

## COUNCIL MINUTES

July 8, 2020

The City Council of the City of Mesa met in a Study Session Meeting via a virtual format streamed into the lower level meeting room of the Council Chambers, on July 8, 2020 at 4:45 p.m.

### COUNCIL PRESENT

John Giles\*  
Mark Freeman\*  
Jennifer Duff\*  
Francisco Heredia\*  
David Luna\*  
Kevin Thompson\*  
Jeremy Whittaker\*

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Dee Ann Mickelsen  
Jim Smith

(\*Council participated in the meeting through the use of video conference equipment.)

(\*Councilmember Heredia participated in the meeting through the use of telephonic equipment.)

Mayor Giles conducted a roll call.

### 1. Review and discuss items on the agenda for the July 8, 2020 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: 5-g

### 2-a. Hear a presentation, discuss, and provide direction on a proposed development located on a City-owned parking lot at the southeast corner of Pepper Place and Robson, commonly known as Eco Mesa.

Downtown Transformation Manager Jeff McVay introduced Economic Development Project Manager Jeffrey Robbins who displayed a PowerPoint presentation. **(See Attachment 1)** He commented the project is called Eco Mesa and will be located on a city-owned parking lot across from the I.D.E.A Museum.

Mr. Robbins pointed out ECO Mesa would be placed in a strategic location south of the I.D.E.A. Museum and west of the Federal Bank building occupying a prominent and central location downtown. (See Page 2 of Attachment 1)

Mr. Robbins stated the City will be working with local developer Habitat Metro who has over 30 years of experience developing sustainable and unique buildings in the valley. He mentioned Habitat Metro specializes in Infill Development which happens to be the project being presented to Council. (See Page 3 of Attachment 1)

Mr. Robbins presented in early 2018 Habitat Metro entered into a Memorandum of Understanding (MOU) with the City to develop the project site. He reported staff began to identify several challenges with the site which caused the MOU to lapse at the end of 2018. He added staff continued to work on the project keeping close to the original terms of the MOU. He noted in the past, Council has asked the Downtown Development team to look for developments that are higher end to attract tenants who have a higher disposable income. (See Page 4 of Attachment 1)

Mr. Robbins commented Eco Mesa residents will pay more to live in the downtown location in a highly sustainable housing product. He mentioned the development will have 102 residential units which will include 20 studio units, 44 one-bedroom units, and 38 two-bedroom units. He stated the developer anticipated 130 private parking stalls and 76 public parking stalls totaling 206 parking spaces which will be built in a parking podium below the housing units.

Mr. Robbins advised that part of the deal with the developer was to replace the 76 public spaces on site with structured parking spaces.

Mr. Robbins presented the development will feature four commercial suites totaling 4,000 square feet of micro commercial units. He noted the design for the commercial unit might change as the site continues to develop. He stated Eco Mesa will max out height allowance for the transect which is T5MSF. He added that takes the building structure to 85 feet plus solar rooftop panels and array. (See Page 5 of Attachment 1)

Mr. Robbins pointed out the solar array on top of Eco Mesa should cover 85% of residents' daily energy usage. He stated there will be electric vehicle charging stations for resident and public use. He noted the building will also have a gray water capture system which will irrigate the surrounding landscape.

Mr. Robbins reported the developer has the intent of installing energy monitoring and display for each unit that will show the resident how much energy is being consumed over time, in hopes to help adjust their habits and reduce energy use in the future.

Mr. McVay announced the developer has a full cash investment partner, with one contingency, which is to have the money invested by September 15, 2020. He stated to have the investment completed within the investment timeline of September 15, 2020 the City will need to have the zoning agreements and development agreement entitlements in place. He requested direction from Council on three major points for the project. (See Page 7 of Attachment 1)

Mr. McVay explained in exchange for the requests the developer has 102 high end market rate apartments with the price point of \$2.15 per square foot which is greater than current rents across Mesa. He stated the developer has agreed to maintain the 76 structural parking spaces with a perpetual parking easement which means the City will not lose the benefit of the site. He shared the developer is looking at \$30,000,000 in construction and soft costs and will be required by the development agreement to comply with quality and amenity standards to help maintain the value of the project. (See Page 8 of Attachment 1)

