

COUNCIL MINUTES

May 26, 2016

The City Council of the City of Mesa met in a Special Council Meeting in the Council Chambers, 57 East 1st Street, on May 26, 2016 at 7:30 a.m.

COUNCIL PRESENT

John Giles
Alex Finter*
Christopher Glover
Dennis Kavanaugh
David Luna
Dave Richins
Kevin Thompson

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Jim Smith
Dee Ann Mickelsen

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

1. Take action on the following resolution:

- 1-a. Approving and authorizing the City Manager to enter into an Intergovernmental Agreement with the Arizona Board of Regents for, and on behalf of, Arizona State University for the development, operation, and maintenance of educational facilities in Mesa. **(Citywide)** – Resolution No. 10807.

It was moved by Councilmember Glover, seconded by Councilmember Luna, that the Council adjourn the Special Council Meeting and enter into Executive Session at 7:31 a.m.

Carried unanimously.

(The Executive Session adjourned and the Council reconvened the Special Council Meeting at 7:50 a.m.)

Manager of Downtown Transformation Jeff McVay displayed a PowerPoint presentation (**See Attachment 1**) and provided a brief overview of the City of Mesa and Arizona State University's (ASU) respective commitments regarding the Intergovernmental Agreement (IGA) that the parties are entering into. He explained that the IGA, which is comprised of three phases, relates to the development, operation and maintenance of educational facilities in downtown Mesa.

Mr. McVay reported that during Phase I of the project, the City would be responsible for the design and construction of Buildings A and B (See Page 2 of Attachment 1), tenant

improvements, and the design and construction of public infrastructure improvements (i.e., utilities and approximately five acres of public open space).

In response to a question from Councilmember Richins, Mr. McVay clarified that the drawings of Buildings A and B, as depicted on Page 2 of Attachment 1, are merely a conceptual design. He explained that one of the requirements of the IGA is the development of a master plan and design guidelines. He assured the Council that staff would conduct additional review of the design, since the footprint and the location of the buildings could change. He added that the primary intent was the development and construction of approximately 180,000 square feet of space in the two structures.

Mr. McVay continued with his presentation and pointed out that in Phase I, the City was also required to address any parking issues and locate replacement parking throughout the downtown area.

Mr. McVay stated that Phase II and Phase III of the project, which are at the City's discretion, include the design and construction of Buildings C and D, which would total an estimated 80,000 square feet in size.

Mr. McVay remarked that during Phase I, ASU was responsible for bringing programs and activities associated with Digital and Sensory Technology, Performing and Media Arts, Early Childhood Education and Entrepreneurial Support, including a minimum of 1,500 students and 100 faculty and staff within five years and 2,000 students and 125 faculty and staff within ten years. He noted, in addition, that ASU would be responsible for providing the furniture, fixtures and equipment (FFE) for the buildings, as well as any specialty/advanced building features. He said that ASU would also establish a Reserve and Replacement Fund, the monies of which would be used to fund the cost of larger capital improvement projects. He further remarked that ASU would be responsible for the operation and maintenance of its facilities.

Mr. McVay, in addition, reported that if the City moves forward with the design and construction of Buildings C and D in Phases II and III, the site would accommodate 3,000 students and 200 faculty and staff. He explained that similar to Phase I, ASU would once again be responsible for the FFE, as well as the operation and maintenance of the structures.

Mr. McVay provided a short synopsis of a series of cooperative commitments between the City and ASU as follows: the selection of design consultants; the development of a master plan, which would include the final location of the buildings and the civic space; infrastructure plans (utilities and streets); an agreement on three separate project budgets for the buildings, infrastructure and overall (Note: The costs could only be modified per the decision of the City); sub-leasing the commercial space; and fundraising to offset capital costs and FFE costs.

Mr. McVay briefly summarized the Phase I costs, which could range between \$103.4 million to \$122.5 million. He reported that Phase II and Phase III costs are estimated at \$32 million to \$38 million. (See Page 5 of Attachment 1)

Mr. McVay explained that in terms of revenues, the City would lease the buildings to ASU for a term of 99 years, which could be extended if ASU made significant capital investments in the facilities; that ASU would be charged \$100,000 for rent on an annual basis and would also be required to reimburse the City for the salary of a City Facilities Manager, who would oversee the maintenance and operation of the City Center; and that the City would also anticipate additional

revenues, which cannot be quantified at this time, for commercial sub-leases, permitted parking and City utilities.

Councilmember Richins complimented the parties for their fair and equitable negotiations throughout this initial process. He stated that the IGA was “a groundbreaking agreement” between the parties, with an eye toward long-term goals and a degree of flexibility.

