



City Council

Date: July 8, 2024
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeffrey McVay, Manager of Urban Transformation
Jimmy Cerracchio, Downtown Transformation Project Manager
Subject: Memorandum of Understanding for a proposed development
at the southeast corner of Pepper Place and Macdonald
District 4

Purpose and Recommendation

Approving and authorizing the City Manager to enter into a Memorandum of Understanding (MOU) with Habitat Fenix, LLC. The MOU outlines the high-level deal points to be included in potential future development and purchase agreements related to a proposed development at the southeast corner of Pepper Place and Macdonald, also known as the Green Parking Lot. Staff recommends approval of the proposed MOU.

Background

In Summer 2023 the City received an unsolicited request to explore development opportunities for the City-owned surface parking lot located at the southeast corner of Pepper Place and Macdonald. After reviewing the developer qualifications and hearing plans for a proposed development, Downtown Transformation staff has negotiated the high-level deal points included in the proposed MOU.

Summarized below, the proposed MOU terms establish the framework for development negotiations and the high-level deal points to be included in future development and purchase agreements.

Developer Obligations:

- Provision of business plan that includes project budget and pro forma.
- Demonstration of the financial capacity to successfully complete the project.
- Development of a mixed-use apartment building and parking garage.
 - A minimum of 100 market rate/ luxury sustainable apartments
 - A minimum of 2,000 sq ft of commercial space
 - A multi-story, structured parking garage including:
 - 74 contiguous public parking spaces
 - A perpetual public parking easement to the benefit of the City
 - At City's request, installation of conduit to support Level 2 electric vehicle chargers for a minimum of 5 contiguous spaces
 - All operation and maintenance during the term of the GPLET
 - Wayfinding

- Design and construction of a public outdoor plaza on the southeast corner of Pepper Place and Macdonald
- Potential installation of solar project on top of the Pepper Place Garage
- The Project will use City of Mesa utilities (water, sewer, electricity, solid waste, and gas).

City Obligations:

- City will not solicit or entertain development proposals or offers during the term of the MOU.
- Relocation of 30 permit parking spaces from the City's Green Lot 30 to the Pepper Place Garage
- Provision of a parking license agreement for up to 70 spaces in Pepper Garage. Provides developer 12 months to exercise option on spaces. If exercised, license would have initial term of five years at the current \$45 per space parking rate, with renewals for maximum term of 15 years.
- GPLET Agreement – 8-year tax abatement
 - Minimum public improvements that support requested tax abatement or reduction include:
 - Potential solar project
 - Public plaza space
 - Monetary contribution to be used for homeless or affordable housing programs, solar project, or programs that address infill development in redevelopment areas or at properties in Mesa categorized as blighted
- Review of construction plans, applications, and other submissions by developer may be completed in accordance with a customized review schedule, agreed upon between City and Developer.
 - City staff will partner with Developer to provide support in any required rezoning process for the project and will provide a dedicated City staff member as a single point of contact.
- Relocation of City's Green Lot permitted parking spaces to Pepper Place Garage
- City may reimburse Developer for certain public infrastructure improvements
- Provision of impact fee offsets for previous development

Other Provisions:

- Purchase of City land will be based on fair market value, which may take into account the value of certain development costs, such as public improvements and public amenities or enhanced costs.

Discussion

With the City's purchase of the Hibbert Garage and the future relocation of City employee parking from the Pepper Garage to the Hibbert Garage approximately 230 spaces will be available to support redevelopment and increased business activity. The proposed MOU anticipates up to 100 spaces within the Pepper Garage will be encumbered through future development and parking license agreements.

The MOU will automatically sunset on October 31, 2024 unless parties agree to extend to January 31, 2025.

Fiscal Impact

No fiscal impact, at this time.

Coordinated With

The terms of the proposed MOU were coordinated with the City Manager's Office and the City Attorney's Office.

Alternatives

Modify the terms of the proposed MOU.

Denial of the proposed MOU.