Mr. McVay stated the developer is asking the City to assist with relocation costs of the existing electric duct bank. He displayed two photos explaining the approximate location of the primary electrical feed and why the electric utility team was not fond of building across the top of the electric line. He reported the City is working on being able to relocate the line to the east side of the property where the building will not be on top of the duct bank. He mentioned the cost to move the utility line will be \$600,000 which is a conservative estimate as there are several system upgrades to the electric system that would need to happen in the area. He shared the developer will be paying \$325,000 for the property, \$24,500,000 for construction costs, and \$320,000 in local construction sales tax. He noted with the sale of the property and sales tax funds the City will have just under \$650,000 available in one-time revenues that can be used to offset the electric line relocation. (See Page 9 of Attachment 1)

Mr. McVay stated it is important to note the electric line will become a deterrent to redevelopment regardless of any project to be built out on this site. He added there will likely be costs to improve the electric system in the area simply because the transformers do not have enough capacity to serve multiple buildings in the future.

Mr. McVay pointed out in addition to the electric line the City has five solid waste enclosures on the parking lot serving multiple buildings on the north side of Main Street between McDonald and Robson Streets. He stated those five enclosures take up enough real estate to make the project unviable. He noted the City is working on finding an alternative solution to relocate the solid waste enclosures to the east on the south side of the federal building back lot, which is not a final solution. He shared the developer has agreed to partner with the City through the development agreement to split the costs of the relocation of the solid waste enclosures. (See Page 10 of Attachment 1)

Mr. McVay presented the next request from the developer is for a Government Property Lease Excise Tax (GPLET) Agreement for an eight-year abatement of taxes. He stated the City completed an Economic Benefit Analysis showing the development will meet the requirements of State statute, increase the property value by over 100%, and generate revenue to the local government in excess of the abated taxes. He explained over eight years, there would be approximately \$205,000 in abated taxes. He reported at year nine, when the site comes back onto the tax rolls, the City can expect approximately \$32,000 in revenue, increasing annually. He commented in addition to the eight-year period the economic benefit analysis showed the rental and sales tax generated from the new residents to be approximately \$640,000 over eight years, add 30 new jobs, and \$21,000,000 in direct economic benefit to the City. (See Page 11 of Attachment 1)

Mr. McVay stated given the timeline for the three requests, Council direction is needed to provide support for the project or to work on different solutions to negotiate the final deal on the development agreement, sale agreement, and the GPLET agreement with the developer.

In response to multiple questions from Vice Mayor Freeman, Mr. McVay clarified the City is selling the property for the appraised value of \$325,000. He referred to the Central Main Plan adopted in 2012 that stated any development on City-owned parking lots would have to incorporate the replacement of the public parking. He commented that he does not believe the site could be developed without moving the electrical duct bank line.

Vice Mayor Freeman commented the City needs to work with the developer to make infrastructure changes to take care of the businesses downtown.

Mr. Brady explained the duct bank has been there for some time and the City recognizes there would have to be upgrades sooner or later. He stated putting in the new duct bank will create value for the surrounding customers since the City will be upgrading the facility at the same time, creating improvements for the entire downtown area.

In response to a question from Vice Mayor Freeman, Mr. McVay explained the developer would be capturing a portion of the grey water before it gets to the sewer system.

Councilmember Thompson shared he appreciated the sustainability and uniqueness of the project. He mentioned since the project is in an opportunity zone the developer will own the property for 10 years ensuring the facility and property are kept modern and maintained. He pointed out Council has been pushing for market rate housing in Downtown Mesa for those who have expendable income to help the downtown area thrive.

Councilmember Luna expressed support for the project. He added Eco Mesa is a great amenity for downtown that will attract a different type of clientele.

Councilmember Duff shared enthusiasm for the project and stated it will put Downtown Mesa on the map. She stated the City will want to preserve and protect the downtown businesses that have been there for many years through the development agreement.

In response to multiple questions from Councilmember Duff, Mr. Robbins responded by stating the solid waste that serves the entire block will be moving east and the solid waste serving the new development will be on site. He mentioned the developments solid waste container will have a compactor to break down garbage to put into three-yard bins. He added when the bins are full the development will bring the bins out to the alley for pick up. He explained the maintenance on the 76 parking spaces is currently being negotiated with the developer. He stated in the original MOU there were a certain number of years the developer would continue to maintain the public spaces before responsibility reverted to the City.

