



City Manager's Office

COUNCIL MEMORANDUM

TO: Mayor and City Council
THROUGH: Chris Brady, City Manager
FROM: Jeff McVay, Manager of Downtown Transformation
SUBJECT: Memorandum of Understanding for a proposed development near Mesa and University Drives
DATE: April 5, 2021

Transform 17 Background

Following the completion of a conceptual master plan in late 2019, the City issued a Developer Request for Qualifications, followed by a Request for Proposals. From the RFQ/RFP process, the City selected Miravista/SIHI Holdings I, LLC (the "Developer") to develop the Transform 17 site (see attached Exhibit A). The Developer has proposed a unique project vision that would provide a variety of residential and non-residential mixed-uses that includes a significant employment component that could include medical, office, research and development, and education, in addition to retail and restaurant uses, organized around a central public space.

Transform 17 MOU

Summarized below, the MOU establishes the framework for development negotiations and the high-level deal points to be included in future development and purchase agreements. In addition to the MOU, the proposed Council Resolution includes an Exclusive Dealings Agreement that, while the Developer is meeting the obligations of the MOU, will prohibit the City from entertaining offers or entering negotiations with other interested developers for a period of nine months.

Developer Obligations:

- Stage 1 - Within 30 days of entering MOU
 - Complete preliminary due diligence obligations at Developer's own cost including title review, master ALTA survey, utility assessment, environmental assessment, archeology and remediation plan
 - All assessments, surveys, and studies completed by Developer will be provided to the City for its own use
 - Commencement of transaction document negotiations
- Stage 2 - Within 3 months of entering MOU
 - Create neighborhood outreach plan
 - Develop master plan alternatives
 - Complete multi-family, commercial, and office market studies
 - The market studies completed by Developer will be provided to the City for its own use

- Stage 3 - Within 6 months of entering MOU
 - Initiate neighborhood outreach
 - Master plan alternatives tested
 - Phasing alternatives generated and tested
- Stage 4 - Within 9 months of entering MOU
 - Finalize master plan and presentation/vetting with surrounding neighborhood
 - Identification of first phase of development
 - Execution of deal documents
 - Initiation of entitlements for phase one of the project
- In conjunction with further negotiations, Developer will provide City Manager with sufficient evidence of financial capacity and investor commitments to successfully execute and complete the project
- The development will be based upon the guiding principles developed by the community. The guiding principles will be integrated into the master plan which will be used by the City to evaluate the appropriateness of proposed future phase (Vibrant and Active, Good Neighbor, Varied District, Strengthens Downtown, Publicly Accessible, and Complementary)
- Developer will use all City utilities (Electric, Gas, Sewer, Water, Solid Waste)
- Developer is responsible for all utility costs for project improvements

City Obligations:

- Enter into exclusive negotiations with Developer for the duration of the MOU
- Enter into transaction documents which may include a development agreement and purchase/lease agreement
- Support qualification of the project for property tax abatement through a GPLET agreement. Should Developer seek a GPLET agreement, City will engage an independent third-party to complete an economic impact analysis
- Provide impact fee offsets, consistent with City Code, for previous development on the property
- Project entitlement (zoning, design review, permitting) will follow a customized review schedule
- City may at its sole discretion reimburse Developer up to a capped amount for construction costs associated with certain public infrastructure improvements.

Other Provisions:

- Purchase or lease of City land is based on fair market value, which may take into account the value of certain development costs, such as public improvements and public amenities
- The size of the site requires a phased development approach that will include a clear schedule of deadlines and milestones of minimum public and private improvements. Developer and City will identify the first phase of the project and define within the transaction documents the terms and conditions of Developers acquisition of each project phase
- Transaction documents will define use restrictions that prohibit uses the City finds to have a deleterious impact on the project
- MOU expires after 9 months. Parties may mutually agree to an extension

Staff Summary and Recommendation

Staff recommends approval of the proposed MOU.

Approval of the proposed MOU will allow staff and the Developer to initiate detailed concept development and agreement negotiations for a unique and innovative project vision. In addition to establishing the framework for detailed development negotiations, the MOU provides clear milestones (Stage 1-4) that must be met by the developer in order to maintain exclusive negotiations with the City. The proposed MOU also maintains a commitment to the Transform 17 Guiding Principles that were developed through significant community participation in the City's Transform 17 conceptual master planning. In addition to Developer's commitment to continued neighborhood outreach, the Transform 17 Guiding Principles will be used to evaluate the Developer's overall master plan and specific development phases.