



City Council

Date: August 31, 2020
To: City Council
Through: Christopher J. Brady, City Manager
From: Jeff McVay, Manager of Downtown Transformation

Subject

Consider the proposed Purchase Agreement, Development Agreement, and parking easement, between City and EV Development, LLC. The agreements would facilitate the development of ECO Mesa, a mixed-use, multi-family redevelopment of a city-owned surface parking lot generally located at the southeast corner of Pepper Place and Robson. **(District 4)**

Purpose and Recommendation

Consider the proposed Purchase Agreement, Development Agreement, and Parking Easement between the City of Mesa and EV Development, LLC. The proposed agreements would convey approximately .89 acres of City-owned real property currently used as the Purple Parking Lot. The proposed agreements will facilitate the construction of a new seven story mixed-use development, consisting of approximately 85,000 SF of residential (102 units) and 4,000 SF of ground floor commercial (Exhibit A). The proposed development also includes construction of a 206 space structured parking garage with 130 spaces dedicated to project parking and 76 spaces dedicated to the City through a perpetual easement for public parking. The proposed development will create high-end housing, create jobs, increase revenues to the City, and reduce slum and blight conditions within the Town Center Redevelopment Area. Staff recommends approval of the proposed Purchase Agreement, Development Agreement, and Parking Easement.

Background

The City of Mesa and developer originally entered into a Memorandum of Understanding (MOU) in February 2018 for the proposed development. While the MOU expired on December 31, 2018, the developer and City staff have continued to negotiate the terms of the agreements consistent with the MOU.

In July 2020, City staff presented an overview of the business terms of the agreements to City Council and received direction to complete agreement negotiations for Council action. Concurrently, the project is actively pursuing planning and zoning approvals, which are anticipated to be completed prior to September 15, 2020.

Public Engagement

The developer presented the ECO Mesa project to the Downtown Mesa Association on

July 15, 2020. Subsequently, the DMA board voted to support the ECO Mesa project on August 19, 2020. The developer also presented the project at a RAIL CDC public meeting on July 22, 2020 and held an online public meeting on August 19, 2020. In addition to public meetings, the developer has conducted numerous one-on-one meetings with neighboring businesses to understand and address their unique concerns. To date, the most significant concern expressed has been related to the loss of public parking during construction of the project. To address this concern, the developer worked with the City to relocate the 76 existing Purple Parking spaces and associated permit parking to signed on-street spaces and the Orange public parking lot (Exhibit C). The developer will also collaborate with local stakeholders to create wayfinding signage. City of Mesa staff and Habitat Metro will monitor parking capacity throughout project construction and will adjust parking as the situation dictates.

To date, City staff has received 30 letters of support and one letter from four adjacent business/property owners conveying concerns related to parking, business disruption, access, and security, among other issues (Exhibit D). The developer and City staff have met, and continue to work with, these business/property owners to reasonably address their concerns.

Discussion

The following provides a summary of the primary deal points for the Development Agreement, Purchase Agreement, and Parking Easement:

Minimum Project Requirements:

1. Developer will construct the following minimum private improvements, in a seven-story building:
 - a. Residential
 - i. 85,564 SF of rentable residential floor area
 - ii. Developer intends to build 102 units
 - iii. Minimum of 90 units with 30 being 2-bedroom
 - b. Commercial
 - i. Developer intends to build 4,323 square feet of commercial and administrative space
 - ii. Minimum of 2,750 sf of commercial space (retail/restaurant/office space and 950 sf of administration and rental office space)
 - c. Parking
 - i. Developer currently intends to build 206 parking spaces total
 1. 130 private structured parking spaces and 76 public structured parking spaces
 2. Developer will grant the City a perpetual easement for the 76 public parking spaces.
 - ii. Minimum number of private parking spaces is as allowable by zoning. In no instance will the number of public parking spaces be reduced below 76 spaces.