Councilmember Duff voiced concerns on multiple items such as businesses being taken care of in the development agreement, parking, safety factors with construction equipment, and access to the businesses during construction. She stated there will be more residential and high rises developed in the future meaning more people and business coming to the downtown area. She provided support for the project.

Mayor Giles commented the site is currently a public parking lot that does not generate revenue for the City. He mentioned the electric infrastructure needs an upgrade to continue to provide services to the downtown businesses. He pointed out the project is fully funded when financing is typically a challenge.

It was the consensus of the Council to proceed with the next steps of the Eco Mesa project.

Mayor Giles thanked staff for the presentation.

2-b. Appointments to the Board of Adjustment, Design Review Board, Historic Preservation Board, Merit System Board, and Self Insurance Board of Trustees.

Items 2-b and 3-a were considered as one motion. **See Item 3-a.**

3. Acknowledge receipt of minutes of various boards and committees.

Councilmember Thompson requested an update on the 2020 Census.

Mr. Robbins shared back in 2010 the response rate was 61.5% and currently the city is at 60.9%. He stated August 11, 2020 is when enumerators will start door to door to reach those who have not responded. He reported there are two initiatives that are being focused on in west Mesa and that is a digital push targeting Hispanic youth to help their parents understand why the Census is so important. He continued by stating the second initiative is the text to call campaign, where a Spanish speaking consultant will reach out by phone asking if the resident would like to be transferred to someone to help complete the Census. He mentioned a text message will also be sent out with the same information allowing residents to click the link referred to in the message. He noted the enumerators are trying to capture the Canadian visitors as well since most had left prior to the beginning of the Census campaign.

In response to a question from Councilmember Thompson, Mr. Robbins stated he will send out the Census number breakdowns by district. He noted the City joined a statewide challenge and that Council could help raise the response rate by sharing social media posts created to help motivate people to fill out the census within their districts.

3-a. 2020 Census Taskforce Advisory Committee meeting held on December 9, 2020.

It was moved by Councilmember Thompson, seconded by Vice Mayor Freeman, that the receipt of minutes and Board and Committee appointments be approved.

Upon tabulation of votes, it showed:

AYES – Giles-Freeman-Duff-Heredia-Luna-Thompson-Whittaker  
NAYS – None

Carried unanimously.

4. Current events summary including meetings and conferences attended.

|                          |   |
|--------------------------|---|
| Councilmember Thompson – | Host of Community and Economic Development Meeting<br>Change of Command Ceremony-Yuma Proving Grounds |
| Councilmember Duff –     | Community Conversations   |
| Councilmember Luna –     | Facebook En Espanol Canned Food Drive   |
| Mayor Giles –            | Fourth of July Fireworks Display<br>Mayors Education Round Table                                      |

5. Scheduling of meetings.

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

Thursday, August 20, 2020, 7:30 a.m. – Study Session

Monday, August 24, 2020, 5:45 p.m. – Regular Council Meeting

6. Convene an Executive Session.

- 6-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A (4))

1. *Tanya Zachary v. City of Mesa, et al.*  
Maricopa County Superior Court, Case No. CV2017-005855

It was moved by Vice Mayor Freeman, seconded by Councilmember Thompson, that the Council adjourn the Study Session at 5:39 p.m. and enter into Executive Session.

7. Adjournment.

Without objection, the Study Session adjourned at 5:59 p.m.

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JOHN GILES, MAYOR

ATTEST:

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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 8th day of July 2020. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 1)

