

# AC Hotel by Marriott

City Council Study Session

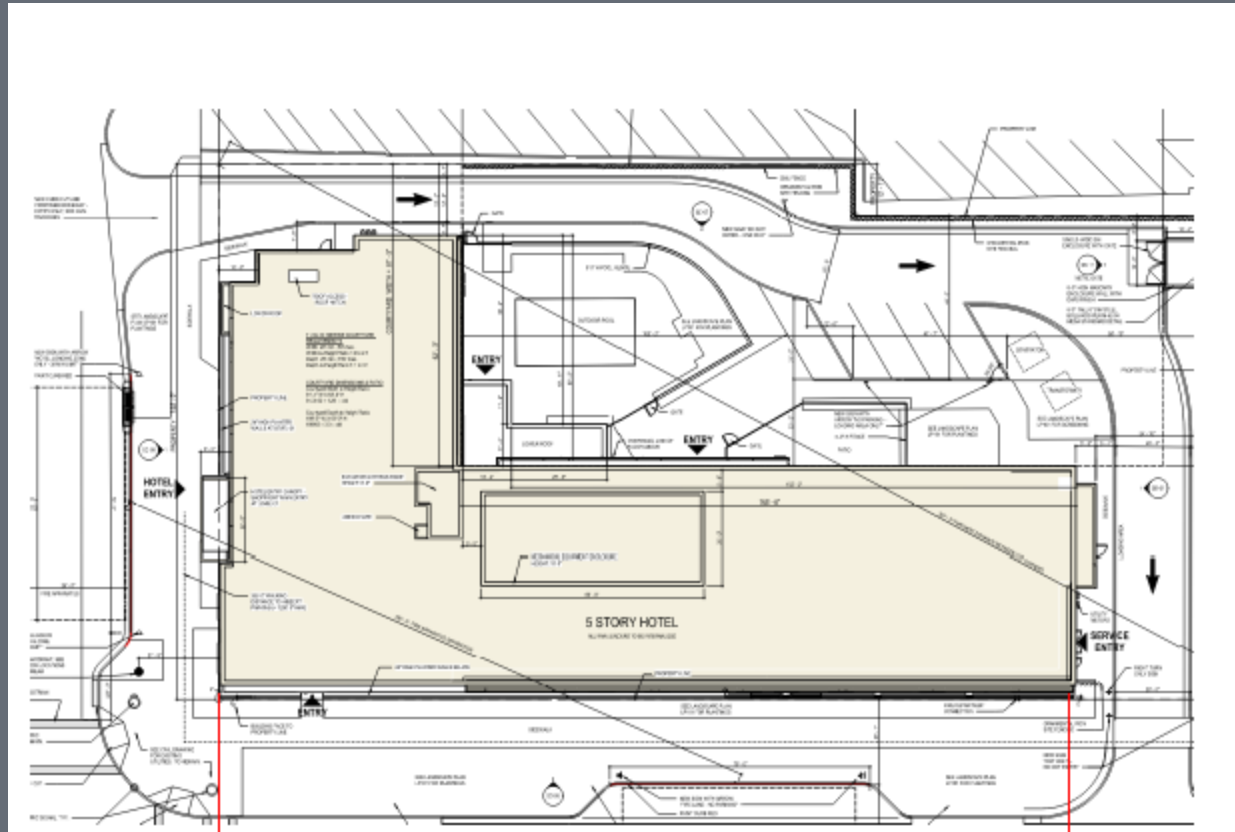
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- Redevelopment of NEC of Centennial and Main
- Upscale AC Hotel by Marriott
  - 5-stories
  - 85,000 SF
- Designed and operated to AC Hotel by Marriott brand standards
- Requires agreement between City and Developer
  - Development Agreement (DA)
  - Government Property Lease Excise Tax Agreement (GPLET)
  - Parking License Agreement



