



COUNCIL MINUTES

December 2, 2024

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 December 2, 2024, at 5:00 p.m.

COUNCIL PRESENT

John Giles
Francisco Heredia
Jennifer Duff
Mark Freeman
Alicia Goforth
Scott Somers
Julie Spilsbury

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Holly Moseley
Jim Smith

Mayor Giles conducted a roll call.

1. Review and discuss items on the agenda for the December 2, 2024, 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

Planning Director Mary Kopaskie-Brown introduced Assistant Planning Director Rachel Nettles and displayed a PowerPoint presentation regarding Item 6-a, **(Proposed amendments to Chapters 6, 7, 8, 81, and 87 of Title 11 of the Mesa City Code pertaining to adaptive reuse. The text amendments include but are not limited to adding Chapter 81:Adaptive Reuse Permit; modifying land use tables to permit multiple residential use in Commercial, Industrial, and Downtown Districts if they qualify for an Adaptive Reuse Permit; adding definitions for Adaptive Reuse, Adaptive Reuse Permit, Existing Commercial, Office, and Mixed-use Building, Low-income Housing, Moderate-income Housing, and Multiple Residence Reuse. (Citywide)), and Item 6-b, (Proposed amendments to Chapter 67 and 87 of Title 11 of the Mesa City Code pertaining to residential zoning application review time frames. The text amendments include, but are not limited to, adding a time frame for administrative completeness review for residential zoning applications; adding a process for residential zoning applications that are deemed incomplete; adding a time frame for approving or denying residential zoning applications; providing exceptions from the residential zoning application time frames; and adding a definition of residential zoning application. (Citywide)), on the Regular Council meeting agenda. (See Attachment 1)**

Ms. Nettles summarized House Bill (HB) 2297 that passed last spring and the standards for multiple residence reuse and adaptive reuse. She discussed the eligibility requirements per HB 2297 and in relation to the City of Mesa (COM). (See Pages 2 through 4 of Attachment 1)

Ms. Nettles reviewed the specific areas that are excluded from HB 2297 throughout the City and identified the excluded areas on a map. She noted that any redevelopment in the Superstition Springs area should be considered with a comprehensive approach. (See Pages 5 through 7 of Attachment 1)

Ms. Kopaskie-Brown added that staff has worked closely with the Economic Development Office, the Downtown Transformation team, and the Redevelopment team in identifying potential areas that the City wants to protect as part of their employment hubs.

Ms. Nettles outlined the proposed text amendments for an adaptive reuse permit, which provides a process and a mechanism to meet the requirements of HB 2297 as well as specifies the development standards that allow the City to regulate and track. She summarized the land uses details. She pointed out the development standards and specific height restrictions for multiple residence reuse. She highlighted the development standards for the adaptive reuse component, and for non-conforming structures for height and setbacks. (See Pages 8 through 10 of Attachment 1)

In response to a question from Councilmember Spilsbury, Ms. Nettles advised that the two-story height restriction in a single residence zoning district only applies to the portion of the project that falls within that 100-foot radius, while the remaining portion of the project could potentially exceed the height restriction up to five stories high.

Responding to a question posed by Councilmember Freeman, Ms. Kopaskie-Brown replied that height restrictions in the proposed text amendment do not apply to existing or future historic districts.

In response to multiple questions from Councilmember Spilsbury, Ms. Kopaskie-Brown commented that the restrictions apply to local historic districts as well as Mesa's historic landmark overlay, so any overlay that the City includes in a historic district, historic building, structure, or landmark will be excluded from the restrictions.

Mayor Giles proclaimed that the proposed Mesa ordinance was mandated by the State.

In response to a question from Councilmember Duff, Ms. Kopaskie-Brown explained that rezoning is not required for the mixed-use component; any residential component must have an affordability aspect, and any commercial component needs to follow the standard process. She noted only the residential portion is exempt from rezoning.

Ms. Nettles summarized the zoning ordinance amendments for Senate Bill (SB) 1162, a house bill that was signed last spring. She explained the amendments to Section 11-67-4, the common procedures. She discussed the amendment to Chapter 87, and the new definition for residential zoning applications. (See Pages 12 through 14 of Attachment 1)

Ms. Nettles emphasized that the amendments are a requirement of the State and that the City's zoning ordinance include a timeline. She advised that the addition of timelines for residential

zoning applications will have little impact on the current process, since the City already meets the State's performance standards.

