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7  
8 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**  
**IN AND FOR THE COUNTY OF MARICOPA**

9 BRAMLEY PAULIN, an individual;  
AUSTIN SHEA [ARIZONA] - 7TH  
10 STREET AND VAN BUREN LLC, an  
Arizona limited liability company; and  
11 CULVER PARK - 1129 NORTH FIRST  
STREET, LLC, an Arizona limited liability  
12 company,

13 Plaintiffs,

14 vs.

15 CITY OF PHOENIX, a municipal  
corporation of the State of Arizona,

16 Defendant.  
17

Case No. CV2026-021796

**COMPLAINT FOR  
DECLARATORY AND  
INJUNCTIVE RELIEF**

18  
19 **INTRODUCTION**

20 1. This lawsuit challenges the constitutionality of the City of Phoenix's  
21 proposed sale of valuable public land located at 1016 North 2nd Street for approximately  
22 \$1.5 million—less than one third of its fair market value—for the benefit of a private  
23 developer, in violation of Article IX, Section 7 of the Arizona Constitution (the “Gift  
24 Clause”). Plaintiffs also challenge the City's imposition of an unlawful inclusionary  
25 housing requirement on the sale and development of that land in violation of A.R.S. §  
26 9.461-16.  
27  
28





1           23.     Downtown Phoenix is the financial, government, and legal center of Arizona  
2 and home to the Arizona State University (ASU) Downtown Phoenix campus. *Id.*

3           24.     The Downtown Core has experienced significant growth over the last  
4 decade, including a multifamily market that has expanded significantly as people seek to  
5 live in urban environments. *Id.*

6           25.     The Property is designated as vacant residential land. Exhibit 1 at 1.

7           26.     The Property is one of the largest remaining undeveloped assemblages of  
8 land available in downtown Phoenix. Exhibit 3 at 6.

9           27.     The Property is also located in the Roosevelt Row Arts District, one of the  
10 top 10 arts districts in the country. *Id.*

11          28.     The Property is located near numerous attractions and cultural institutions  
12 including Margaret T. Hance Park, the Japanese Friendship Garden, Burton Barr Central  
13 Library, Phoenix Center for the Arts, the Irish Cultural Center and McClelland Library,  
14 and the Cutler-Plotkin Jewish Heritage Center. *Id.* at 7.

15          29.     The Property is accessible to the ASU Downtown Phoenix campus,  
16 Roosevelt Row Arts District, and downtown Phoenix’s walkable arts district, which is  
17 filled with public art and is home to a variety of art galleries, restaurants, and local  
18 shopping. *Id.* at 7–8.

19          30.     Numerous redevelopment projects were underway within a 5-minute  
20 walking radius of the Property at the time the RFP was issued. *Id.* at 8.

21          31.     The RFP indicated that the desired project would “[c]reate a mixed-used  
22 [sic] high-rise-development project ... that facilitate[s] urban living and may include  
23 retail, restaurant, residential, live/work, civic space, or other compatible urban uses.” *Id.* at  
24 9.

25          32.     The RFP further specified that “[i]f the proposed project is residential in  
26 nature, the proposal must include a variety of dwelling unit[s]” and “[a]t least 20% of the  
27 proposed total units must be designated as affordable or workforce housing.” *Id.*  
28

1           33.     The RFP set the minimum purchase price at \$4,812,500.00, the appraised  
2 value of the Property. *Id.* at 4.

3           34.     The City invited Proposers to offer a combination of a cash payment and  
4 other purported public benefits to add up to the minimum purchase price. *Id.*

5           35.     The public benefits sought in the RFP included “new jobs, small business  
6 opportunities, civic space, community amenities, bicycle facilities, outdoor green space,  
7 pet friendly spaces, and/or public art.” *Id.* at 10.

8           36.     The RFP specified that “[a]ny proposal offering a cash payment less than the  
9 minimum purchase price ... must include the quantifiable value for each additional  
10 tangible public benefit to demonstrate its total proposed purchase price meets or exceeds  
11 the minimum purchase price.” *Id.* at 13.

#### 12           THE DEVELOPER’S PROPOSAL

13           37.     In or about January 2024, a private developer, Pennrose, LLC  
14 (“Developer”), submitted a proposal in response to the RFP for “Second Street Near  
15 Roosevelt” (the “Proposal”) attached as Exhibit 4.

16           38.     Developer represented that it “is a privately held, full-service real-estate  
17 development and management company” that has “developed over 27,000 housing units  
18 across 19 states in more than 350 separate developments, valued at over \$5 billion.” *Id.* at  
19 8.

20           39.     In the Proposal, Developer set out its plans to acquire and develop the  
21 Property.

22           40.     The Developer proposed to purchase the Property for approximately \$1.5  
23 million. *Id.* at 20.