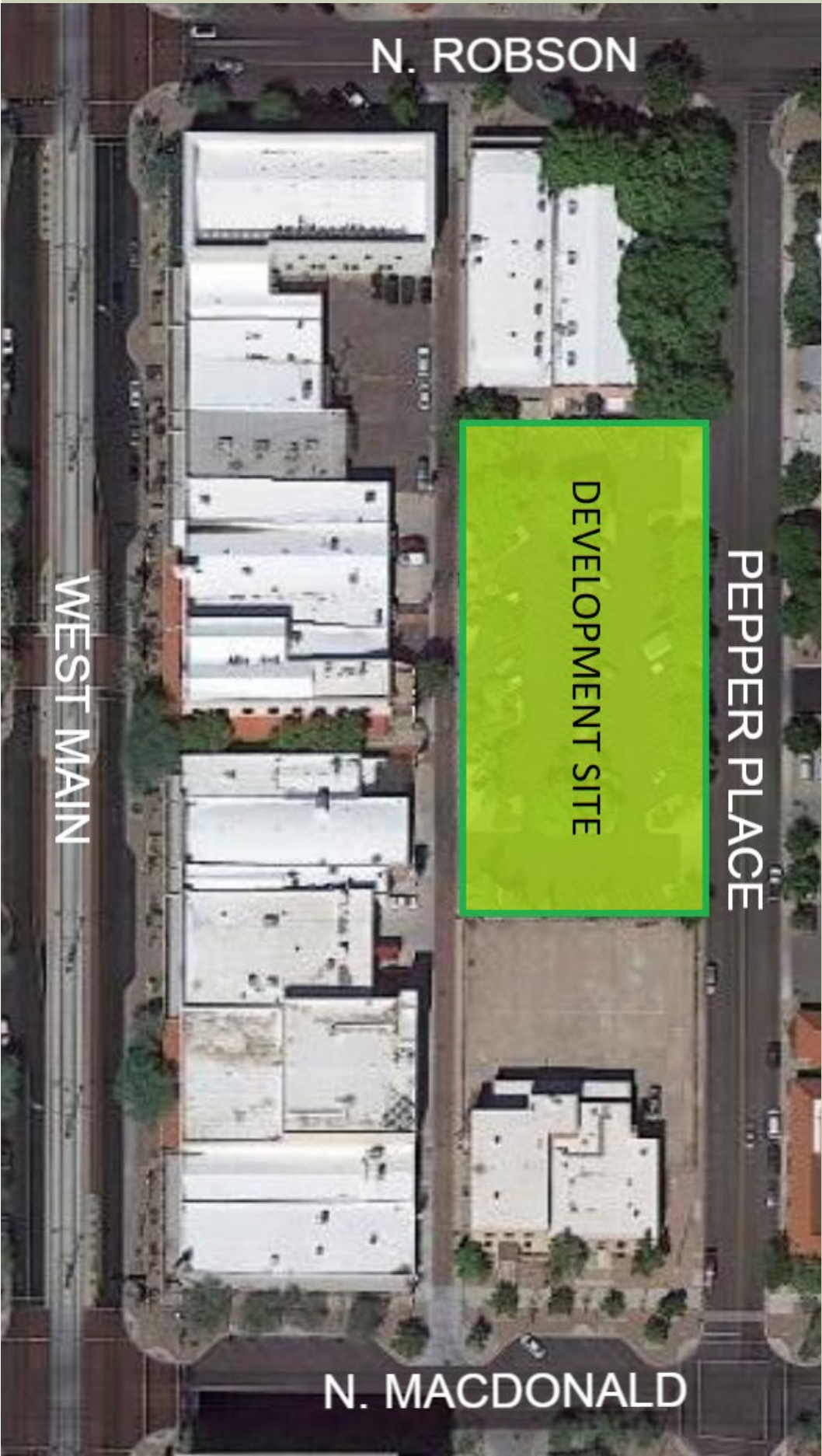
# PURCHASE AND DEVELOPMENT AGREEMENTS: ECO MESA