Mayor Giles thanked staff for the presentation.

2-a. Hear a presentation, discuss, and receive an update on the City of Mesa Fiscal Year 2024 Annual Comprehensive Financial Report and Single Audit Report.

Finance Director Irma Ashworth displayed a PowerPoint presentation. **(See Attachment 2)**

Ms. Ashworth discussed the results of the COM 2024 Annual Comprehensive Financial Report (ACFR), which indicated a clean opinion, no findings, and compliance with accounting guidelines. (See Page 2 of Attachment 2)

Ms. Ashworth reviewed the 2024 financial highlights and reported that over the last three years, revenues have increased by \$134.5 million with the majority of the increase received from governmental funds, which is part of the General Fund (GF) as well as other special revenue funds. She commented that the business type funds include Mesa's enterprise, utility, and airport. (See Page 3 of Attachment 2)

Ms. Ashworth provided an overview of the four main revenue streams under governmental activities from 2022 through 2024, illustrating that the unrestricted intergovernmental (state-shared) revenue increased the most. She noted that as the Emergency Rental and Utility Assistance program (ERAP) and American Rescue Plan Act (ARPA) funds are spent, program revenues will continue to decrease. (See Page 4 of Attachment 2)

Ms. Ashworth presented a chart illustrating a five-year comparison over the City's net position, with a total of \$1.2 billion positive net position citywide. She explained that the net position increases when the revenues exceed expenses and when total assets exceed liabilities. She highlighted that over the last five years, the City's net position has continued to increase and currently has a \$1.2 billion positive net position citywide. (See Page 5 of Attachment 2)

Ms. Ashworth reported that the total assets increased to \$5.7 billion, and the majority of the assets are capital assets. She discussed the capital assets as of June 30, 2024, with infrastructure being the largest asset. (See Pages 6 and 7 of Attachment 2)

City Manager Christopher Brady clarified that although the balance sheet net position has increased, 75% of the \$1.2 billion is in capital assets. He noted that the City has been making significant investments in infrastructure and as the City's financial position continues to grow each year, there is a commitment to investing in Mesa's infrastructure, which includes buildings and land, and is not necessarily more cash. He reported that the City is underway in several other major capital projects that will add to the City's assets.

In response to multiple questions from Councilmember Somers, Ms. Ashworth elucidated that in the City's financial statements fixed assets are defined as capital assets and the COM follows the Governmental Accounting Standards Board's (GASB) guidelines. She emphasized that although the balance sheet refers to cash and investments, that does not all mean cash that is available to spend, as most of the money is already committed or restricted.

Responding to a question from Councilmember Duff, Mr. Brady confirmed that the City's revenue stream that is generated is committed and legally obligated towards capital expenses, streets,

public safety, or other dedicated expenses. He discussed some of the challenges with the impact of the rental tax and future strategies to improve the City's financial position.

Ms. Ashworth summarized the total liabilities and mentioned that the two largest components are the pension and other post employee benefits (OPEB) and long-term obligations. She described how capital assets are funded. She compared the types of long-term obligations, pension, and open unfunded liabilities for the City from 2023 and 2024. (See Pages 8 through 10 of Attachment 2)

Discussion ensued in relation to assets and liabilities, funding, pension funds, financial ratings, bonds, secondary property tax, reserves and the City's strong financial position.

Mayor Giles thanked staff for the presentation.

3. Current events summary including meetings and conferences attended.

Mayor Giles and Councilmembers highlighted the events, meetings, and conferences recently attended.

4. Scheduling of meetings.

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

Thursday, December 5, 2024, 7:30 a.m. – Study Session

5. Adjournment.

Without objection, the Study Session adjourned at 5:54 p.m.