24           41.     Developer acknowledged that its proposed purchase price was more than a  
25 \$3.3 million “[d]iscount” below the minimum purchase price of the RFP. *Id.* at 26.

26           42.     To attempt to make up this cash payment shortfall, Developer identified  
27 three potential sources of “public benefit”: “the value of free [early childhood] education,  
28

1 the value of the free lease to Bezos Academy, and the residual value of the permanent  
2 affordable units.” *Id.* at 25.

3 43. Developer suggested that it would provide “a blend of LGBTQ+ affirming  
4 affordable housing and a tuition-free preschool for under-resourced children,” the latter to  
5 be offered by Bezos Academy, a private nonprofit founded by Jeff Bezos. *Id.* at 8, 10.

6 44. In the Proposal, Developer provided a “discounted cash flow analysis ...  
7 [of] Public Benefits” as part of its required “Return to the City” section to show the  
8 quantifiable public benefits Developer alleges the City will receive from the project. *Id.* at  
9 25

10 45. Developer claims the project will provide, as a public benefit to the City, the  
11 net present value of fifteen years of education provided by Bezos Academy to eighty  
12 students each year (“Tuition Calculation”). *Id.* at 25–26.

13 46. The Tuition Calculation includes an estimate that “the average cost of full-  
14 time, year-round preschool is \$13,655 per child, per year.” *Id.* at 25.

15 47. Developer appears to have reached the final number of its Tuition  
16 Calculation by multiplying its assumptions of a full enrolment of 80 students by the  
17 estimated yearly tuition, projecting that number out with a 2% growth rate over 15 years,  
18 and then deriving the net present value of the result using a 6% discount rate. *Id.* at 25–26.

19 48. Developer thus claims that, as part of its consideration for the purchase of  
20 the Property, it will provide the City with an early childhood education tuition benefit  
21 valued at approximately \$10.8 million in 2024 dollars. *Id.* at 26.

22 49. Developer submitted a “Letter of Interest” from Bezos Academy as part of  
23 Developer’s Proposal, *id.* at 24, but Bezos Academy is not a party to any contract between  
24 Developer and the City.

25 50. Developer cannot guarantee that at least 80 children will receive tuition-free  
26 education each year at the Property.

27 51. Developer will not provide any direct education services.

28 52. Developer is not obligated to provide any education services to children.

1           53.    The City has no obligation to provide early childhood education services to  
2 the general public or to low-income households in particular.

3           54.    Developer also claims as a public benefit the net present value of providing  
4 a free lease to Bezos Academy over fifteen years. *Id.*

5           55.    Developer estimates the value of the leased space to be approximately  
6 \$100,000 per year. *Id.*

7           56.    Developer’s estimate of the net present value of the free lease to Bezos  
8 Academy is approximately \$1.1 million. *Id.*

9           57.    Bezos Academy is a private, not public, entity.

10          58.    The City is not an anticipated lessor of the Property.

11          59.    Developer also lists the “Residual Value” of its planned affordable housing  
12 project as a public benefit it provides to the City. *Id.*

13          60.    “Residual Value” is the value of an asset minus any associated debt.

14          61.    In this case, the “Residual Value” is used to represent the estimated value of  
15 Developer’s affordable housing business in year 15 of the project. *Id.*

16          62.    Developer estimates that the net operating income for its 64 affordable  
17 housing units on the Property will be approximately \$300,000 in year 15 of the project. *Id.*  
18 at 27.

19          63.    Based on that \$300,000 estimate, Developer estimates that the overall gross  
20 project value will be approximately \$4.92 million in year 15. *Id.*

21          64.    Subtracting an expected \$2.26 million in debt from that figure, Developer  
22 estimates that the Residual Value of the project in year 15 will be approximately \$2.65  
23 million. *Id.*

24          65.    In other words, according to the Residual Value calculation presented in the  
25 Proposal, Developer estimates that, were it to sell the project in year 15, it would net  
26 \$2.65 million in proceeds from the sale.

1           66. In its Discounted Cash Flow Analysis of Public Benefits, Developer lists the  
2 net present value of that \$2.65 million in year 15, which it calculates as approximately  
3 \$1.1 million.

4           67. Therefore, the Discounted Cash Flow Analysis of Public Benefits counts the  
5 expected proceeds Developer would receive from a sale of the Property in year 15 as a  
6 benefit to the public.

7           68. The City would not receive the proceeds of Developer’s future sale of the  
8 Property.

9           69. The Residual Value presented in the Proposal is a calculation of the private  
10 value of the Property to Developer.

11           70. The Discounted Cash Flow Analysis of Public Benefits adds the three  
12 alleged benefits described above—the Tuition Calculation (\$10.8 million), free lease to  
13 Bezos Academy (\$1.1 million), and Residual Value (\$1.1 million)—to claim a total gross  
14 public benefit of approximately \$13 million. *Id.* at 25–26.

