DA Compliance Dates.

With project funding secured and confirmed by City staff, the modified Compliance Dates included in the proposed Fifth Amendment to the DA align with an updated permit and construction schedule. In addition, the Fifth Amendment to the DA, as well as the Amended and Restated Lease and License Agreements facilitates assignment of the developer responsibilities included in the agreements to The GRID at Mesa, LLC, a new entity consisting of the original developers (Palladium Grid, LLC) and the major investor. No business terms are modified by the proposed Fifth Amendment to the DA or the Amended and Restated Lease and License Agreements.

Discussion

The following table summarizes the proposed modification to the DA compliance dates. Overall, the modified compliance dates represent a delay in project completion of up to one year. The proposed amendment retains the provision that allows the City Manager, in his sole discretion, to extend any compliance date by 45 days, a maximum of three times. The developer has continued to move the project forward while securing funding and has already begun site preparation and utility relocations. Given the progress already made on permit submittals, the modified compliance dates have also been simplified to focus on construction commencement and completion.

Developer Milestones	Current Compliance Date	Proposed Compliance Date
Submit 1 st Permit Package	July 10, 2018	Eliminated (has been met)
Provide Financial Capacity	March 4, 2019	February 1, 2020 (has been met)
Commence Construction (1 st Phase)	June 3, 2019	March 15, 2020
Commence Construction (2 nd Phase)	January 6, 2020	September 15, 2020
Complete Construction (1 st Phase)	June 15, 2020	December 31, 2020
Complete Construction (all Phases)	December 31, 2020	December 31, 2021

Alternatives

Modify terms to the proposed Fifth Amendment to the Development Agreement and/or the Amended and Restated Lease and License Agreements.

Denial of the proposed amendments.

Fiscal Impact

None – No material business terms are modified with the proposed Fifth Amendment to the Development Agreement or the Amended and Restated Lease and License Agreements.