



City Council

Date: August 21, 2017
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 East Redevelopment Area, West Redevelopment Area and extension of the Central Business District across both Areas (Districts 1, 2, 3, and 4)

Purpose and Recommendation

Certain areas of our city, such as the mature areas surrounding 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 establish two Redevelopment Areas (RDA) – the East RDA and the West RDA. This designation will allow us to offer certain economic development tools to qualified projects within the designated area.

A public hearing has been scheduled for the August 21 City Council meeting to allow citizen participation on the proposed East RDA and West RDA. After the public hearing, Mayor and Council will be asked to approve a Resolution establishing the East RDA and a Resolution establishing the West RDA. Following the adoption of each Redevelopment Area, Mayor and Council will be asked to adopt a Resolution which will expand Mesa's existing Central Business District (CBD). The Central Business District currently exists within the Town Center Redevelopment Area and the Southwest Redevelopment Area, and will be expanded to also include the East RDA and West RDA.

Staff recommends Mayor and Council adopt the Resolutions to create the East RDA and West RDA, 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 Areas are not approved, then the Central Business District will not be expanded.

Background

The City of Mesa currently has two existing Redevelopment Areas – the Town Center RDA (est. 1999) and the Southwest RDA (est. 2016). When establishing the recent Southwest

RDA, Mayor and Council directed City Staff to also consider applying the RDA designation in the areas east and west of Downtown Mesa. These areas are prime for redevelopment activities. City staff focused on areas with transit-oriented development opportunities, as well as the supporting major corridors.

The proposed boundaries for the two new Redevelopment Areas include:

East RDA: This area generally includes properties along the east/west corridors of E. University Dr., E. Main St., and E. Broadway Rd., and the north/south corridors of Horne Rd., Stapley Dr., and Gilbert Rd. (see attached 'East Redevelopment Area Boundary Map')

West RDA: This area generally includes properties along the east/west corridors of E. University Dr., E. Main St., and E. Broadway Rd., and the north/south corridors of Extension Rd., Alma School Rd., and Dobson Rd. (see attached 'West Redevelopment Area Boundary Map')

The process for creating a new RDA and expanding the current CBD is lengthy and complex. It includes public outreach, extensive data gathering, finding of necessity, and the creation of a formal Redevelopment Plan for each Area. We began the data gathering and parcel study of each Area in May 2017 under the guidance of a specialized consultant, Matrix Design Group, Inc. The consultant provides an objective, third party review of each proposed Area and offers technical expertise to determine the necessity of creating the new Redevelopment Areas.

It is necessary that we take formal action to establish the East RDA and the West RDA because this designation allows the City to offer the Government Property Lease Excise Tax (GPLET) to qualified redevelopment projects. The GPLET is one of the few economic development tools available to municipalities. The tool replaces real property tax with an excise tax based on building use and square footage, rather than assessed value. 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 could greatly assist our redevelopment efforts.

In addition to the GPLET, the Redevelopment Plan will also outline potential projects, programs, and policy updates the City could implement to help spur additional redevelopment.

Discussion

The data gathering and parcel study for each Area is complete, and it has been determined that each 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

Both an aerial and on-site survey of every parcel within the two proposed Areas was conducted between March 6 and March 10, 2017. 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:
East RDA: 684 of the 1,196 parcels were determined to have at least 1 blight factor, equaling 57.2% percent of parcels and 51.5% of the total land area (see attached 'East Redevelopment Area Study').

West RDA: 2,141 of 3,794 parcels were determined to have at least 1 blight factor, equaling 56.4% of parcels and 80.5% of the total land area (see attached 'West Redevelopment Area Study').

Based on the information collected, it is recommended that Mayor and Council vote to approve a total of three Resolutions: 1) the Resolution creating the East RDA, 2) the Resolution creating the West RDA, and 3) the Resolution extending the Central Business District.

Upon formal creation of each RDA, state law requires that a Redevelopment Plan be drafted for each area. Each Redevelopment Plan will serve as the City's blueprint for redevelopment activities within each RDA. The two plans will be unique to each area but remain synergistic with all existing Redevelopment Areas. The two Plans will be written concurrently, and it is estimated that the creation of both plans will take approximately twelve months to complete. Once the plans are complete, City staff will return before Council for approval of each Plan.

Additionally, upon adoption of the Resolution to create each RDA, a one-year waiting period for the use of the GPLET 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 August 21, 2018, and then the City may offer the GPLET to qualified projects. As noted above, City staff will work on the Redevelopment Plans during the one-year waiting period.

Alternatives

If Mayor and Council do not create the East RDA and West RDA, the projects are essentially terminated, and the City will end its work with the consultant.

Additionally, if the Resolutions designating the East RDA and West RDA are not approved, then by state law, Mayor and Council are unable to approve the Resolution to extend the Central Business District into these two areas. 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 these aging parts of Mesa.

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 \$285,000 for both areas combined.

Coordinated With

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

Attachments

East RDA Boundary Map
West RDA Boundary Map
East Redevelopment Area Study
West Redevelopment Area Study