It was moved by Councilmember Richins, seconded by Vice Mayor Kavanaugh, that Resolution No. 10807 be adopted.

Vice Mayor Kavanaugh remarked that during his four terms on the City Council, he has seen many agreements and engaged in numerous discussions as it relates to projects that were presented to the City. He noted that some of those projects materialized, while many did not. He stated that with respect to this item, the City and ASU have worked very hard to arrive at an agreement that was fair to both parties. He expressed confidence that the taxpayers in Mesa, as well as throughout the state, will recognize the equity and benefit of the agreement. He further thanked City staff and the ASU representatives for their efforts and hard work in this regard.

Councilmember Luna expressed appreciation to the parties for their professionalism and dedication. He noted that in reading the IGA with great scrutiny, he was pleased to see that not only did it contain all of the necessary elements that the Council had directed be included in the document, but also that it was fair and equitable to the City and Mesa taxpayers.

Mayor Giles stated the opinion that the IGA might be “a once in a generation opportunity” for the City of Mesa to take a step forward in the downtown and also provide additional higher education opportunities for its citizens. He noted, in addition, that the IGA would also “cement” Mesa’s image as one with a well-prepared workforce and a community that places a high value on education.

Mayor Giles, in addition, recounted that in a recent conversation with Dr. Michael Crow, President of ASU, Dr. Crow conveyed to him that ASU considered the downtown Mesa proposal “a big deal” and a priority for the university to make it a success. He acknowledged that although there was significant work yet to be completed with respect to financing the project and addressing public safety issues, he looked forward to future discussions in this regard.

Councilmember Finter concurred with the comments of his fellow Councilmembers and thanked the parties for their efforts and hard work thus far in the process.

Mayor Giles called for the vote.

Carried unanimously.

2. Convene an Executive Session.

(See comments under Item 1-a.)

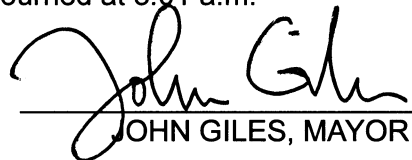
- 2-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with designated representatives of the City in order to consider the City’s position and instruct the City’s representatives regarding negotiations for the purchase, sale or lease of real property. (A.R.S. §38-431.03A (7)) 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 contracts that are the subject of

negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A (4))

1. Intergovernmental Agreement with Arizona State University for a campus on City-owned property.

3. Adjournment.

Without objection, the Special Council Meeting adjourned at 8:01 a.m.

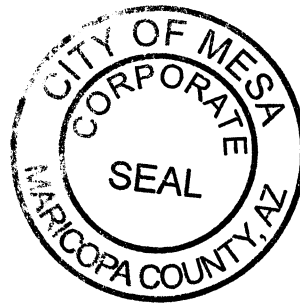


JOHN GILES, MAYOR

ATTEST:



DEE ANN MICKELSEN, CITY CLERK



I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Council Meeting of the City Council of Mesa, Arizona held on the 26th day of May, 2016. I further certify that the meeting was duly called and held and that a quorum was present.