15           71. From that \$13 million, the Discounted Cash Flow Analysis of Public  
16 Benefits subtracts its calculated net present value of three sources of public monies  
17 Developer expects to receive—project-based vouchers (\$2.6 million), the gap between the  
18 purchase price and Property’s value (\$3.3 million), and federal HOME grant funds (\$2  
19 million)—to arrive at a net expected public benefit of approximately \$5.1 million. *Id.*

20           72. This calculation is flawed, however, because the majority of the purported  
21 public benefits Developer includes in its calculation are not benefits Developer is  
22 providing to the City under the terms of the Proposal.

23           73. Additionally, the City is not obligated to provide the purported public  
24 benefits identified in the RFP to the public.

25           74. Developer intends to pursue additional subsidies from other government  
26 entities to support development of the Property, including State Housing Trust Fund  
27 monies. *Id.* at 25.  
28

1           THE CITY’S APPROVAL

2           75.    On or about January 30, 2025, the City issued to Developer a Letter of  
3 Intent for City-Owned Property at 1016 N. 2nd Street (“LOI”). Attached as Exhibit 5.

4           76.    The LOI expressed that the City had accepted Developer’s proposal and  
5 summarized the proposed business terms between the City and Developer, and expressed  
6 the City’s intent to enter into a Disposition and Redevelopment Agreement with  
7 Developer.

8           77.    On or about April 9, 2025, the City passed Ordinance S-51809, authorizing  
9 the City Manager to enter into a Disposition and Redevelopment Agreement with  
10 Developer for the sale and redevelopment of the Property. Attached as Exhibit 6.

11          78.    Ordinance S-51809 set out several business terms, including acceptance of  
12 sale of the Property for \$1.5 million and a requirement that, following completion of the  
13 Project, Developer will record a deed restriction on the Property restricting it to affordable  
14 housing for a term of 40 years. *Id.*

15          79.    Ordinance S-51809 does not mention any obligation on Developer’s behalf  
16 regarding Bezos Academy or any other early childhood education center.

17          80.    On or about September 11, 2025, the City and Developer entered into a  
18 Disposition and Redevelopment Agreement, City Contract No. 164469—0 (the “DRA”).  
19 Ex. 2.

20          81.    The DRA was recorded with the Maricopa County Recorder on or about  
21 December 11, 2025. *Id.* at 1.

22          82.    The DRA requires Developer to pay the City \$1.5 million to purchase the  
23 Property, which the City will convey to Developer via special warranty deed. *Id.* at 8–9 §  
24 203.1.

25          83.    The DRA requires Developer to execute and record a deed restriction,  
26 benefitting the City, restricting the primary use of the Property as affordable housing to  
27 households earning 60% of the Phoenix MSA Area Median Income, or such other  
28

1 restrictions as may be approved by the Arizona Department of Housing for low-income  
2 housing tax credits, for forty years. *Id.* at 9–10 § 203.3.

3 84. The DRA does not require Developer to provide any use of the property or  
4 other goods or services to Bezos Academy, or any other provider of early childhood  
5 education services, or any other nonprofit organization, or the City, or any other public  
6 entity.

7 85. The DRA does not require Developer to provide any significant or valuable  
8 public benefit as consideration for the purchase of the Property other than the \$1.5 million  
9 purchase price.

10 86. The DRA and its exhibits constitute the entire understanding and agreement  
11 of the City and Developer. *Id.* at 18–19 § 511.

12 87. Upon completion of the City’s and Developer’s obligations under the DRA,  
13 the Developer will own, control, and operate the Property and retain all profits generated  
14 by it.

15 88. The City will not share in revenues, profits, proceeds, or equity from the  
16 Property.

17 89. The City will not retain operational control over or use of the Property.

18 90. The affordability restrictions are limited in duration and do not permanently  
19 bind the property.

20 THE SUBSIDY

21 91. By selling the Property for \$1.5 million rather than its fair market value, the  
22 City is conferring a direct financial benefit on the Developer.

23 92. This benefit constitutes a subsidy, donation, or grant of public resources.

24 93. According to the City’s own appraisal, the estimated fair market value of the  
25 Property is at least \$4,812,500. Exhibit 1 at 2.

26 94. The 2023 appraisal is outdated and does not reflect any potential  
27 appreciation in value since that time.

28 95. The value of the subsidy exceeds \$3 million.

1           96.    The City will not receive direct monetary compensation equal to the fair  
2 market value of the Property.

3           97.    The asserted public benefits are indirect, generalized, and not bargained-for  
4 economic consideration.

5           98.    Developer is not obligated to provide any payment to the City  
6 approximating the value of the subsidy.