City Council  
Study Session  
July 8, 2020

Jeff McVay  
Manager of Downtown  
Transformation

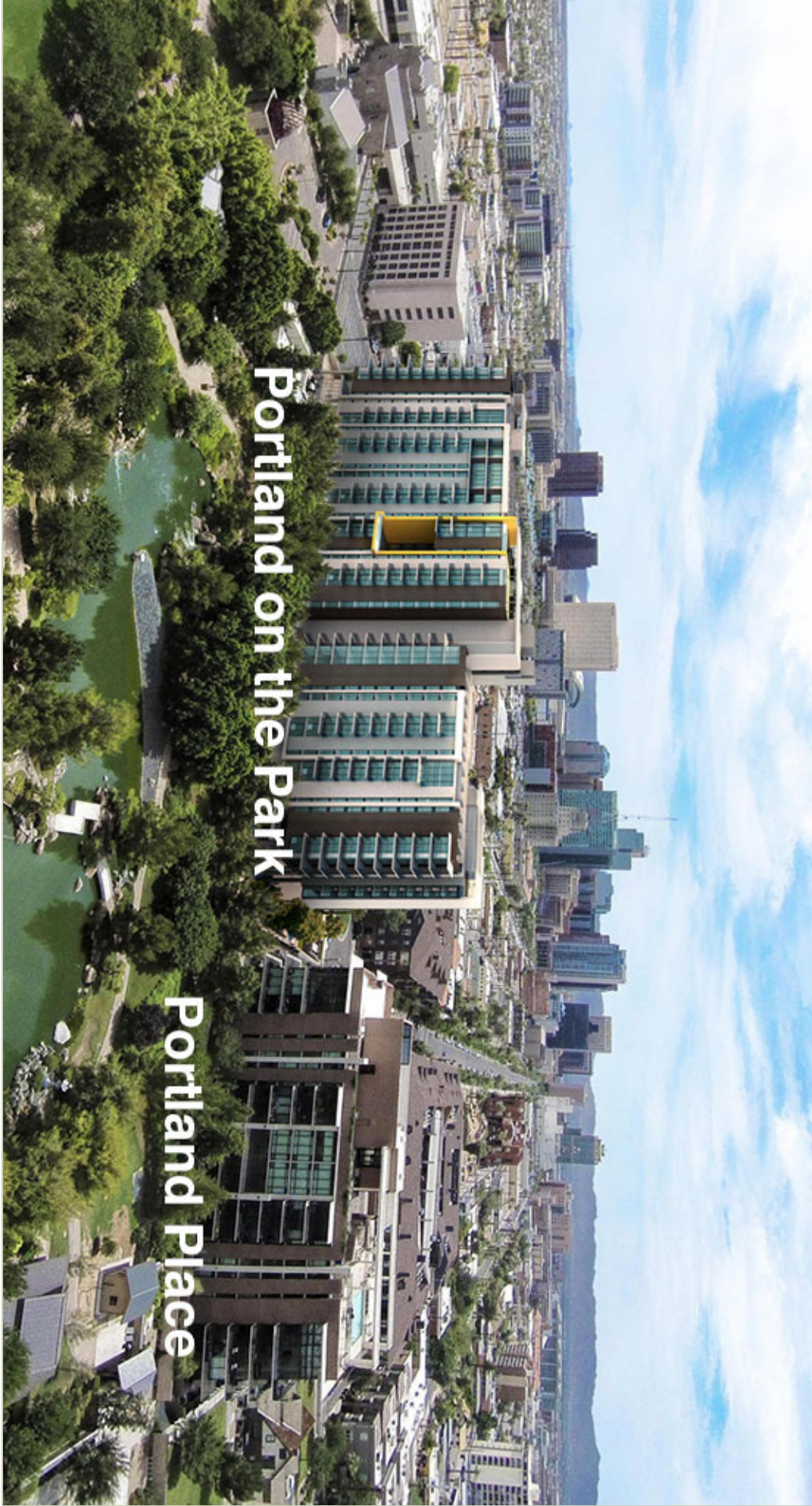
Jeff Robbins  
Downtown  
Transformation Project  
Manager

