

COUNCIL MINUTES

January 7, 2019

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on January 7, 2019 at 5:15 p.m.

COUNCIL PRESENT

John Giles
David Luna
Mark Freeman
Christopher Glover
Francisco Heredia
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

1. Review items on the agenda for the January 7, 2019 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None.

Items removed from the consent agenda: None.

Items removed from the agenda: None.

Councilmember Freeman expressed his appreciation to staff for working with neighborhoods to establish irrigation water delivery districts.

Mayor Giles and Councilmember Whittaker thanked staff with the Financial Services Department for their hard work to complete the 2018 Comprehensive Annual Financial Report.

In response to a question posed by Councilmember Whittaker regarding agenda item 5-d **(Approving and authorizing the City Manager to enter into a Purchase Agreement and a Development Agreement with Chicanos Por La Causa, Inc. for the development of approximately 2.5 acres of property, of which approximately 1.3 acres is City-owned, on the northwest corner of Country Club Drive and Main Street. The Purchase and Development agreements will facilitate the development of a mixed-use, transit-oriented development. (District 4))** Downtown Transformation Manager Jeff McVay advised Chicanos Por La Causa (CPLC) has a for-profit development subsidiary that completes projects and the profits from those projects are used to fund CPLC's non-profit entity to support their services.

Maria Spelleri, General Counsel and Executive Vice President of CPLC, added the property is being sold to an entity that is owned by CPLC.

In response to questions posed by Councilmember Freeman, Mr. McVay advised 16 parcels are being sold with 9 of those parcels being owned by the City. He added the City owns 1.3 acres of the 2.5 acre site. He explained the City-owned parcels would have less development potential if they were sold individually due to the fact that the parcels owned by the City not 1.3 contiguous acres; the City owns .7 acres along Pepper Place and .6 acres along Main Street.

In response to a question posed by Councilmember Whittaker, Mr. McVay displayed Exhibit D **(Attachment 1)** that provides an aerial view of the project. He explained parcels 1-4 are City-owned and valued at \$400,000 and parcels 11, 12, 14, 15, and 16 are also City-owned and valued at \$300,000. He added the appraisal for the whole development site is 2.5 million dollars.

Mr. McVay noted the City-owned parcels would have a diminished value if they were appraised and sold individually instead of as a development site with the parcels owned by CPLC.

Discussion ensued relating to encumbrances with the development site.

In response to a question posed by Councilmember Thompson, Mr. McVay reported the City acquired the property in the late 1990s.

Mr. McVay detailed the economic impact study completed for the development site. He reported the economic benefit analysis showed the City will receive direct revenues of approximately 5 million dollars over the course of the first 25 years and indirect and direct benefits from the businesses that are in the building of approximately 275 million dollars. He added the City will receive one-time permit and impact fees estimated at \$860,000 and construction sales tax revenue of approximately \$870,000.

In response to a question posed by Councilmember Heredia, Mr. McVay stated the estimated revenue does not include utility revenue. He reported the development will create 198 new residential customers, as well as new commercial customers.

In response to a question posed by Councilmember Whittaker regarding agenda item 5-e **(Authorizing the City Manager, or his designee, to execute necessary documents with MC-Hotel River View, LLC for the sale of approximately 12,000 square feet of City-owned property (APN 135-37-904) located at the northeast corner of Paseo Lago Vista and Sheffield Avenue and to enter into a Development Agreement for the site for the construction of a hotel and retail/restaurant space. (District 1))** Economic Development Department Director Bill Jabjiniak reported the appraised value of the property is \$360,000 and the sale price is \$300,000. He explained the sale price was negotiated due to the restrictions on parking, as well as restrictions on game day access.

Discussion ensued relating to the parking restrictions' impact on the appraised value of the property.

In response to a question posed by City Manager Christopher Brady, Mr. Jabjiniak reported the estimated bed tax revenue from the hotel is \$193,000 annually.

City Manager Christopher Brady advised the value of the property has increased from \$9 per square foot to \$25 per square foot and a hotel is the highest and best use for this location with spring training occurring at the Cubs Stadium.

Discussion ensued relating to the development agreement and appraised value of The Union compared to the appraised value of the development site for the hotel.

Councilmember Freeman expressed support for the development of a hotel at the northeast corner of Paseo Lago Vista and Sheffield Avenue and agreed it is the best option for the location.

2-a. Hear a presentation, discuss, and provide direction on the auction of City-owned property on the northwest corner of Thomas and Recker Roads.

Development Services Director Christina Zielonka introduced City Engineer Beth Huning and displayed a PowerPoint presentation. **(See Attachment 2)**

In response to a question posed by Vice Mayor Luna, City Manager Christopher Brady advised in 1998 General Obligation Bonds included open space, parks, streets and utilities.

In response to a question posed by Vice Mayor Luna, Ms. Huning stated the cost to build a park on the property would vary and depend on how the space is programed. She added, as an example, Riverview Park cost approximately 20 million dollars and sits on 25 acres. She noted at one point approximately 30 million dollars from the Capital Improvement Program was set aside to build a park on the site.