7           99.    One of the most significant sources of alleged public benefit in the Proposal,  
8 the free lease to Bezos Academy, is not a requirement of the DRA.

9           100.   The free lease to Bezos Academy is not part of the agreement between the  
10 City and Developer.

11           101.   Bezos Academy is not a party to the DRA.

12           102.   If completed, the transaction outlined in the DRA will deplete City assets.

13           FAILED EFFORTS TO RESOLVE THE DISPUTE

14           103.   On or about August 1, 2025, Plaintiffs' counsel sent a demand letter to the  
15 City identifying the constitutional deficiencies in the proposed transaction. Attached as  
16 Exhibit 7.

17           104.   The letter explained that the transaction violates the Gift Clause because the  
18 City is not receiving direct and proportionate consideration. *Id.*

19           105.   The City has not cured these deficiencies and intends to proceed with the  
20 transaction.

21   **INJUNCTIVE RELIEF ALLEGATIONS**

22           106.   Plaintiffs have an equitable interest in preventing unlawful expenditures and  
23 subsidies of public resources.

24           107.   Plaintiffs will suffer irreparable harm absent injunctive relief.

25           108.   Plaintiffs have no adequate remedy at law.

26   **DECLARATORY RELIEF ALLEGATIONS**

27           109.   An actual and justiciable controversy exists between the parties regarding  
28 the constitutionality of the transaction.



1 122. The affordable housing restrictions cited by the City are not valid  
2 consideration under the Gift Clause.

3 123. The lease to Bezos Academy is not consideration under the Gift Clause  
4 because it benefits a private party, not the City or its residents, and is not part of the  
5 agreement between the City and Developer.

6 124. The Tuition Calculation or assistance is not consideration under the Gift  
7 Clause because it benefits a private party, not the City or its residents, and is not part of  
8 the agreement between the City and Developer.

9 125. The transaction therefore constitutes a subsidy or donation to a private  
10 entity.

11 126. Plaintiffs, as taxpayers, are responsible for replenishing the public treasury  
12 for this unlawful subsidy.

13 127. The transaction violates Article IX, Section 7 of the Arizona Constitution.

14 **COUNT TWO:**  
15 **Violation of A.R.S. § 9-461.16**  
16 **(Unlawful Inclusionary Housing Requirement)**

17 128. Plaintiffs incorporate the preceding allegations.

18 129. Arizona law prohibits municipalities from imposing mandates that require  
19 residential housing to be sold or leased to particular classes of residents.

20 130. Specifically, A.R.S. § 9-461.16(A) provides that a city “shall not ... impose  
21 as a condition for approving a building or use permit, a requirement ... that requires a  
22 residential housing unit ... to be designated for sale or lease to any particular class or  
23 group of residents.”

24 131. The statute reflects a clear legislative determination that mandatory  
25 inclusionary housing requirements are unlawful unless structured as voluntary incentives.

26 132. The RFP issued by the City required that any residential development  
27 include a specified number or percentage of housing units designated for low-income or  
28 otherwise income-restricted residents. Exhibit 3 at 4.

1           133. The RFP also required that the proposals submitted in response be for a  
2 mixed-use development, at least part of which would designate space to residential use.  
3 *Id.* at 6.

4           134. Compliance with the low-income housing requirement was thus a  
5 prerequisite to selection and approval under the RFP process.

6           135. The City's approval of the Developer's proposal was expressly conditioned  
7 on inclusion of such income-restricted units.

8           136. The RFP process was the mechanism by which the City exercised its  
9 authority to approve the disposition and development of the Property.

10           137. The DRA contains, as a condition precedent to conveyance of the Property,  
11 a requirement that Developer execute a forty-year deed restriction mandating that the  
12 primary use of the property will be affordable housing to households earning 60% of the  
13 local Area Median Income. Exhibit 2 at 9.

14           138. The DRA thus designates the property for lease to a particular class or group  
15 of residents, as contemplated by the RFP, and as prohibited by statute.

16           139. As a practical matter, no developer could obtain the right to develop the  
17 Property—including obtaining a building or use permit—without complying with the  
18 RFP's mandatory conditions, including the low-income housing quota.

19           140. The requirement to include low-income housing units therefore functioned  
20 as a condition for obtaining governmental approval to develop the Property.

21           141. Such requirements fall within the prohibition set forth in A.R.S. § 9-  
22 461.16(A).

23           142. A.R.S. § 9-461.16(B) permits only voluntary incentives, density bonuses, or  
24 similar programs designed to increase affordable housing.

25           143. By requiring residential units to be designated for lease or sale to a  
26 particular class of residents, the City imposed a condition prohibited by A.R.S. § 9-  
27 461.16(A).

28           144. The City's actions are ultra vires and unlawful.

