



**Amend Business Terms for Phoenix Central Station Transit Center Located at 300 N. Central Ave. (Ordinance S-46976)**

Request to authorize the City Manager, or his designee, to amend the approved business terms for entering into a development agreement, ground lease, easements and other agreements as necessary (collectively, the Agreements) with Electric Red Ventures, LLC (Developer) for a transit-oriented development project at the City-owned Central Station Transit Center located at 300 N. Central Ave. Further request authorization for the City Treasurer to accept funds and for the City Controller to disburse funds related to this item. There is no expense impact to the General Fund. Funding is available in the Downtown Community Reinvestment Fund.

**Summary**

In April 2019, City Council authorized a Development Agreement with the Developer to redevelop the Central Station Transit Center located at 300 N. Central Ave. (Site) into a mixed-use transit-oriented development with a rebuilt transit center (Project). In June 2020, City Council amended the business terms to modify the land use mix, increase the percentage of workforce housing and allow for reimbursement to the Developer for costs associated with Site challenges for the Project.

As the site design has continued to progress, the Developer has performed additional due diligence work associated with the relocation of power equipment serving Civic Space Park (Park). A location at the southwest corner of the Park has been identified for new placement. The location will allow for a seamless transition from the Project into the Park along Central Avenue. The relocation of power equipment will include four new Arizona Public Service (APS) equipment boxes to be located within the park along the 1st Avenue side. In order to minimize impacts to the Park, the equipment boxes will be unfenced. APS has expressed willingness to allow public art on the boxes once completed. The boxes will collectively require an above-ground easement of approximately 320 square feet (SF) and the conduit feeding this equipment will require an additional below-ground easement of approximately 2,260 SF entirely within the Park. It is estimated that four trees will be impacted by the new easement. The City's Parks and Recreation Department (PRD) must receive the fair market value (FMV) of the easement in the amount of \$233,970, as determined by the City's Finance Department. The City and Developer have agreed to the following terms:

- Developer will replace any trees, like-for-like, impacted by the new easement.
- Developer will contribute \$77,990 towards the FMV of the easement, payable to the City at any time within the first 10 years of the ground lease.
- City will contribute \$155,980 towards the FMV of the easement.

In addition to the above terms and conditions associated with the APS easement, the Developer has agreed to provide a \$7 million performance bond should the Developer not perform and the City is forced to restore current transit uses. The City's Public Transit Department (PTD) is recommending it would be prudent to reserve additional City funds as a contingency in addition to the Developer's performance bond. The Community and Economic Development Department (CEDD) has identified \$2 million that will remain on reserve until the Project has completed subsurface improvements and is undergoing vertical construction. Upon vertical construction, the reservation of funds will no longer be necessary and the Developer's first-position performance bond will remain in place until risks to the City from default are sufficiently mitigated. Any disbursement of funds from the City's budget contingency would be subject to further City Council authorization.

The Project remains in the pre-construction phase with the Developer closing in on a final site plan approval. In August 2020, staff was notified by the Federal Transit Administration of its approval of the joint development proposal. This approval allows the parties to sign the development agreement and ground lease, which is expected to occur this fall. Construction is anticipated to commence in December 2020.

### **Financial Impact**

There is no expense impact to the General Fund. Upon dedication of the easement, CEDD will transfer \$155,980 from the Downtown Community Reinvestment Fund (DCRF) to PRD. PRD will receive a total of \$233,970 for the easement. The DCRF funds will be available in Fiscal Year 2021-22 for both the easement commitment and the \$2 million contingency reservation.

These actions will not alter the lease revenue of \$170.2 million due to PTD over the life of the 99-year ground lease.

### **Concurrence/Previous Council Action**

- City Council originally approved the Project through Ordinance S-45566 on April 17, 2019, and amended the business terms through Ordinance S-46813 on June 24, 2020.
- On Aug. 27, 2020, the City's Parks and Recreation Board recommended approval

of these updated business terms pertaining to the APS easement.

**Location**

300 N. Central Ave. and 444 N. Central Ave.

Council District: 7

**Responsible Department**

This item is submitted by Deputy City Managers Jeff Barton, Mario Paniagua and Inger Erickson, and the Community and Economic Development, Public Transit, and Parks and Recreation departments.