



City Council Report

Date: October 16, 2023

To: City Council

Through: Christopher J. Brady, City Manager

From: Jeffrey McVay, Manager of Downtown Transformation
Angelica Guevara, Downtown Transformation Project Manager

Subject: Authorizing the City Manager to enter into a Seventh Amendment to the Development Agreement, for the development commonly known as The Grid, a project on City-owned property, generally located at the southwest corner of Main Street and Pomeroy at 233 East Main Street and 34 South Pomeroy.
District 4

Purpose and Recommendation

Consider the proposed Seventh Amendment to the Development Agreement between the City of Mesa and the developer to extend the Compliance Date for completion of Phase 1 of the project and revising the Customized Review Schedule to provide City staff greater flexibility in review of construction plans. Staff recommends approval.

Background

City Council approved the original Development, Lease, and License Agreements with Palladium Grid, LLC in November 2017. Since that original approval, the developer started construction at the beginning of 2020. While progress on Phase 1 of The GRID has progressed, the project encountered supply chain issues, due to COVID-19 which has caused a delay in the construction completion of the building. Due to these delays the project is not currently in compliance with the Development Agreement.

Discussion

Seventh Amendment to the Development Agreement

The proposed 7th Amendment will align the Phase 1 Completion of Construction Compliance Date with the current project schedule. Phase 1 of The GRID includes the Main Street Building currently under construction, initial Pomeroy street improvements, and site improvements for the Courtyard Building. The proposed 7th Amendment will also replace the Customized Review Schedule (Exhibit B to the Development Agreement). The revised Customized Review Schedule will provide City staff greater flexibility in the review of construction plans, by replacing arbitrary review times with negotiated review times.

Compliance Date

The developer is nearing the completion of construction of Phase 1 of The GRID. Given the progress made on Phase 1 and the anticipated delivery of the electric equipment necessary to complete Phase 1, the modified Compliance Date for Completion of Construction is February 28, 2024. The proposed 7th Amendment provides the City Manager the ability to extend this Compliance Date by 45 days, a maximum of three times.

The 6th Amendment to the DA included a provision that the developer must complete Pomeroy street improvements, except for landscape and curb improvements for the south and west half of the street, prior to being allowed to commence construction on the second phase of the project. This provision has remained unchanged, and such Pomeroy improvements have been completed.

The developer is currently working with his design team to revise the structural design for the Sky Apartments that will be constructed above the Pomeroy Garage. In addition, the developer has proposed the addition of approximately 60 units to the Sky Apartments. Staff is currently working with the developer on these proposed changes to the project, which would require additional amendment to the Development Agreement and an amendment to the Parking License Agreement. As these proposed changes are related to Phase 2, the proposed 7th Amendment intentionally does not include any changes to Compliance Dates for Phase 2.

Alternatives

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

Denial of the proposed amendments. Denial would not allow the project to be completed.

Fiscal Impact

No fiscal impact.