



City Council

Date: May 21, 2017
To: Mayor and Council
Through: Christopher J. Brady, City Manager
From: William J. Jabjiniak, Economic Development Director 
JD Beatty, Economic Development Project Manager
Subject: Approving and authorizing the City Manager to enter into a Memorandum of Understanding with Lincoln Property Company Commercial, Inc. and Harvard Investments, Inc. for a phased office campus development of approximately 22.3 acres of City-owned property located near the northwest corner of West Rio Salado Parkway and N Dobson Road.

Purpose and Recommendation:

To consider the proposed Memorandum of Understanding (MOU) between the City of Mesa and a partnership of Lincoln Property Company Commercial, Inc. and Harvard Investments, Inc. for a phased office campus development of approximately 22.3 acres of City-owned property located near the northwest corner of West Rio Salado Parkway and N Dobson Road. Allowing the City Manager to enter into this non-binding MOU will allow both parties to continue negotiations and discussion on development details and structure, as well as permit the Developer to begin marketing the site and project to potential office tenants and employers. The result of these continued negotiations will be a formal Development Agreement, which will require a future City Council action.

Staff recommends that the City Council approve the following document:

1. Resolution approving and authorizing the City Manager to enter into a Memorandum of Understanding between the City of Mesa and a partnership of Lincoln Property Company Commercial, Inc and Harvard Investments, Inc.

Background:

Since the completion of the Chicago Cub's Sloan Park Spring Training Complex, the City of Mesa has received a variety of inquiries from the development community on this city-owned property in the Riverview Area. The City has explored these various development possibilities on the site and believes the best use to be a Class A office campus, capable of bringing thousands of quality jobs and opportunities to Mesa. With the surging demand for quality office space in the region, and a substantial lack of available office space in Mesa, the timing for the development of this site is ideal for bringing quality of office development to Mesa

The City had been approached by several developers with proposals over the last year with interests in bringing an office campus to Mesa in Riverview. City Staff spent substantial time vetting these proposals and the capabilities of each developer, narrowing the options to two qualified proposals from two capable development groups. These two proposals were then presented to the City Council.

Based upon the direction provided during City Council Study Session on May 7th, 2018, the City of Mesa ("City") has selected Lincoln Property Company Commercial, Inc., in partnership with Harvard Investments, Inc. ("Developer"), as the preferred developer for approximately 22.3 acres of city-owned property in the Riverview area, currently being utilized as public soccer fields, and a public surface parking lot.

The Developer has proposed a phased development of the site for a Class A office campus. At full build-out, the entire campus is projected to total up to 1,350,000 SF of space between four office buildings, and two parking garages totaling 6,340 spaces, with an additional 160 spaces for surface parking. Phase I of the development will feature a 4-Story, 225,000 SF office building, and an approximate 5-Story, 2,400 Car Parking Garage ("West Garage"). Phase II will be a 6-Story, 337,500 SF office building. Phase III will also be a 6-Story, 337,500 SF office building. Phase IV will be an 8-story, 450,000 SF office building. The 2nd garage ("East Garage") will be constructed as tenant demand requires in following phases.

Discussion:

Summarized below, the MOU establishes the primary deal points for further development and lease/purchase agreement negotiations.

Developer Obligations

- Developer will provide details regarding any potential lenders or investors for the Project, and provide details of any changes in financial capabilities that could affect the Developer's ability to execute and complete the Project.
- The exact specifics of the transaction structure are still being negotiated, however, the anticipated transaction structure is proposed as follows:
 - The West Garage parcel will be subject to a long-term lease with extensions.
 - The remainder Project Property will be subject to a long-term lease, but with rolling options to purchase based upon the completion of the minimum improvements as the phased development progresses.
- Minimum improvements on the project will include:
 - A minimum of 750,000 SF and up to 1,350,000 SF of Class A Office space in buildings ranging from 4 to 8 stories. The size range is to accommodate for changes due to further site due diligence and tenant demands.
 - Minimum of two parking garages and surface parking totaling no fewer than 3,000 spaces. The West Garage must be no fewer than 1,500 spaces.
 - The development will incorporate high standards of design.
- The ensuing Development Agreement will include specific deadlines and dates of performance agreed upon by both parties for completion of the above-stated Minimum Improvements. These deadlines may allow for a phased construction of the Project, provided that the West Parking Garage is completed in Phase I.
- The Developer agrees to adhere to, and work with, the existing stipulations of the Facilities Use Agreement (FUA) between the City and the Chicago Cubs. This includes providing adequate parking in support of the Stadium, accommodating for Spring Training Games, City Event Parking, Stadium Event Parking and up to 50 spaces of General Public Parking.
 - The Developer has agreed to provide a minimum of 1,500 spaces in the West Garage, which will be used to meet the existing parking obligations in the FUA.
- Developer will be solely responsible for all maintenance and repairs for any improvements constructed on leased property.

- Developer may charge for parking on the property, not including the West Garage, during Spring Training Games and Stadium Events. Developer must not charge less than the fee charged to park in the West Garage.
- It is the Developer's responsibility to account for, and manage, the relocation and/or alteration of certain existing utility infrastructure and site conditions, including but not limited to existing water and sewer lines and facilities, a Verizon Cell Tower, a Skyharbor Airport sound monitor, storm water retention, historic solid waste disposal site, and the existing wastewater junction box nuisance easement.
 - These relocations and/or alterations may result in certain credits from the City to the Developer. Exact amounts will be determined from further due diligence and negotiations.
- If deemed desired or necessary, Developer shall be solely responsible for a Phase II Environmental review or remediation.

City Obligations

- The City will obtain, at its sole expense, a Phase I Environmental Review of the property, as well as an ALTA survey.
- The City will enter into a combination of a long-term lease on the West Garage, and the remainder Property, but with a rolling option to purchase with the Developer.
- If the Developer fails to construct the minimum improvements, the City may terminate the agreements and recover all property transferred to the Developer, free and clear of any liens.
- The City agrees to assist the Developer in exploring the qualification of the project for property tax through GPLET.
- The City will provide impact fee offsets, in accordance with Mesa City Code, for previous development on the Project Property.
- The City will retain all easements necessary for utility improvements and municipal activities.
- The City may reimburse the Developer for certain infrastructure relocations and alterations.
- The City will process construction plans and applications from the Developer with a customized review schedule, agreed upon by both parties.
- The MOU will be deemed automatically terminated if not executed prior to December 31st, 2018.

Coordinated With:

The Office of Economic Development has worked very closely with the Engineering Department, the Water Resources Department and the City Attorney's Office.