JOHN GILES, MAYOR

ATTEST:

HOLLY MOSELEY, 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 2nd of December 2024. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

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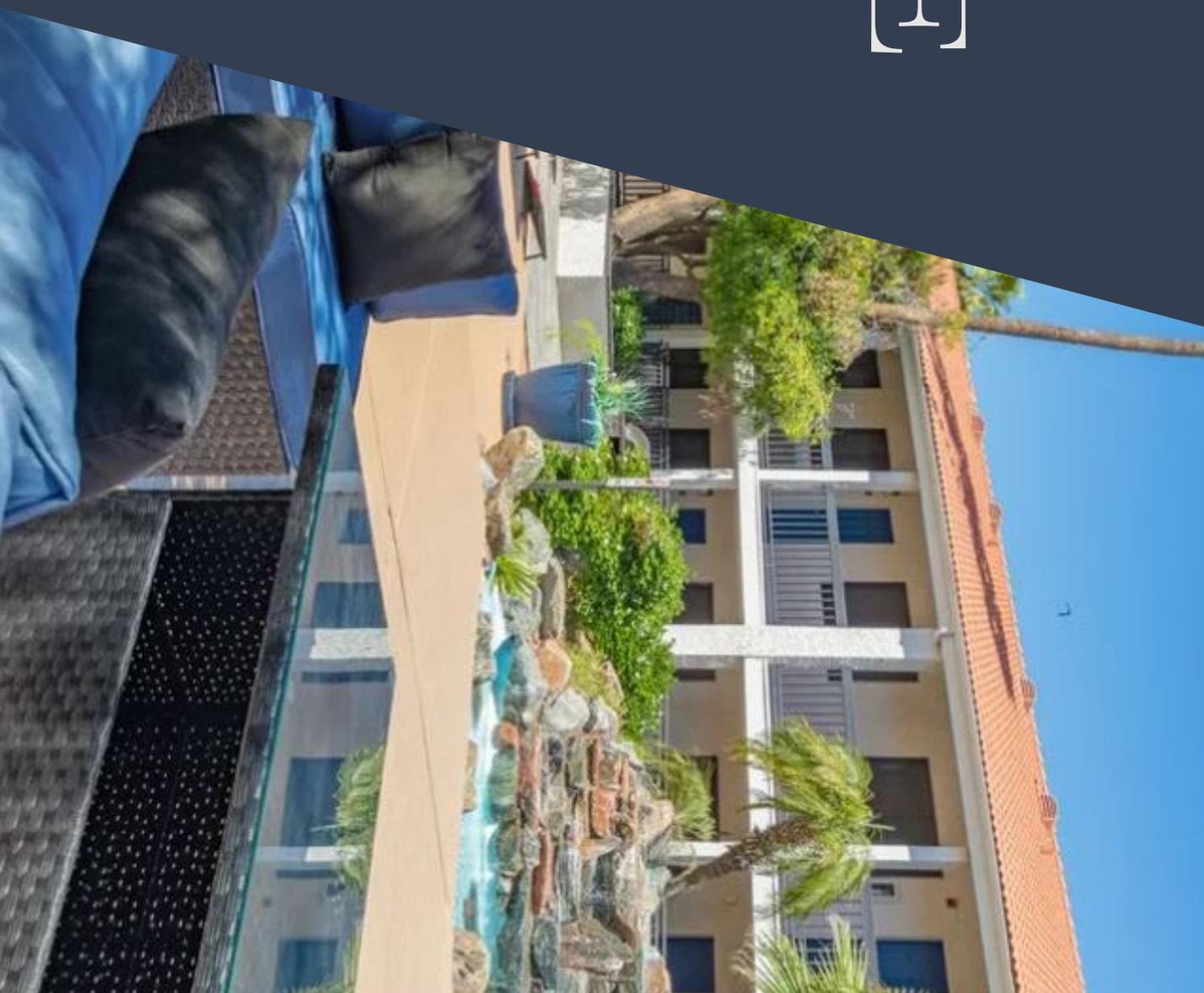
(Attachments – 2)

ADAPTIVE REUSE TEXT AMENDMENTS

Mary Kopaskie-Brown
Planning Director

Rachel Nettles

Assistant Planning Director



B 2297 Summary

- Signed by Governor Hobbs- May 2024
- Requires that on or before January 1, 2025, municipalities with a population of 150,000+ establish objective standards to:
 - Allow Multiple Residence Reuse or Adaptive Reuse
 - Of no more than 10% of existing commercial, office, or mixed-use buildings
 - Without requiring a conditional use permit or a public hearing

Multiple Residence Reuse

- Conversion of a commercial, office or mixed-use building to multi-family residential
- Allows for complete or partial demolition of the building

Adaptive Reuse

- Conversion of a commercial, office or mixed-use building to a non-residential use (with multi-family residential)
- Allows for partial demolition of the building₂

B 2720 REQUIREMENTS

Eligibility:

