



City Council Report

DATE: July 10, 2023

TO: City Council

THROUGH: Chris Brady, City Manager

FROM: Jeffrey McVay, Manager of Downtown Transformation

SUBJECT: Purchase of the Hibbert Garage located at
20 N. Hibbert
Council District: 4

Purpose and Recommendation

The purpose of this report is to provide information to the City Council regarding the purchase of real property and improvements at 20 N. Hibbert (Hibbert Garage). The purchase of the Hibbert Garage will increase the inventory of City-owned parking by approximately 900 spaces, providing a secure parking facility for 600 City employees and City vehicles. The proposed purchase of the Hibbert Garage will include a parking license agreement, providing the current owner of the Hibbert Garage with an option to license up to 300 spaces in the Hibbert Garage to support new private development within a specified proximity of the garage.

It is recommended that the City Council approve the purchase of 20 N. Hibbert (APN: 138-38-001C, 001D, 001E, 003, 004, 005A, 006, 007, 008, 009A, 009B) consisting of approximately 2.95 +/- acres and improvements, and that Council authorize the City Manager to enter into the purchase agreement, parking license agreement and other documents necessary for the purchase of the property for \$8,000,000.00 using General Fund dollars.

Background

The Hibbert Garage is a three story, 337,308 SF parking structure constructed in 1998 by Brown and Brown Chevrolet as a vehicle storage and display facility for up to 1,300 vehicles. The Hibbert Garage was constructed on land assembled by the City and sold to Brown and Brown Chevrolet for \$1.00, with the condition that, should the site of the Brown and Brown dealership no longer operate as a new car dealership, the City would

be reimbursed for the \$2,000,000 spent to acquire the land the garage was built upon in 1996. When Autonation purchased the Brown and Brown dealership they accepted the terms of the City's sale of the land. Autonation repaid the City the \$2,000,000 in 2015 when it ceased new car sales at the location and sold the property to Sunbelt AN, LLC, a private land developer.

Sunbelt subsequently sold the approximately 10 acres that housed the original Brown and Brown dealership on the southwest corner of Hibbert and Main to ODC Griffin Mesa, LLC in 2021, but retained ownership of the Hibbert Garage. Since its purchase by Sunbelt in 2015, the Hibbert Garage has gone unused. While the garage is not currently well situated to support the parking demand generated by the increasing business activity and new development in downtown Mesa, it is very well situated to provide secure City employee parking, freeing approximately 600 parking spaces within existing downtown public parking garages that are better situated to support the increasing business activity and new development.

To function as a parking garage, rather than vehicle storage and display, the Hibbert Garage would require improvements to reconfigure the garage that would result in approximately 900 parking spaces, as well as additional access and safety improvements, totaling approximately \$3,000,000-\$4,000,000. Including the \$8,000,000 purchase cost, the total cost of acquiring and improving the Hibbert Garage is approximately \$12,000-\$13,000 per space. By comparison, construction of a comparable parking structure in downtown Mesa would cost approximately \$30,000 per space.

The City commissioned an appraisal of the Hibbert Garage from Appraisal Technology, LLC. Completed on June 20, 2023 and taking into account the improvements necessary for the Hibbert Garage to function for parking, the appraised value of the Hibbert Garage is \$11,030,000; the appraised value is \$3,030,000 more than the proposed purchase price of \$8,000,000, but the current owner would also receive as consideration the right to option spaces in the garage at a later date to support new development.

Discussion

As of the writing of this Council Report, staff is finalizing the legal documents necessary to complete the purchase of the Hibbert Garage, specifically a Purchase Agreement and a Parking License Agreement, that would be entered into with Sunbelt AN, LLC. The proposed business terms for the Purchase and Parking License Agreements have been negotiated with Sunbelt AN, LLC and are further described below.

Purchase Agreement

The primary proposed business terms of the Purchase Agreement are as follows:

- \$8,000,000 purchase price with no earnest money required.
- 60-day feasibility period to complete property investigations.