2. Developer will comply with project and unit amenity quality standards and exterior quality standards, i.e., attached neon or neon like identification sign, fitness center, pool, unit energy monitoring, CAT7 or CAT8 internet cabling in each unit, hard natural countertop materials.
3. Enhanced sustainability features such as, featuring rooftop solar, grey water capture for on-site irrigation, energy monitor for each unit, a car share program and electric charging stations for both public and private spaces
 - a. Project is required to build to a green building standard, LEED Gold or equivalent, but is not required to complete third-party certification
 - b. The project will include electrical infrastructure to support nine public electric car charging parking spaces

Terms of Development Agreement:

Developer Obligations:

1. Replacement of all 76 surface public parking spaces with 76 structured public parking spaces
2. Design and construction of new solid waste enclosures on the Historic Post Office property and electric conduit to serve future conversion to compactors (Exhibit B)
 - a. New solid waste enclosures will be operational prior to current facilities being taken out of service
3. Use of City sewer, water, energy, and solid waste services

City Obligations:

1. City will design and construct and new 12kV electric duct bank to replace the existing 12kV electric duct bank bifurcating the project site
 - a. Total cost is estimated to be \$620,000 and will be offset by revenues from the sale of real property and construction sales tax
 - i. The electric line within the existing duct bank is near the end of life and would need replacement in the future.
 - ii. Any development of the site would require the existing duct bank to be relocated
2. Provide a customized permit review schedule
3. Provide impact fee offsets for past development, as allowed by City Code
4. Allow encroachments into the right-of-way to support cantilevered solar, canopies and other architectural elements
5. Relocation of solid waste bins to new solid waste enclosures constructed by the developer on Historic Post Office property

Terms of Purchase Agreement:

Developer Obligations Prior to Closing:

1. Consolidation of parcels into a single and unitary parcel on or before closing
2. New solid waste enclosures to be built on or before closing to ensure continuity of service to existing downtown businesses
3. Obtain all necessary Planning and Zoning approvals

4. Provide City with reverter clause in Special Warranty Deed requiring land to return to City control if developer fails to begin construction of the project

City Obligations:

1. Sale of six City-owned parcels totaling .89 acres for \$325,000 located on the Pepper Surface Parking Lot
 - a. \$325,000 is the full appraised value
2. Design of new 12 kV duct bank prior to closing
3. Complete electric construction that would interfere with commencement of project construction by June 1, 2021

Terms of the Parking Easement:

Developer Obligations:

1. Replacement of all 76 surface public parking spaces with 76 structured parking spaces
 - a. Routine maintenance of garage for 8 years
 - b. Structural maintenance in perpetuity
 - c. Construct public spaces to standard specifications unless otherwise agreed on a case-by-case basis
2. Perpetual parking and access easements for City spaces
3. In partnership with City, relocation of all 76 spaces during construction period
4. Replacement of existing public parking signage
5. Installation of pedestrian and vehicular wayfinding signage during construction period
6. Installation of infrastructure serving electric vehicle charging stations after the meter

City Obligations:

1. Assume routine maintenance for City spaces after term of the GPLET (8 years)
2. Maintenance of public parking signage
3. Procure electric vehicle charging stations
 - a. Maintenance of charging stations

Future Council Action:

1. City staff and developer are finalizing a government property excise lease tax (GPLET) lease agreement with an 8-year tax abatement.
 - a. The approval of the GPLET is a condition precedent to the developer's obligation to close on the property, and is necessary for the developer to move forward with the project.
 - b. To be brought for City Council action in late October or early November, 2020.

Key Compliance Dates

- Zoning Clearance on or before September 15, 2020
- City Council action on GPLET on or after October 22, 2020
- Construction permits on or before March 1, 2021

- Closing on or before June 1, 2021
- Commence construction on or before June 1, 2021
- City complete relocation of 12kv duct bank on or before June 1, 2021
- Complete construction on or before January 31, 2023

Fiscal Impact:

At closing, the City will receive \$325,000 for the sale of real property. The estimated construction sales tax is \$320,000. The parking lot currently generates approximately \$16,900 a year in parking permit revenue, but generates no tax revenue for the site. At year nine, the estimated secondary property tax revenue is \$32,000 a year. No parking permit revenue will be lost during project construction. Upon completion of construction, parking permit revenue will increase by approximately \$4,752/year. In addition, upon completion of construction, City utilities will gain 102 new residential accounts and four new commercial accounts.

Coordinated With

The agreement terms were coordinated with the City Manager's Office, City Attorney's Office, Energy Resources Department, Development Services Department, Engineering Department, and Environmental Management and Sustainability Department.

Alternatives

Modify terms to the proposed Purchase and Development Agreements.

Denial of the proposed agreements.

Attachments

- Exhibit A: Project Site Plan
- Exhibit B: Solid Waste Relocation Plan
- Exhibit C: Public Parking Relocation Plan and Walking Times Map
- Exhibit D: Letters from the Community Map