



Legislation Text

File #: 15-334, **Version:** 1

TO: Mayor Collins and Town Council Members

FROM: Kevin Burke, Town Manager

DATE: December 21, 2015

DEPARTMENT: Town Manager

AGENDA TITLE:
Approval of

Council Goals or Other Policies / Statutory Requirements:

Support resort industry and manage its development such that it maintains the Paradise Valley quality of life and financial health.

RECOMMENDATION:

Consider the Development Agreement with Five Star Development

SUMMARY STATEMENT:

The Development Agreement is the third major part of a new development. The other two parts being the site plan and the stipulations. Combined these three components regulate when, where and how a development will be accomplished within the Town of Paradise Valley. This Development Agreement (D.A.) has several components of high profile:

- Minimum Hotel Quality Standards;
- Phasing of the Development;
- Resort Unit Revenue Replacement Payment; and,
- Identification & Payment of Offsite Improvements.

The attached development agreement represents Five Star's latest (and perhaps best) offer to the Town. The Town continues to review this proposal and communicate with the applicant regarding deal points and language to accomplish them. For the purposes of transparency, this version is being made public. Below follows greater detail about the current deal points.

Minimum Hotel Quality Standards - The application has been branded a Ritz Carlton since submittal in May. Mayor and Council requested assurances that this is indeed the resort product that would be provided. The Town Manager has been shown an agreement and been directly told by the Vice President of Ritz Carlton for the Western Region that Five Star has an agreement with Five Star. However, the applicant is not willing to guarantee this will be the lodging product built as they believe it hampers negotiating powers on further operating terms if there is no leverage to go to a competitor.

Therefore, the D.A. requires that the lodging product open as either a Ritz Carlton, Four Seasons, St. Regis or a Montage. The applicant has agreed to that term. The D.A. further specifies numerous amenities that must be provided. The quality assurance requirement is in place in perpetuity with different degrees of latitude to operate under different luxury brands.

Phasing of the Development - The development is broken into six parcels labeled A, A1, B, C, D & E. The sequence of those developments is very important to the Mayor & Council. Of utmost importance is securing the resort hotel. The applicant shares this interest but has asserted that the financial feasibility of the resort and the remaining development are intertwined. Therefore, Five Star is proposing the following phasing:

Parcels A1 & C cannot receive Certificates of Occupancy for any residential unit until the Certificate of Occupancy has been issued for all structures associated with the Resort in A.

Parcel B & D may not obtain building permits for residential units in B or D until the framing of the Principal Resort Hotel is completed. However, building permits for B may be obtained earlier if:

- A copy of the contract with the hotel brand demonstrating i) an operating agreement; ii) a date by which the hotel must commence construction; iii) a date by which the hotel construction must be completed and iv) a completion guarantee with the brand.; and
- Complete grading of the Open Space Wash; and,
- The Owner pays the Town \$3 million to complete street improvements beyond the developer responsibility including Mockingbird from Indian Bend to Northern and the South side of Lincoln Drive.
- Building permits for D may be obtained earlier if the aforementioned conditions are met and building permits are issued for all structures associated with the Resort Hotel in A.

Parcel E may proceed with construction in accordance with the stipulations (most notably number 24).

Resort Unit Revenue Replacement Payment (RURRP) - The Development Agreement calls for a payment by the Master Association to the Town to offset the bed tax and sales tax that the Town believes would otherwise have been generated by more hotel units if there were not residential units on that same land. The fee is \$1.10 per square foot of conditioned residential space on the property. That amount can be reduced to \$0.75 per square foot upon the opening of 25% of the retail stores in Parcel E.

Identification & Payment of Offsite Improvements - The Town required the applicant to conduct a Traffic Impact Analysis (TIA) associated with the proposed development. This resulted in numerous modifications to existing streets. Those modifications are listed in Exhibit E. Some of them depend upon what the City of Scottsdale approves for modifications to intersections on Scottsdale Road. In short, the D.A. says the Town will design and construct those street modifications in Paradise Valley and the applicant will reimburse the Town for those costs. This is of benefit to the Town because: a) it ensures the design and construction are consistent with Town design objectives and construction standards, and b) the Town may choose to make road improvements (such as Mockingbird from Indian Bend to Northern) that are not the responsibility of the applicant but desire to have a single construction project to ensure consistency throughout the corridor.

In summary, this document has not been agreed upon by the Town Council. Amendments may be introduced during the Study Session on December 17, 2015.

ATTACHMENT(S):

AMENDED AND RESTATED DEVELOPMENT AGREEMENT, RESRTICTIVE COVENANT, AND
RELEASE BETWEEN THE TOWN OF PARADISE VALLEY AND FIVE STAR DEVELOPMENT
RESORT COMMUNITIES.