





# City Council

**Date:** September 12, 2016  
**To:** Mayor and Council  
**Through:** Christopher J. Brady, City Manager  
**From:** William J. Jabjiniak, Economic Development Director   
Sara M. Sorensen, Economic Development Project Manager   
**Subject:** Establishment of the Southwest Redevelopment Area and extension of the Central Business District

## Strategic Initiatives



## Purpose and Recommendation

Certain areas of our city, such as the areas surrounding the Fiesta District West Mesa, and east of Downtown, are in need of redevelopment and revitalization. These areas have seen some public and private investment over the past several years, and it is imperative we continue to build upon this momentum. The Office of Economic Development is seeking to declare parts of the Fiesta District a redevelopment area (the 'Southwest Redevelopment Area'). This designation will allow us to offer certain economic development tools to qualified projects in the area.

A public hearing has been scheduled for the September 12<sup>th</sup> City Council meeting to allow citizen participation on the proposed Southwest Redevelopment Area. After the public hearing, Mayor and Council are asked to approve a Resolution establishing the Southwest Redevelopment Area. Following the adoption of the Southwest Redevelopment Area, Mayor and Council are asked to adopt a second Resolution which will expand Mesa's existing Central Business District. The Central Business District currently exists within the Town Center Redevelopment Area, and will be expanded to also include the Southwest Redevelopment Area.

Staff recommends Mayor and Council adopt the Resolution to create the Southwest Redevelopment Area, and following that approval, adopt the Resolution to extend the existing Central Business District.

Per A.R.S 36-1473, the Redevelopment Area must be approved by a two-thirds vote of the governing body. Expansion of the Central Business District is contingent upon the approval of the Redevelopment Area. If the Redevelopment Area is not approved, then the Central Business District will not be expanded. The expansion of the Central Business District will include the new Southwest Redevelopment Area, and it will also include two small areas within the existing Town Center Redevelopment Area that we believe were

mistakenly omitted when the designation was originally made several years ago when the CBD was formed. The attached map shows the current Central Business District and the two areas – on the west and northeast corner – that we are expanding into. By expanding the CBD into the two omitted areas, the CBD will have the same boundaries as both of the RDAs and offer the same benefits to both RDAs.

## **Background**

Mayor, Council, and City Staff have discussed the creation of a Redevelopment Area (RDA) and extension of the Central Business District (CBD) at Council study sessions on February 18, 2016 and March 31, 2016. The proposed area has been named the “Southwest RDA”, and runs north and south along Country Club Drive between Broadway and US 60, and east and west along Southern Avenue between the Tempe Canal and Country Club Drive. The study area also includes the shopping centers located just south of US 60 at the intersection of Alma School Road and Isabella Drive. The Southwest RDA consists a total of 616 acres, which includes roads. There are 281 parcels within the area, which represents 483 acres.

The process for creating a new RDA and expanding the current CBD is lengthy and complex and will take at least 16 months to complete. It includes public outreach, extensive data gathering, finding of necessity, and the creation of a formal Redevelopment Plan. We began the data gathering and parcel study in May 2016 under the guidance of a specialized consultant, Zions Public Finance, Inc. The consultant provides an objective, third party review of the proposed area and offers technical expertise to determine the necessity of creating a new Redevelopment Area.

It is necessary that we take formal action to declare the area a Redevelopment Area because the existence of an RDA allows the City to offer a GPLET, which is an economic development tool that replaces real property tax with an excise tax. The existence of an RDA plus a CBD allows the City to offer the maximum benefit of the GPLET – an 8-year full abatement of the excise tax. This added benefit will greatly assist our redevelopment efforts.

## **Discussion**

The data gathering and parcel study is complete, and it has been determined that the area meets the statutory requirements to be formally declared a Redevelopment Area. The determination of blight was based on the nine blight statutory factors listed in Arizona Statute 36-1471, which states:

“Blighted area” means an area, other than a slum area, where sound municipal growth and the provision of housing accommodations is substantially retarded or arrested in a predominance of the properties by any of the following:

1. Dominance of defective or inadequate street layout
2. Faulty lot layout in relation to size, adequacy, accessibility or usefulness
3. Unsanitary or unsafe conditions
4. Deterioration of site or other improvements
5. Diversity of ownership (by block)
6. Tax or special assessment delinquency exceeding the fair value of the land

7. Defective or unusual conditions of title
8. Improper or obsolete subdivision platting
9. Existence of conditions that endanger life or property by fire and other causes

An on-site survey of each of the parcels was conducted between May 17 and May 26, 2016. Additional data was collected through various sources, including the Maricopa County Assessor's Office, Maricopa County Recorder's Office, and the City of Mesa.

Based on the statutory blight factors, the on-site survey, and the data collected, 147 of the 281 parcels were determined to have at least 1 blight factor, equaling 52 percent of parcels in the area, but it represented 62 percent of parcel acreage in the area.

The most common blight factor was the deterioration of site or other improvements (22 percent of parcels, 44 percent of acres). This is due, in large part, to the high vacancy rates in the Southwest Area. Other major blight factors are improper or obsolete subdivision platting (23 percent of parcels, 7 percent of acres), the dominance of defective or inadequate street layout (15 percent of parcels, 13 percent of acres), and diversity of ownership (9 percent of parcels, 21 percent of acres). An Executive Summary of the blight study findings has been prepared by the consultant and is attached to this document.

Based on the information collected, it is recommended that Mayor and Council vote to approve two Resolutions: 1) the Resolution creating the Southwest RDA, and 2) the Resolution extending the Central Business District.

Upon formal creation of the Southwest RDA, state law requires that a Redevelopment Plan be drafted for the area. The Redevelopment Plan will serve as the City's blueprint for redevelopment activities within the RDA. It is estimated that creation of the plan will take approximately six to twelve months. Once the plan is complete, City staff will return before Council for approval of the Plan.

Additionally, upon adoption of the Resolution to create the RDA, a one-year waiting period is immediately activated. The waiting period is required by state law and cannot be expedited. The one-year waiting period is set to expire on September 12, 2017, and then the City may offer the GPLET to qualified projects. As noted above, City staff can work on the Redevelopment Plan during the one-year waiting period.

## **Alternatives**

If Mayor and Council do not create the Southwest RDA, the project is essentially terminated, and the City will end its work with the consultant.

Additionally, if the Resolution designating the Southwest Redevelopment Area is not approved, then by state law, Mayor and Council are unable to approve the Resolution to extend the Central Business District. The Central Business District must exist within a Redevelopment Area.

Should neither Resolution be approved, the City will continue to be very limited in what economic development tools and programs we can offer. This could significantly hinder redevelopment efforts in and around the Fiesta District.

### **Fiscal Impact**

There is no cost to designate a Redevelopment Area or a Central Business District, nor do these designations obligate the City to any future expenditures. The total cost of the consultant's services throughout the entirety of the project is estimated to be \$149,302.

### **Coordinated With**

The Office of Economic Development has worked very closely with the City Attorney's Office.



Town Center Redevelopment Area  
& Central Business District



Town Center Redevelopment Area



Central Business District

EXTENSION

PEPPER PL

VINEYARD

1ST AVE

5TH AVE

8TH ST

ROBSON

MACDONALD

6TH ST

LESUEUR

HOBSON

CRESCENT AVE