DEE ANN MICKELSEN, CITY CLERK

INTERGOVERNMENTAL AGREEMENT: ARIZONA STATE UNIVERSITY

City Council
May 26, 2016

Jeff McVay
Manager of Downtown
Transformation

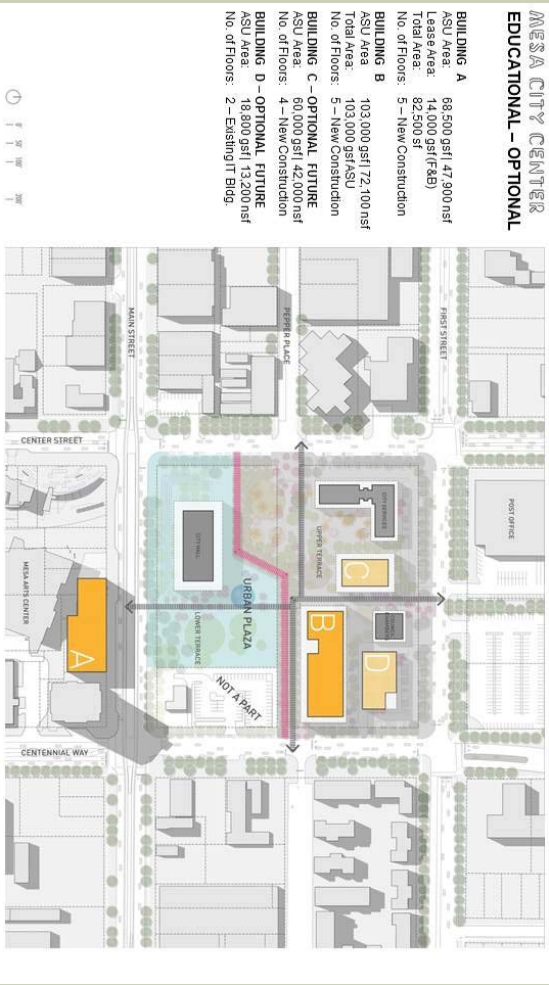
PRIMARY CITY COMMITMENTS

Phase I

- Design and construction of Buildings A & B – Approx. 180,000 s.f.
- Tenant Improvements, less FF&E
- Design and construction of infrastructure improvements
 - Approximately 5 acre public open space
- Parking

Phase II & III (at City's discretion)

- Design and construction of Buildings C & D – Approx. 78,800± s.f.



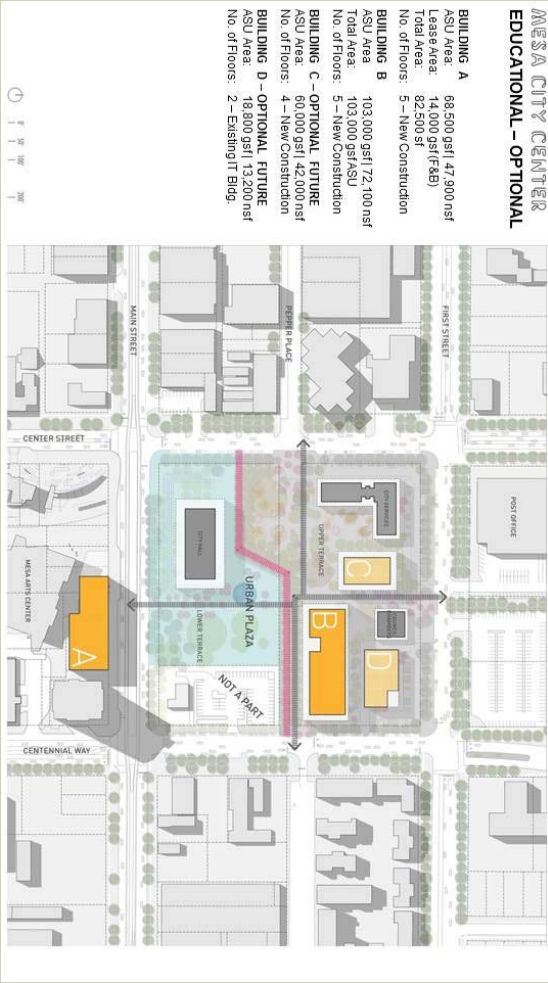
PRIMARY ASU COMMITMENTS

Phase I

- 1,500 Students and 100 Faculty and Staff (within 5 years)
 - Digital and Sensory Technology
 - Performing and Media Arts
 - Early Childhood Education
 - Entrepreneurial Support
 - Among other programs and activities
- 2,000 Students and 125 Faculty and Staff (within 10 years)
- FF&E and Specialty/Advanced Building Features
- Reserve and Replacement Fund
- Operation and maintenance of buildings

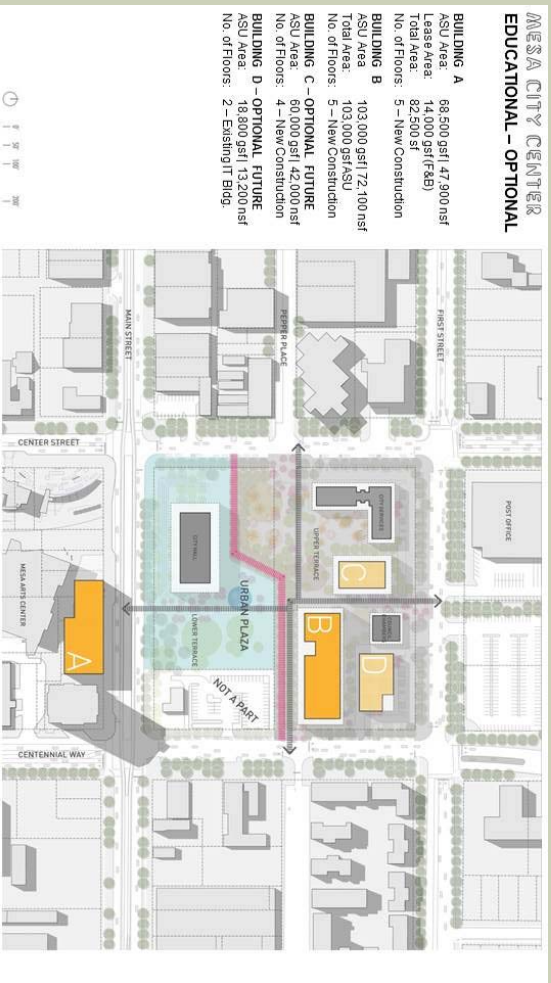
Phase II & III (if constructed by City)