In response to a question posed by Vice Mayor Luna, Mr. Brady explained the bonds used to purchase the property have been paid off. He stated the 4 million dollars from the sale proceeds could be used on City Parks and staff will look to Council for direction on specific projects.

Vice Mayor Luna expressed his support for the auction of the City-owned property.

In response to a question posed by Councilmember Whittaker, Mr. Brady replied the City has owned the property for the past 20 years and is currently not available for public use. He added in the last six months several developers have expressed interest in the property.

Verl Farnsworth, a Mesa resident, advised the City-owned property up for auction is in his neighborhood. He pointed out signs were posted on the property 20 years ago advising a park would be built on the site and the signs are no longer present with no park built. He advised a request was submitted to receive the appraisals for the property and staff provided him one independent appraisal for 25 million dollars and not 15.6 million dollars as noted in the presentation. He requested Council not auction off the property until a full discovery of the facts can be obtained and the citizens are willing to support auctioning the land.

Mayor Giles questioned whether the land was appraised at 25 million dollars and Ms. Zielonka advised the land was appraised six months ago at 15.6 million dollars.

Mayor Giles expressed his support for the land to be auctioned and noted the property is very valuable for development due to the beautiful desert landscape in the area. He advised further discussions will occur after the auction on the proper use of the site and how to preserve the land. He stated a commitment was made to the voters to utilize the bond funds for parks and he hopes the 4 million dollars can be used to promote access to open space.

Mayor Giles thanked staff for the presentation.

4. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, January 10, 2019, 6:00 p.m. – Swearing-In Celebration for New Councilmembers

Thursday, January 24, 2019, 7:30 a.m. – Study Session

Councilmember Thompson advised this is Councilmember Glover's last Study Session. He thanked Councilmember Glover for his mentorship, friendship, and service to the citizens of Mesa.

6. Adjournment.

Without objection, the Study Session adjourned at 6:08 p.m.

JOHN GILES, MAYOR

ATTEST:

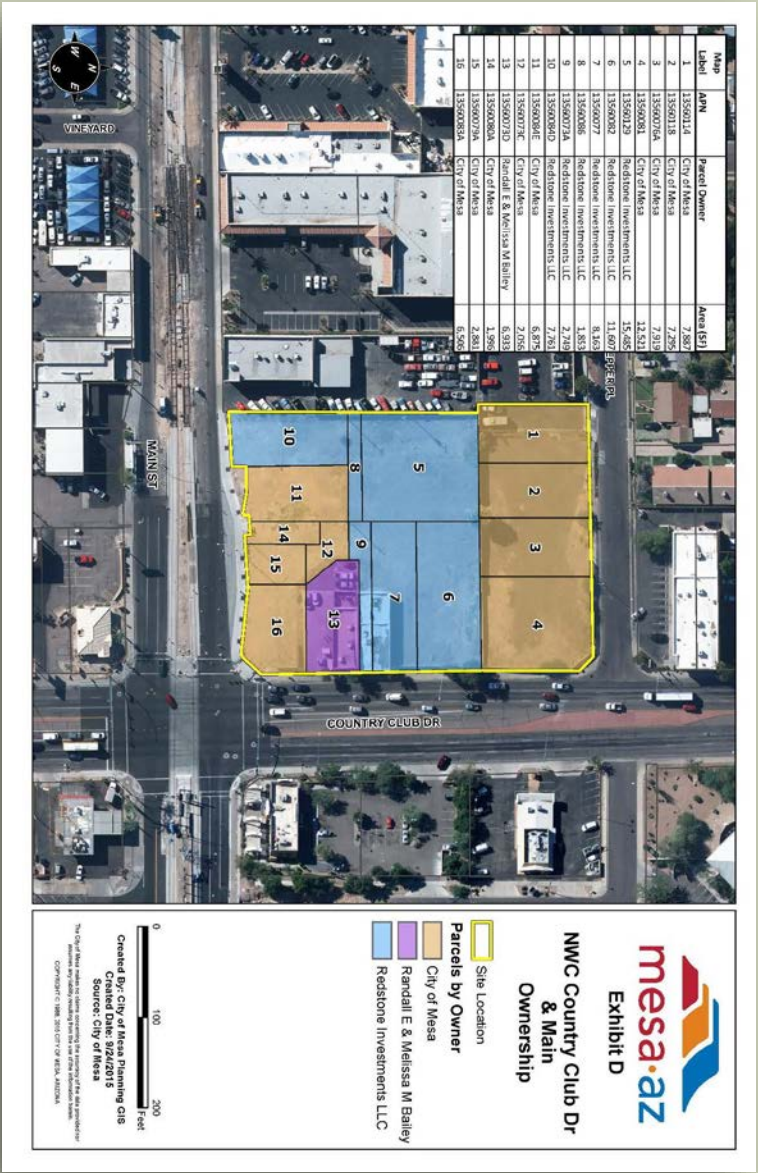
DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 7th day of January, 2019. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 2)

PROJECT OVERVIEW





Thomas and Recker Land Auction

City Council Study Session

January 7, 2019



*Christine Zielonka, Development Services Director
and
Beth Huning, City Engineer*

