



City Council

Date: September 8, 2025
To: City Council
Through: Scott Butler, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation
Jimmy Cerracchio, Project Manager, Downtown Transformation
Subject: Ground Lease, Purchase Agreements, Development Agreements, Access and Park Easements for the proposed Culdesac development at the southwest corner of Mesa and University Drives
District 4

Purpose and Recommendation

Approving and authorizing the City Manager to enter into a Ground Lease with purchase options, development agreements, an access easement agreement, and a park easement agreement with RN 1 Real Estate, LLC (aka Culdesac). The Ground Lease serves as the controlling document that will guide development and purchase agreements related to the Culdesac development at the southwest corner of Mesa and University Drives, also known as Site 17. Staff recommends approval of the proposed documents.

Background

Following significant public outreach and conceptual master planning, the City issued a Request for Proposals (RFP) for a development partner to create a vibrant and active mixed-use neighborhood with public amenities that compliment adjacent neighborhoods and supports downtown. Based on the RFP responses, City Council directed staff to enter negotiations with Culdesac in October 2023. Both the City and Culdesac have commissioned appraisals of the property. The Culdesac appraisal resulted in a total value of \$9,700,000 for the property. The City's appraisal resulted in a total value of \$11,200,000 for the property.

Discussion

Urban Transformation staff has negotiated the Ground Lease, Development Agreement and Option to Purchase Premises Agreement (Ground Lease); Purchase and Sale Agreement; Development Agreements; Park Easement Agreement; and Access Easement Agreement. The proposed terms of each document are outlined below.

Ground Lease

- General Items
 - Development of a phased, mixed-use neighborhood that prioritizes mobility, community, and open space
 - Project will comply with the General Plan, Zoning, Phasing Plan, and the Transform 17 Guiding Principles

- Lease will apply to the entire site
- Lease term is 50 years from the effective date
- During the lease term, the developer is responsible for site maintenance including removal of weeds and debris
- Rent
 - Prior to construction, rent will be a flat rate of \$15,000
 - Upon commencement of construction, rent will be \$5,000 per year, as long as construction is ongoing
 - Any failure to construct as required by the Ground Lease will result in rent shifting to a market rate that will be determined by an appraisal
- Compliance Dates
 - Commencement of construction
 - Phase 1 must commence construction within 24 months of the effective date of the Ground Lease
 - Phase 2 must commence construction within 48 months of the effective date of the Ground Lease
 - Phase 3 must commence construction within 72 months of the effective date of the Ground Lease
 - The developer has the ability to commence construction on Phases 2 and 3 simultaneously with evidence of sufficient financial capability and meeting minimum requirements for each Phase
 - Completion of construction
 - Due to Ground Lease provision allowing reimbursement for public improvements, there are separate completion of construction dates for public and private improvements
 - Public improvements for each phase must be completed within 24 months from the commencement of construction
 - Private improvements for each phase must be completed within 24 months from the commencement of construction of the private improvements, or within 30 months of commencement of construction on the public improvements.
 - The City Manager has the ability to extend any compliance date for a period of 45 days, with a maximum of three extensions.
- Structure of Sale
 - The sale of each Phase is dependent on:
 - Completed zoning entitlements and subdivision plat
 - Building permits for construction obtained
 - Development Agreement for related phase is executed and recorded against the property
 - Access and Park Easements are executed and recorded against the property
 - Construction costs must be equal to or greater than the related Phase public infrastructure reimbursement cap, further described below
 - Public infrastructure improvements eligible for reimbursement must be accepted by the City Engineer