- As additional consideration for the purchase, Seller and City would enter into a Parking License Agreement that provides Seller with an option to license parking spaces within the Hibbert Garage.
- Close on purchase within five business days of satisfaction of all closing conditions.

Parking License Agreement

In consideration of the below-appraised value purchase price, purchase of the Hibbert Garage includes a Parking License Agreement that provides Sunbelt AN, LLC an option to license up to a maximum of 300 spaces within the Hibbert Garage. The primary proposed business terms of the Parking License Agreement are as follows:

- Seller has an option to license up to a maximum of 300 spaces.
 - The number of spaces available for the option will be based on the total number of spaces remaining in the Hibbert Garage after the City reconfigures the garage. The City will fully control a minimum of 600 spaces, and the Seller would have an option for any remaining spaces up to 300. Reconfiguration that results in more than 900 will not increase the Seller's option spaces. By way of example, if reconfiguration results in 875 spaces, the City will retain rights to 600 spaces and the Seller would have an option to license 275 spaces; if reconfiguration results in 925 spaces, the City will fully control 625 spaces and the Seller would have an option to license 300 spaces.
- Initial Option Term is five years and will commence when the City has completed the improvements necessary for the reconfiguration of the Hibbert Garage to function as parking.
 - If Seller exercises an option and licenses a minimum 100 spaces during the Initial Option Term, an additional five-year option on the remaining unlicensed spaces will be granted to Seller (First Extension).
 - If during the First Extension Seller exercises an option and licenses a minimum of 100 spaces or the remainder of the spaces available to Seller (whichever is less), then a second five-year option on the remaining unlicensed spaces will be granted to Seller (Second Extension).
 - For each option, the Seller may license more than 100 spaces, provided that additional spaces are licensed in specified increments.
- Option spaces can only be licensed to Seller in conjunction with new private development(s) within a specified proximity of the Hibbert Garage for which the licensed spaces would be used to meet the development's parking requirements.
 - Seller has the right to assign the Parking License Agreement to the end owners of the new private development(s).
 - The licensed parking spaces can only be used by authorized users (for example, tenants) of the new developments.
- During the entire term of the option, City has full rights to use any unlicensed space, provided the spaces are not encumbered in such a manner that Seller would not be able to exercise an option and license spaces with 90-days' notice to City.
- For each option exercised, so long as the minimum number of required spaces

are licensed, Seller will have a license for those spaces that will have a term of 45 years for each option.

- If not in default, a license term can be extended at the Seller's option for two additional 10-year terms.
- Parking license rates for each parking license will be based upon commencement of the first parking license.
 - Years 0-5 from date of first parking license: \$35/space/month.
 - Years 6-10 from date of first parking license: \$45/space/month.
 - Year 11-65 from date of first parking license: Current Council Adopted Rate.
 - For example, a parking license that commences six years after the first parking license commenced would have a license rate of \$45/space/month until five years later, when the rate will increase to the current Council adopted rate.
- City will amend the professional services contract with the Downtown Mesa Association to include management and permitting of the spaces within the Hibbert Garage.
- During the entire term of any parking license, Seller will maintain insurance coverage satisfactory to the City.
- Should the Seller relinquish rights to any licensed space during the option term, the option rights to those spaces are also relinquished and Seller will not be able to get those spaces back.

Alternatives

City Council may choose not to authorize the purchase of the Hibbert Garage or parking license. Should City Council choose to not authorize the purchase of the Hibbert Garage, staff will continue to evaluate options to construct a new parking structure to address current parking issues.

Fiscal Impact

The purchase of this property will cost the City of Mesa \$8,000,00.00. Including design and construction of the Hibbert Garage improvements, total costs are estimated at \$11,000,000-\$12,000,000. The project would be funded through the General Fund.

Revenues from parking permits available by relocating City employees from existing downtown garages have the potential to increase by more than 40 percent. Revenue from licensing the 300 spaces within the Hibbert Garage to Seller are estimated to be \$2,900,000 over 20 years.

Coordinated With

The City Attorney's Office, Real Estate Services Office, and City Manager's Office.