# PROJECT OVERVIEW





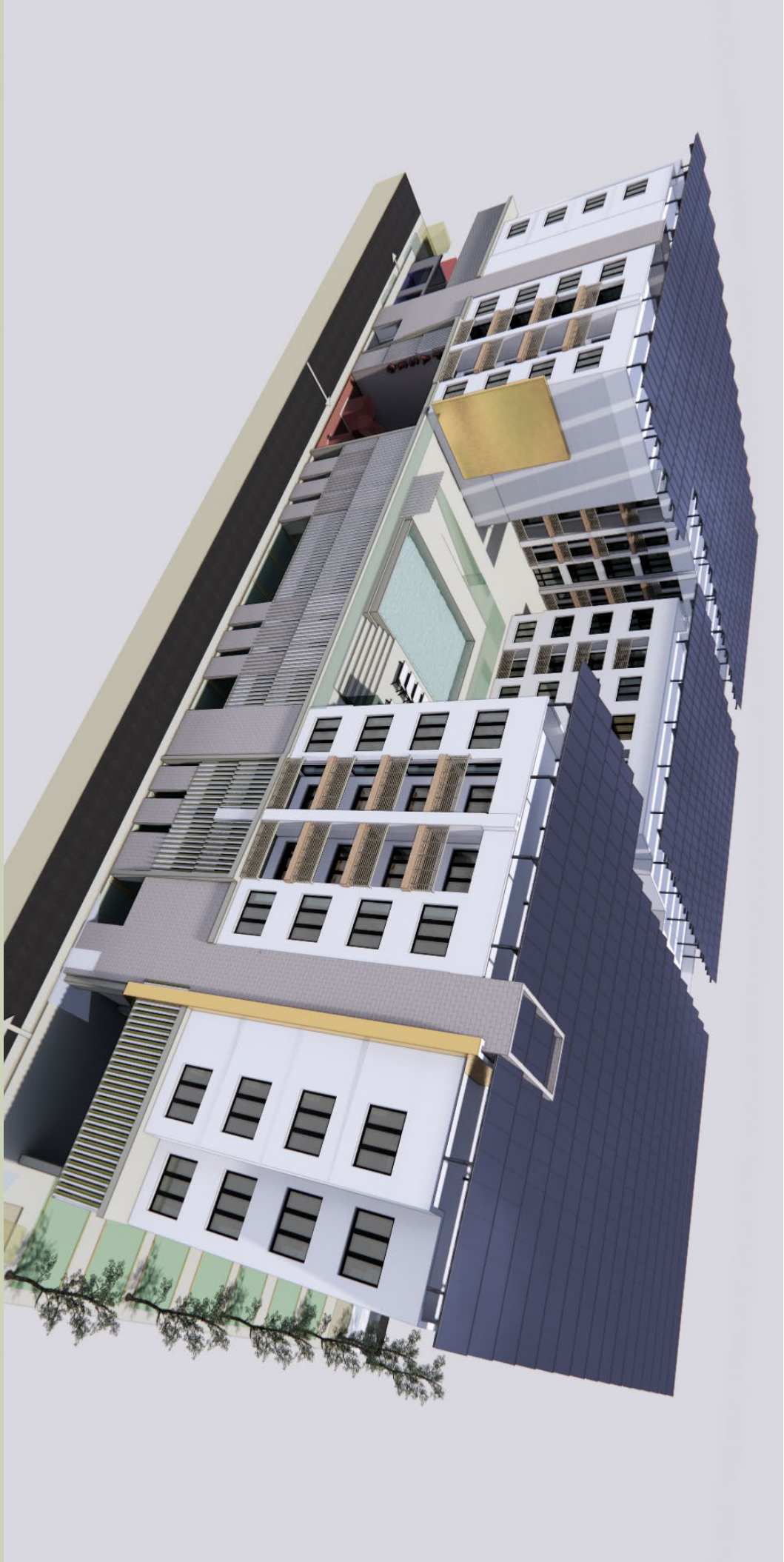
# PROJECT OVERVIEW





# PROJECT OVERVIEW





# PROJECT OVERVIEW



# PROJECT OVERVIEW



# Major Points To Be Negotiated or Resolved

- **September 15<sup>th</sup> Deadline**
  - Opportunity Zone investor
  - All entitlements due: PA/DA/Zoning Entitlements
- Relocation of electric duct bank
- Relocation of public solid waste
- Government Property Lease Excise Tax