- 3,000 Students and 200 Faculty and Staff (within 10 years of Phase I, or 3 years of occupancy of future phase)
- FF&E and Specialty/Advanced Building Features
- Reserve and Replacement Fund
- Operation and maintenance of buildings



COOPERATIVE COMMITMENTS

- Design consultant(s) selection
- Master plan and design guidelines (buildings and civic space)
- Infrastructure plan (utilities and streets)
- Project budgets (building, infrastructure, and overall)
- Sub-leasing commercial space
- Fund-raising



FINANCIAL COMMITMENTS

Phase I Cost Summary:

Buildings A & B:

- \$70.4 to \$81.5 million

Civic Plaza:

- \$20 to \$25 million

Parking:

- \$10 to \$12 million

Off Site Improvements:

- \$3 to \$4 million

Total:

- \$103.4 to \$122.5 million

Phase II and III Cost Summary:

Buildings C & D:

- \$32 to \$38 million

**MESA CITY CENTER
EDUCATIONAL - OPTIONAL**

BUILDING A	88,500 gsf / 47,900 nsf
ASU Area	14,000 gsf (7.8%)
Lease Area	82,500 sf
Total Area	102,500 sf
No. of Floors	5 – New Construction
BUILDING B	103,000 gsf / 72,100 nsf
ASU Area	103,000 gsf / ASU
Total Area	103,000 gsf / ASU
No. of Floors	5 – New Construction
BUILDING C – OPTIONAL FUTURE	
ASU Area	60,000 gsf / 42,000 nsf
No. of Floors	4 – New Construction
BUILDING D – OPTIONAL FUTURE	
ASU Area	18,800 gsf / 13,200 nsf
No. of Floors	2 – Existing IT Bldg.



REVENUES

Lease Term:

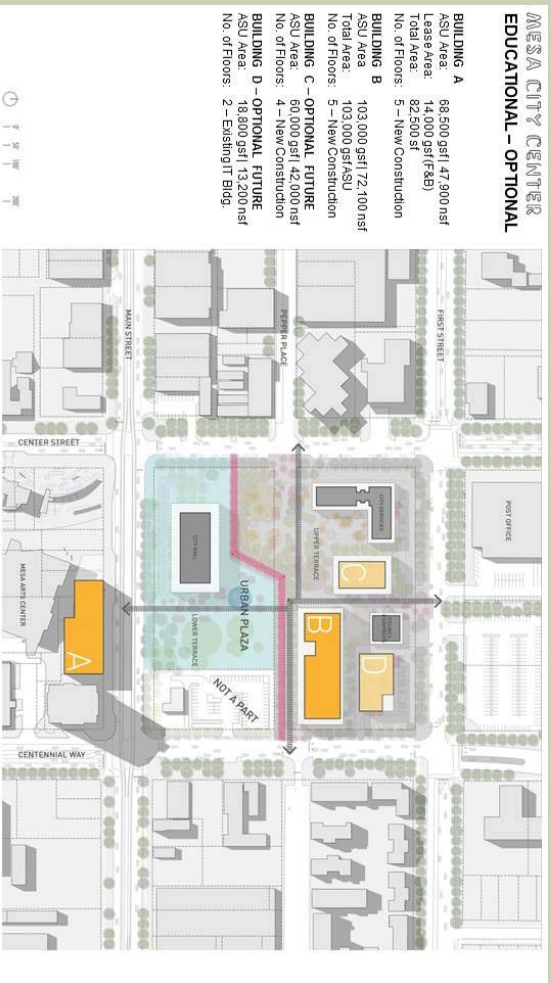
- 99 years
- Can be extended with certain ASU capital investments in facilities

ASU Rent:

- \$100,000/year
- Reimbursement for the salary of a City Facilities Manager

Additional Revenues:

- Commercial sub-leases
- Permitted parking
- Utilities



ASU - INTERGOVERNMENTAL AGREEMENT

DISCUSSION AND QUESTIONS