



Amend Development Agreements with Phoenix IG, LLC for Redevelopment of the Former Metrocenter Mall (Ordinance S-49950)

Authorize the City Manager, or his designee, to amend City Contracts 157702 and 157703 (Agreements) with Phoenix IG, LLC, or its City-approved designee (Developer), to facilitate proposed bond financing through the Phoenix Industrial Development Authority (Phoenix IDA) for the future redevelopment of Metrocenter Mall at 9617 N. Metro Parkway West (Site), as well as construction of additional public amenities at the Site and commitment of additional future transaction privilege tax (TPT) revenues generated by the project. Staff requests further authorization to enter into an intergovernmental agreement (IGA) with the Phoenix IDA and other agreements necessary to effectuate the terms of the amendments and authorization from the City Controller to disburse funds related to this item.

Summary

Developer has entered into Agreements with the City to facilitate the demolition and redevelopment of the Site into a mixed-use transit oriented development. In conjunction with executing those Agreements, Developer successfully purchased 65 acres of the former mall in January 2023.

Following the acquisition, Developer approached the City concerning its desire to utilize bond financing through the Phoenix IDA. To support the construction of bond-financed public amenities as part of the redevelopment, Developer has requested the City exercise its authority to facilitate assessments on the Site to re-pay the bond trustee to the extent permitted by law. There will be no financial obligation or debt liability to the City as a result of this action; the City will only be utilizing its authority to perform assessments to the extent permitted by law.

In addition, Developer has proposed to build further public amenities at the Site, including an expansion of the public plaza on the roof deck of the proposed garage and construction of shell office space for use by the Phoenix Police Department at the new development. Furthermore, additional private streets where public access will be beneficial to the City have been identified. The Developer has agreed to dedicate public access easements across these streets. These proposed additional public amenities will qualify for reimbursement by project-generated TPT payments as

contemplated by the TPT Development Agreement (TPT DA) (157703) previously authorized by City Council.

To support the public amenities constructed by Developer, City will pledge the additional non-restricted three percent portion of the City's Hotel Tax for a period equal to the 25-year period that is currently pledged under the TPT DA for the General Fund share of the Hotel Tax. This will only apply to the Site-generated TPT.

Beyond the public amenities at the Site, Developer has also committed to entering into maintenance agreements and revocable permits with the Street Transportation Department to accept maintenance and beautification of the City Right-of-Way at Cheryl Drive and Metro Parkway East adjacent to the new Metro Parkway Transit Center and Park and Ride, which is under construction.

All other terms and conditions of the Agreements will remain in full force and effect.

Financial Impact

The additional City financial impact will be the contribution of the full non-restricted portion of the Hotel TPT generated from properties within the Site. Staff estimates the additional non-restricted Hotel TPT over the term of the Agreements to equal \$7.2 million. Financial terms of the Agreements will be provided to the Budget and Research and Finance departments for review prior to execution of the Agreements.

Concurrence/Previous Council Action

City Council previously approved:

- Transaction Privilege Tax Development Agreement (Ordinance S-48677) on May 25, 2022; and
- Government Property Lease Excise Tax (GPLET) Development Agreement on Nov. 16, 2022.

Location

9617 N. Metro Parkway West
Council District: 1

Responsible Department

This item is submitted by City Manager Jeffrey Barton, Interim Deputy City Manager John Chan, and the Finance and Community and Economic Development departments.