- Supports Downtown Mesa tourism and business travel
  - Projected to generate approximately 45,000 hotel room nights annually
  - Supports increased activity at Convention Center
- Strengthens Downtown Mesa's position as a regional destination
  - Provides an upscale hospitality option
  - Expands dining and entertainment options in the urban core
- Creates new hospitality and service industry jobs





- Generates Transaction Privilege Tax and Transient Lodging Tax revenues estimated at over \$500,000 per year
- Generates increased utility revenues
- Generates parking revenue through licensing of 100 parking spots from City in the Hibbert garage
- Direct economic benefit over eight years: \$4,917,073\* to include:
  - GPLET Lease: \$80,000
  - Parking: \$96,000
  - Sales/Hotel Revenue: \$4,603,258
- Indirect economic benefit over eight years: \$51,158,875\*
  - Visitor Spending: \$30,879,862
  - Labor Income: \$20,279,013

\* May 2026 Economic Benefit Analysis, Applied Economics, Sarah Murley

- Streetscape enhancements along Centennial and Main
- Perpetual public utility easement provided to the City at no cost
- Addresses conditions of slum and blight through improving vacant lot
- Additional meeting room space
- Hotel room blocks for major Mesa events and tourism activity
- Increased annual SID 228 assessments that support DMA enhanced services





## Developer Obligations

- Construction of AC Hotel
  - Minimum 150 rooms
  - Minimum 1,500 SF meeting room space
  - Outdoor swimming pool
  - Minimum 2,000 SF bistro/bar
- License 100 parking spaces in Hibbert Garage for 50 years
  - Any access, wayfinding, and/or security improvements at developer cost
  - Responsible for full license fees if Parking License is terminated early
- Public infrastructure improvement
  - Excavation and backfill of trenches for public electric infrastructure improvements (est. \$188,000)
  - Dedication of perpetual public utility easement
  - ROW improvements such as streetlights and sidewalks

## Developer Obligations (cont.)

- Reimburse City for cost of Economic Benefit Analysis (\$3,500)
- In-Lieu payments to school districts (\$16,887)
- Additional meeting space for City and partner organizations
- Hotel room blocks for major events
- Maintenance of any non-standard improvements within ROW
- Use of City of Mesa Utilities (sewer, water, gas, electric, and solid waste)





## City Obligations

- Provision of a GPLET Lease
  - Eight-year property tax abatement (\$2,100,000)
- Reimbursement of non-dedicated Construction Sales Tax
  - Eligible public infrastructure costs only (electric, streetlights, sidewalks, etc.)
  - Non-dedicated equals 1.20% of total City Construction Sales Tax of 2.0%
  - Reimbursement cap: Lesser of actual costs or the eligible construction sales tax estimated at \$226,200
  - Requires conditions precedent for reimbursement
    - Obtain permits within 18 months of DA effective date
    - Complete construction within 24 months of obtaining permits
    - Commence operations of hotel and bistro/bar within 6 months of completing construction

## City Obligations (cont.)

- Design and construction of public electrical infrastructure improvements, excluding Developer trench and backfill obligations
  - Estimated cost: \$245,000 (approximately \$181,000 reimbursed to the electric utility from FY26/27 RDA Toolkit program)
- Provision of a 50-year license to 100 parking spaces within Hibbert Garage
  - Parking rates:
    - Year 0-8: \$10/month/space (\$12k/month, \$96k total)
    - Year 9-50: Council adopted rate (\$5.1M, assuming reasonable increases in Council adopted rate)
  - Sunbelt AN, LLC has agreed to release 100 spaces from their existing parking license
  - Administrative amendment to reduce Sunbelt AN, LLC parking license by 100 parking spaces
- Customized review schedule for Zoning and Permit reviews





- Final negotiation of Development Agreement, GPLET Lease, and Parking License Agreement
  - Council action on agreements: July 27, 2026
- Complete planning and zoning entitlements
- Commence construction
  - Involves cleaning up a Phase 2 environmental site
- Commence operations
  - Must operate to Marriott Hotel standards



# DISCUSSION & QUESTIONS