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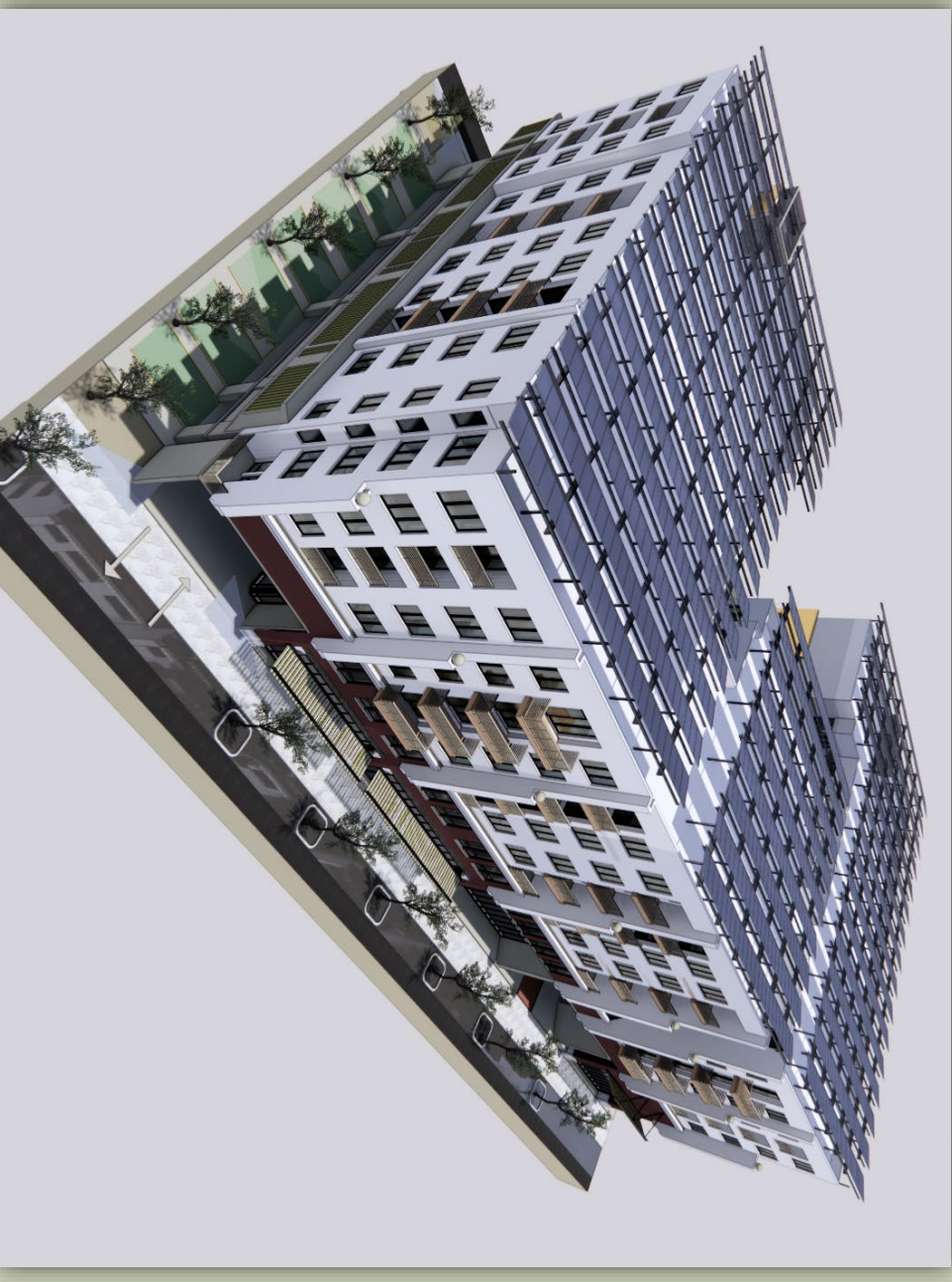
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# PRIMARY DEVELOPER COMMITMENTS

- 102 high-end, market-rate apartments
- Minimum 2,000 SF first floor commercial
- Construction of 76 structured parking stalls for public use and ~ 130 private parking stalls
- Estimated project cost of approx. \$30M
- Compliance with site, building, and unit quality standards
- *Provide City with perpetual public parking easement over 76 structured parking stalls*



# PRIMARY CITY COMMITMENTS

# RELOCATION OF ELECTRIC DUCT BANK<sup>1</sup>

- Estimated cost: ≈ \$600,000

<sup>1</sup>Relocation of electric duct bank would be necessary for any project on this site



- Offsetting revenues to City:
- Sale of land: \$325,000 (full appraised value)
- Construction Sales Tax:  $\approx$  \$320,000





# PRIMARY CITY COMMITMENTS

## RELOCATION OF NEW PUBLIC SOLID WASTE

- Estimated cost: ≈ \$60,000
- New solid waste location required
- Developer has committed to cover cost of new enclosures





# PRIMARY CITY COMMITMENTS

## GPLET LEASE AGREEMENT (8-YEAR ABATEMENT)

- City Tax Abatement: ≈ \$205,000
  - Current City Tax Revenue: \$0.00
  - Year Nine City Tax Revenue: ≈ \$32K
- Rental and Taxable Sales: ≈ \$642K
- 31 new jobs
- \$20.8M: Estimate total direct and indirect economic benefit to the City over 8-year abatement



# ECO MESA

## DISCUSSION AND QUESTIONS