- Developer has commenced vertical construction of the associated Phase private improvements
- Additional terms for Phase 1
 - \$100,000 option payment to seller at effective date of lease (will be applied to sale price)
 - Option expires after 36 months
 - City Manager may extend option term by 6 months
- Additional terms for Phase 2 and 3
 - Option term commences upon closing of previous phase
 - \$100,000 option payment per phase (will be applied to sale price)
 - Option expires after 24 months
 - City Manager may extend option term by 6 months
 - Purchase price based on an annual CPI adjustment to agreed upon appraised value
 - Ability to purchase Phases 2 and Phase 3 simultaneously with entitlements and evidence of sufficient financial capacity
- City Obligations
 - For each phase, a percentage of land sale proceeds will be used to reimburse the developer for eligible public improvements
 - Phase 1: 100% of land sale proceeds are available to reimburse for public improvements
 - Phase 2: 50% of land sale proceeds are available to reimburse for public improvements
 - Phase 3: 35% of land sale proceeds are available to reimburse for public improvements
 - City will consent to re-platting and zoning entitlements
 - Abandonment of Wilbur Road and portions of other street rights-of-way
 - Concierge services for zoning and permit entitlement reviews
 - Provision of impact fee offsets for previous development on the project property
 - Support or co-sponsor applications for state or federal grants that support multi-mobility goals of project

Purchase & Sale Agreement

- The City's and Culdesac's appraisals were used to establish the price for each Phase
- Phase 1
 - Will utilize City's appraised value of \$13.44 per square foot
 - Estimated purchase price of \$3,220,000 based on approximately 5.5 acres
 - Final purchase price will be based on actual area Phase 1 as determined by a final plat
- Phase 2
 - Will average City's and Culdesac's appraised value which is \$12.55 per square foot

- Phase 2 sale price will be subject to an annual CPI adjustment
- Estimated purchase price of \$3,730,000 based on approximately 6.82 acres and an annual 3% CPI adjustment
- Final purchase price will be based on actual area Phase 2 as determined by a final plat
- Phase 3
 - Will utilize Developer's appraisal of \$11.65 per square foot
 - Phase 3 sale price will be subject to an annual CPI adjustment
 - Estimated purchase price of \$3,460,000 based on approximately 6.82 acres and an annual 3% CPI adjustment

Development Agreement

- Each phase will have its own development agreement, which establish the developer's and City's commitments upon the sale of each phase
- Carrys forward the developer obligations for minimum public and private improvement and compliance date requirements of the Ground Lease
 - Phase 1
 - Minimum 140 for-sale townhomes
 - Mix of 2 & 3 bedroom units
 - 2 & 3 story buildings
 - Option to include live-work units
 - Minimum area of publicly accessible open space as approved through planning and zoning entitlements
 - Community and mobility amenities as approved through planning and zoning entitlements
 - Minimum of 140 off-street parking spaces
 - Phase 2
 - Minimum 250 units
 - Variety of unit types (Studios, 1,2, & 3 bedroom units)
 - Primarily rental, with option to include ownership and student housing
 - Option to include live-work units
 - Minimum of 10,000 sq ft of commercial space
 - Minimum area of publicly accessible open space as approved through planning and zoning entitlements
 - Community and mobility amenities as approved through planning and zoning entitlements
 - Minimum of 250 parking spaces
 - Phase 3
 - Minimum 610 market-rate rental units
 - Minimum of 40,000 sq ft of commercial space
 - Minimum area of publicly accessible open space as approved through planning and zoning entitlements
 - Community and mobility amenities as approved through planning and zoning entitlements
 - Minimum of 425 parking spaces

- Establishes maintenance responsibilities
- City Obligations
 - Maintenance of standard right-of-way improvements
 - Re-investment of 50% of Phase 2 land sale proceeds into design and construction of off-site public mobility improvements
 - Re-investment of 65% of Phase 3 land sale proceeds into design and construction of off-site public mobility improvements

Fiscal Impact

The anticipated land-sale value is estimated at \$10,410,000. This estimated \$10,410,000 will be used to reimburse for public improvements and to fund off-site improvements. In no instance is the City obligated to reimburse developer, or fund off-site improvements greater than the amount of the land sale.

Coordinated With

The terms of the attached documents were coordinated with the City Manager's Office and the City Attorney's Office.

Alternatives

Modify the terms of the proposed agreements

Denial of the proposed agreements