



# City Council

**Date:** October 22, 2020  
**To:** City Council  
**Through:** Christopher J. Brady, City Manager  
**From:** Jeff McVay, Manager of Downtown Transformation  
**Subject** Consider proposed Government Property Lease Excise Tax agreement (GPLET) between City and EV Development, LLC to lease the City-owned surface parking lot generally located on Pepper Street between North Robson and North Macdonald in downtown Mesa (Property) upon Developer completing the construction of the Eco Mesa project.  
**(District 4)**

## Purpose and Recommendation

Consider the proposed GPLET lease between the City of Mesa (City) and EV Development, LLC (Developer). On August 31, 2020, in Resolution No. 11553, the City Council approved documents for and made findings in relationship to the development commonly referred to as Eco Mesa; a new seven story mixed-use development consisting of approximately 85,000 SF of residential (102 units), approximately 4,000 SF of ground floor commercial, and 206 parking spaces in a structured garage that includes 76 spaces dedicated to the City. In Resolution 11553, the City Council authorized the City Manager to sell the Property to Developer, to enter into a Development Agreement (DA) with Developer for the construction of the Project and to enter into a Parking Easement for the continued use of a portion of the Property for City parking (collectively, Project Documents). The DA permits City and Developer to enter into a GPLET. The GPLET, however, was not brought to City Council with the Project Documents because, at that time, the City had not satisfied the statutory notification requirements. Since that time, the City has provided the required notification. Staff recommends approval of the proposed GPLET, recognizing it supports the Project Documents that were approved by City Council. The GPLET in conjunction with the Project Documents will facilitate the creation of high-end housing, job creation, improvements to parking and permit revenues, and the enhancement of the Town Center Redevelopment Area.

## 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 continued to negotiate the terms of the agreements consistent with the MOU. On August 31, 2020, in Resolution No. 11553, the City Council approved a Development Agreement, Purchase and Sale Agreement, and Perpetual Easement for City and Public Parking for Eco Mesa. City staff committed to

return to the City Council to present a GPLET lease agreement on or after October 22, 2020. Eco Mesa received site plan and design approval on September 11, 2020.

Prior to 1960, the parcels comprising the Property accommodated several small buildings. Sometime between 1960 and 1969, the buildings were removed, and the site was converted to a surface parking lot. In 1999, due to significant slum and blight conditions on the parcels and within the surrounding area, the City Council adopted the City's Central Business District (CBD) and the Town Center Redevelopment Area. The City Council renewed the designations of slum and blight by resolution adopted April 6, 2020. The 2020 CBD renewal report by Matrix, an economic development consultant, found that 55.3% of parcels in the CBD had at least one blight factor, including the Property. Additionally, 68.7% of the CBD was determined to be blighted and the crime rate within the CBD was twice that of the citywide average. Household income in the CBD is 25% lower than the rest of Mesa and over 50% less than many regional counterparts.

According to the report, the existence of the Town Center Redevelopment Area plus the designation of a Central Business District (CBD) on the parcels (the Property) allows the City to offer the maximum benefit of the GPLET – an eight-year full abatement of the excise tax; for which the Eco Mesa project qualifies.

## **Discussion**

In compliance with the GPLET Statutes (A.R.S. §§ 42-6201 *et seq.*), the City obtained a professional economic impact analysis for ECO Mesa, see Exhibit A. That analysis confirms that the proposed project meets the statutory requirements for approval of a GPLET with an eight year property tax abatement: 1) the Property is located within the Town Center redevelopment area and in the City's single Central Business District, 2) the Eco Mesa project will increase the value of the Property by greater than 100%, and 3) the Eco Mesa project is projected to generate greater revenues (\$3,472,573) to the city, county, school district and state from sales and income taxes during the abatement period than the value of the property taxes abated (\$2,266,293). The analysis further projects that the direct and indirect economic impact is estimated to generate \$20.8 million dollars in community benefit and support thirty-one jobs.

The City and Developer have negotiated an "in-lieu" payment to Mesa Public Schools, Maricopa Community College, and East Valley Institute of Technology (School Districts). The in-lieu payment is equal to the school district tax revenues that the .89 acres would generate, as vacant, over the course of the abatement period. In total, the in-lieu payment equals \$32,417. The in-lieu payment is \$32,417 more than the School Districts would have received if the City continued to own the Property.

In compliance with the GPLET statutes (A.R.S. §§ 42-6201 *et seq.*), the City provided notice to Maricopa County and the School Districts at least 60 days in advance of City Council consideration of this GPLET and also provided the independent economic benefit analysis to Maricopa County and the School Districts at least 30 days in advance of City Council consideration of the GPLET. To date, staff has not received any opposition from the affected School Districts.

**Fiscal Impact:**

Approval of the GPLET will facilitate the construction of ECO Mesa, which is estimated to generate \$961,455 in direct revenues to the City. The project site (Property) is owned by the City and currently generates no property tax revenue.

**Coordinated With**

The terms of the GPLET were coordinated with the City Manager's Office and the City Attorney's Office.

**Alternatives**

Modify terms to the proposed GPLET Lease Agreement.

Denial of the proposed GPLET Lease Agreement.

**Attachments**

Exhibit A: Economic Impact Analysis