

# The GRID Bankruptcy Agreements with Soltrust, QOZB, LLC

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# Background

**On December 7, 2017 the City entered into a Development Agreement on City owned land for the project known as “The GRID”**

- Located at 233 E Main Street, generally on the corner of Pomeroy St and Main St
- Mixed-Use Development
- The Developer filed for bankruptcy on March 30, 2024
- A trustee was appointed by the Bankruptcy Court to oversee the administration of the project
- City coordinated with Trustee in selection of Soltrust Main QOZB, LLC
- The Bankruptcy Court has approved the sale of The Grid contingent upon City Council approval



# Trustee's Role and Obligations

- The trustee reviewed debts and claims to ensure legitimacy
- Investigated financial records to detect fraud or hidden assets
- Worked as the liaison between the bank and the City
- Worked with the City to select Soltrust as the new Developer
- Negotiated agreements between Trustee, Soltrust, The Grid at Mesa, LLC, Midland States Bank, Grid Construction, all subcontractors, and City to settle all claims against the bankruptcy estate and City





# City's Role and Efforts in Project Continuity

- Restored Right-of-Way and completed public improvements
- Worked with the Trustee to choose select Soltrust as the new developer
- Defended subcontractor and contractor claims against the City





# The New Developer

## **Soltrust QOZB, LLC**

- Soltrust operates in both Arizona and Washington
- Currently completing 12 projects in Arizona, totaling over \$500,000,000, including Forge Towers in downtown Mesa
- Has negotiated settlement of all 32 claims against the bankruptcy estate
- Has entered into a lease agreement with Crust Italian Eatery for the first-floor restaurant space





# Deal Points – What's Changed Since MOU

- Added provisions that would allow Phase 1 to convert to hospitality use
- MOU with Soltrust contemplated Phase 2 as townhomes
  - Lower density townhome project does not support the agreed-upon purchase price
  - Soltrust is currently conducting a feasibility study for Phase 2
- Revision of Phase 2 minimum improvements will require an amendment to the Ground Lease with Option to Purchase
  - Future lease amendment to be approved in City Manager's discretion





# Ground Lease with Option to Purchase



- Phase I will include completion of the North building within 9 months
- Phase II minimum improvements and commencement of construction to be agreed upon through a future Ground Lease amendment
  - Complete construction within 18 months of commencement
- Phase III will include 12 row homes and associated public improvements.
  - Commencement of construction to be agreed upon through future Ground Lease amendment
  - Complete construction within 18 months of commencement of construction
- All Phases will have a \$5,000 ground lease for the duration of construction
- For each phase, the construction lease rate ends 180 days after completion of construction.
  - If the phase is not purchased, market rate ground lease rates go into effect



# Ground Lease with Option to Purchase

- The project will be sold in 3 phases
- Total purchase price for all Phases is the appraised value of \$2,985,000.00
- Phase 1 purchase price will be \$1,015,000.00
  - Non-refundable Phase 1 option price of \$285,000
- The total purchase price for Phase 2 and Phase 3 will be \$1,970,000.00
  - Phase 2 purchase price will be \$1,520,000
    - Non-refundable Phase 2 option price of \$152,000
  - Phase 3 purchase price will be \$450,000
    - Non-refundable Phase 3 option price of \$45,000
  - The purchase price for Phase 2 and Phase 3 may be reallocated as agreed upon in a future Ground Lease amendment, provided total purchase price is not less than \$1,970,000





# Purchase and Sale Agreement

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- Upon completion of construction for of each Phase, Soltrust will have 180 days to close
  - Option to purchase terminates if closing does not occur within 180 days
- Soltrust will pay all Title, Escrow and Closing fees
- Soltrust and future owners will comply with a Declaration of Property Restrictions



# Declaration of Property Restrictions

- Declaration of Property Restrictions applies to the land and all owners in perpetuity
  - Use of City of Mesa utility services (electric, water, sewer, gas, solid waste, and recycling)
  - Includes prohibited uses, such as pawn shops, non-chartered financial institutions, and tattoo parlors
  - Requires project owner maintenance of any non-standard public improvements
  - Requires compliance with an encroachment agreement for building elements that extend over City right-of-way (balconies)





# Parking License Agreement



- Parking license for spaces in Pomeroy Garage will meet parking demand for all Phases
- Will include a separate parking license agreements for each phase
- Number of licensed spaces determined by number and type of residential units
  - Phase 1: minimum of 76 spaces, maximum of 114 spaces
  - Phase 2: minimum of 24 spaces
  - Phase 3: minimum of 24 spaces
  - Phase 2 and 3 minimums are subject to revision as required by Ground Lease amendment
- Parking license for each Phase will have a 50-year term
- Parking license rates:
  - Year 1-10: \$10.00/space/month
  - Year 11-50: Then-current City Council approved rate for covered parking spaces (currently \$45/space/month)
- City will ensure to provide enough spaces for Commercial tenants



# Additional Terms and Considerations

- City will execute relevant documents pertaining to the bankruptcy negotiated by the Trustee
  - City will waive all current and future claims against the bankruptcy estate and all parties to the bankruptcy (monetary claims total approx. \$774k)
  - Claims against the City, including lawsuits filed in Arizona Supreme Court will be dismissed with prejudice
- City will complete the electrical infrastructure for Phase 1 at City's cost and expense (approx. \$285k)
- City will cooperate in subdividing the property
- City will partner to provide support in any required zoning revision process for the project

**Bankruptcy Court approved the sale order on May 20<sup>th</sup> contingent upon City Council approval of the agreements with Soltrust and the Trustee**







# Discussion