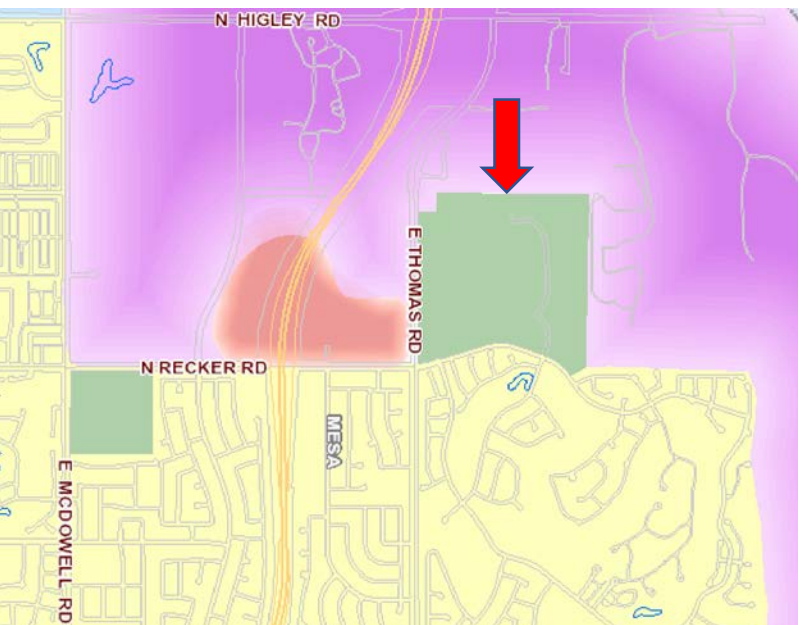
The Property

- Northwest corner of Thomas and Recker Roads
- 1/3 mile north of the Loop 202
- Approximately 132 acres
- Namo Talley located to the north and Red Mountain Ranch is located to the east
- Current appraised value \$15.6M
- Star Valley St, a public street currently provides access to a Sewer Lift Station

History

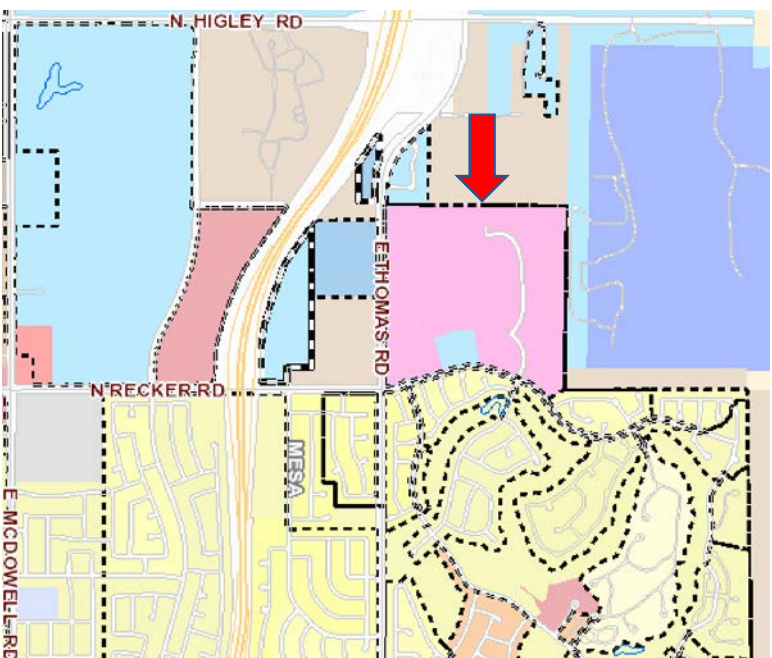
- City acquired property in 1998 with the intent of using it for future open space needs and public use
- In 1998 General Obligation Bonds were used to purchase property for \$4,026,000
- \$4M from Sale Proceeds to be used to pay down outstanding principal or invest in another project for public use within the next two years.

General Plan



Parks/Open Space

Zoning



Public and Semi-Public

Planned Area Development (PS-PAD)

Future Land Use

- Interest From Residential Developers
- Use Will Primarily be Restricted to Residential
- Final Approval of Land Use and Intensity by Council
 - Public Involvement
 - Planning and Zoning Board Hearing for Recommendation

Land Auction Process

- Jan 16 Post Website and Post Site
- Jan 18-20 Advertise Auction
- Feb 4 Pre-auction Conference
- Feb 19 Deadline to Receive Questions
- Feb 21 Deadline to Post Answers
- Mar 7 Auction
- Mar 11 TENTATIVE: Open Escrow
- TBD Council Approves Purchase Contract Successful Bidder

Land Auction

- Bid Entrance: \$250,000 Cashier's Check
- Bidding at \$50,000 increments
- Additional Cashier's Check for 5% of bid amount due by March 11 to open escrow

Development Review and Approval Process

- Entitlement application process can start while in escrow
- Public Participation/Public Hearings with the Planning and Zoning Board with City Council Approval for:
 - Minor General Plan Amendment
 - Rezoning
 - Subdivision Plat
- Close escrow after Council approves entitlements

Questions?

Google Earth

