



City Council

Date: March 20, 2023
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation

Subject: Consider proposed Amended and Restated Development Agreements that will facilitate the development of The Residences on Main; a mixed-use commercial and residential, project on privately-owned property generally located at the northwest corner of Main Street and Country Club Drive.
District 4

Purpose and Recommendation

Consider the proposed Amended and Restated Development Agreements (ARDA) between the City of Mesa and CPLC Main and Country Club, LLC (an affiliate of Chicanos Por La Causa). The ARDA facilitates the development of The Residences on Main. The Residences on Main is a proposed \$80M redevelopment, generally located at the northwest corner of Main Street and Country Club Drive. The project site consists of a total of approximately 2.5 acres, of which approximately 1.3 acres was City-owned land sold to CPLC in 2019.

Background

In 2016, the Chicanos Por La Causa (CPLC) development team was selected through a Request for Proposals to partner with the City in the redevelopment and sale of City-owned located on the northwest corner of Country Club and Main, commonly known as the Bailey's Brakes site. In 2019, City Council approved a Purchase and Sale Agreement and Development Agreement with CPLC to facilitate the redevelopment. The development proposal includes a new five-story, approximately 190,000 rentable square-foot (250,000 gross square-feet) mixed-use building that includes 198 market-rate apartments, approximately 20,000 square feet of commercial/retail space, and approximately 205 structured and surface parking spaces.

Consistent with the Purchase and Sale Agreement, CPLC purchased the City-owned land in September 2019. However, following purchase of the property CPLC was not able to secure financing to complete the project as approved and has since been out of compliance with the Development Agreement. CPLC has recently secured financing for the project as approved and has been actively working towards building permit approvals.

Discussion

The ARDA has two primary purposes. The first purpose is to update compliance dates to be in line with a construction schedule based on the project's financing. The second purpose is to reflect a change in entity responsibilities. As Developer, CPLC Main and Country Club, LLC (an Affiliate of CPLC) assumes all the responsibilities of the ARDA. As Owner, Main and Country Club, LLC (managed by Developer) is a single-purpose entity created for purposes of financing and has no obligations under, and is not party to, the ARDA. However, to comply with the HUD lender requirements, the ARDA reflects these entity responsibilities and includes an Owner Acknowledgement of the Developer's responsibilities under the ARDA.

Besides the change in compliance dates, all business terms included in the ARDA and summarized below, remain unchanged from the Development Agreement approved by City Council in 2019.

Description of Project:

1. Developer will construct the following minimum private improvements:
 - a. 198 market-rate apartments (16 studio, 72 one-bedroom, 91 two-bedroom, and 19 three-bedroom).
 - b. 20,000 SF of retail/restaurant/commercial space.
 - c. 205 parking spaces (27 surface, 170 structured, and 8 on-street).
 - d. Reconstruction as needed, and maintenance of a shared-access drive from Pepper Place with the Palm Court retail center to the west.
2. Developer will design and construct public improvements within the Main Street, Country Club, and Pepper rights-of-way with a 2019 estimated design and construction cost of \$550,000. Public improvements include:
 - a. Reconstructed sidewalks along Main Street and Country Club Drive
 - b. Pedestrian improvements, including street trees, raised planters, and irrigation.
 - c. Installation of a new bus shelter on Main Street.
 - d. Relocation of existing streetlights and traffic control.
3. Developer will comply with project and unit amenity quality standards and exterior quality standards, i.e., LEED Gold, fitness center, pool, smart thermostats, and exterior "neon-like" project sign.
4. Construction will commence no later than October 1, 2023.
5. Completion of project and all public improvements no later than June 1, 2026.

Economic Benefit Analysis

An economic and revenue impact analysis was completed for the project by Applied Economics in January 2018, based on the then estimated project value of \$49M. That analysis projected \$4.9 million in revenues (sales and secondary property tax) to the City in the first 25 years. Direct and indirect economic benefit of the new businesses to the City would be \$206.8 million in the first 25 years, in addition to supporting approximately 100 jobs. In addition, the City would receive one-time

permit and impact fees estimated at \$860,000. The full economic benefit to the City, described above is based upon the development parameters described above on the full 2.5-acre site, and would not be realized with a reduced scale project.

Terms of Agreements:

1. City design and construction of a new sewer line to serve the project. Existing sewer infrastructure adjacent to the site does not have sufficient capacity to serve the project. Construction of the sewer line was completed early 2023.
2. City design and construction of a new median in Country Club Drive from Main Street north to Pepper Place, currently estimated at \$150,000. The new median will require right-in and right-out turning movements on Country Club Drive, which prevents unsafe vehicular conflicts into and out of the project.
3. City reimbursement for public improvements completed with the project. The reimbursement is capped at \$100,000.
4. City maintenance of all standard public improvements.
5. Developer maintenance of all non-standard public improvements.
6. Allow architectural elements of the building, such as shade elements, and vertical elements of the streetscape, such as raised planters and sidewalk ramps to encroach into the ROW.
7. In the event Developer does not complete construction by the Completion Date, Developer will pay City \$50,000 for each six-month period beyond the Completion Date, not to exceed \$300,000 (equal to CPLC purchase price of City-owned land).

Alternatives

Modify terms to the proposed ARDA.

Denial of the proposed ARDA.