- Parcel Size - Parcel(s) of land at least 1-acre but no more than 20-acres in size
- Building Condition and Vacancy - Must be in a state of disrepair or have 50% vacancy in total leasable sq. ft.
- Affordable Housing - 10% or more of units must be set aside (moderate or low-income) for 20 yrs



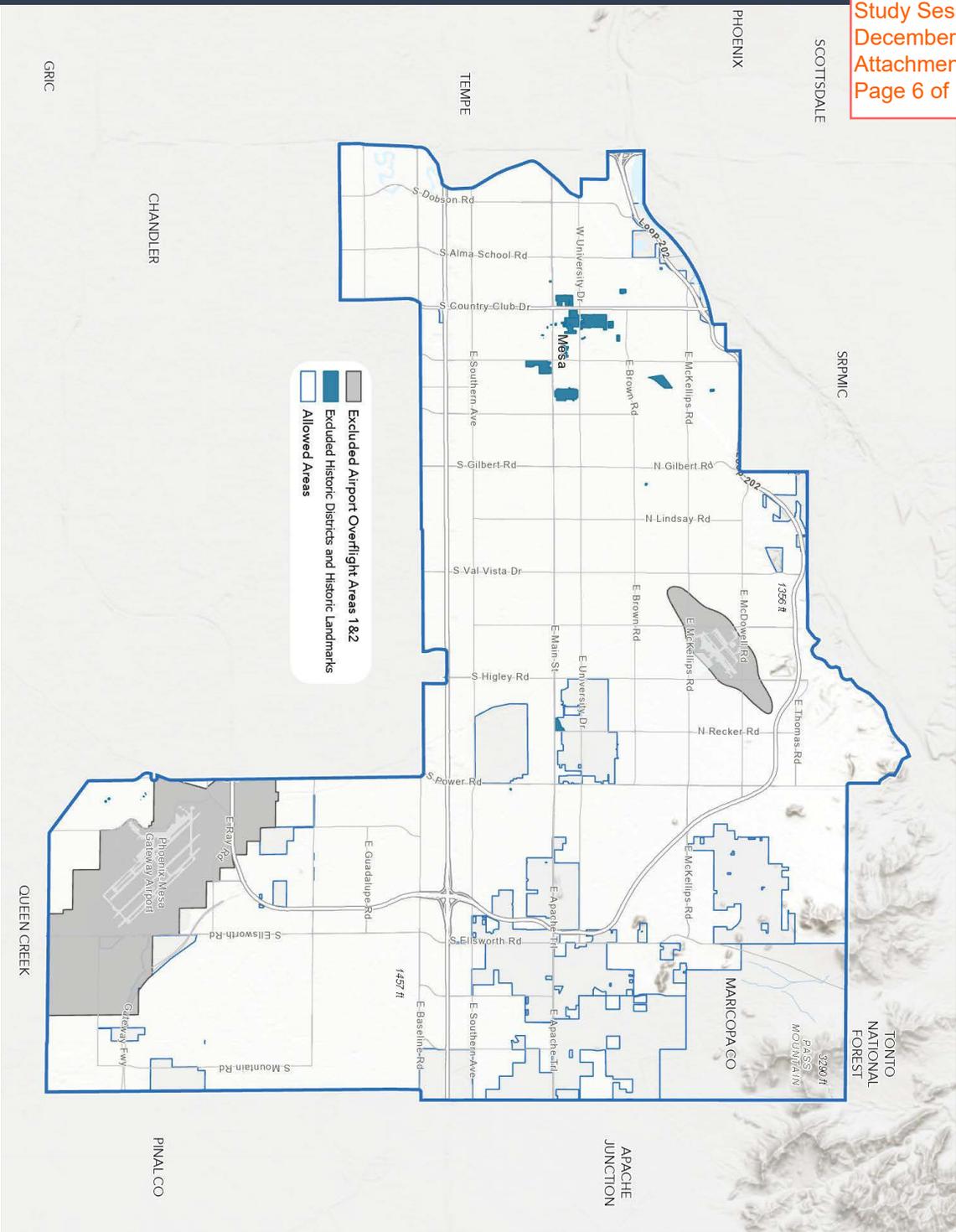
WHAT THIS MEANS

There are ~2,024 Commercial, Office, and Mixed-use Buildings in Mesa

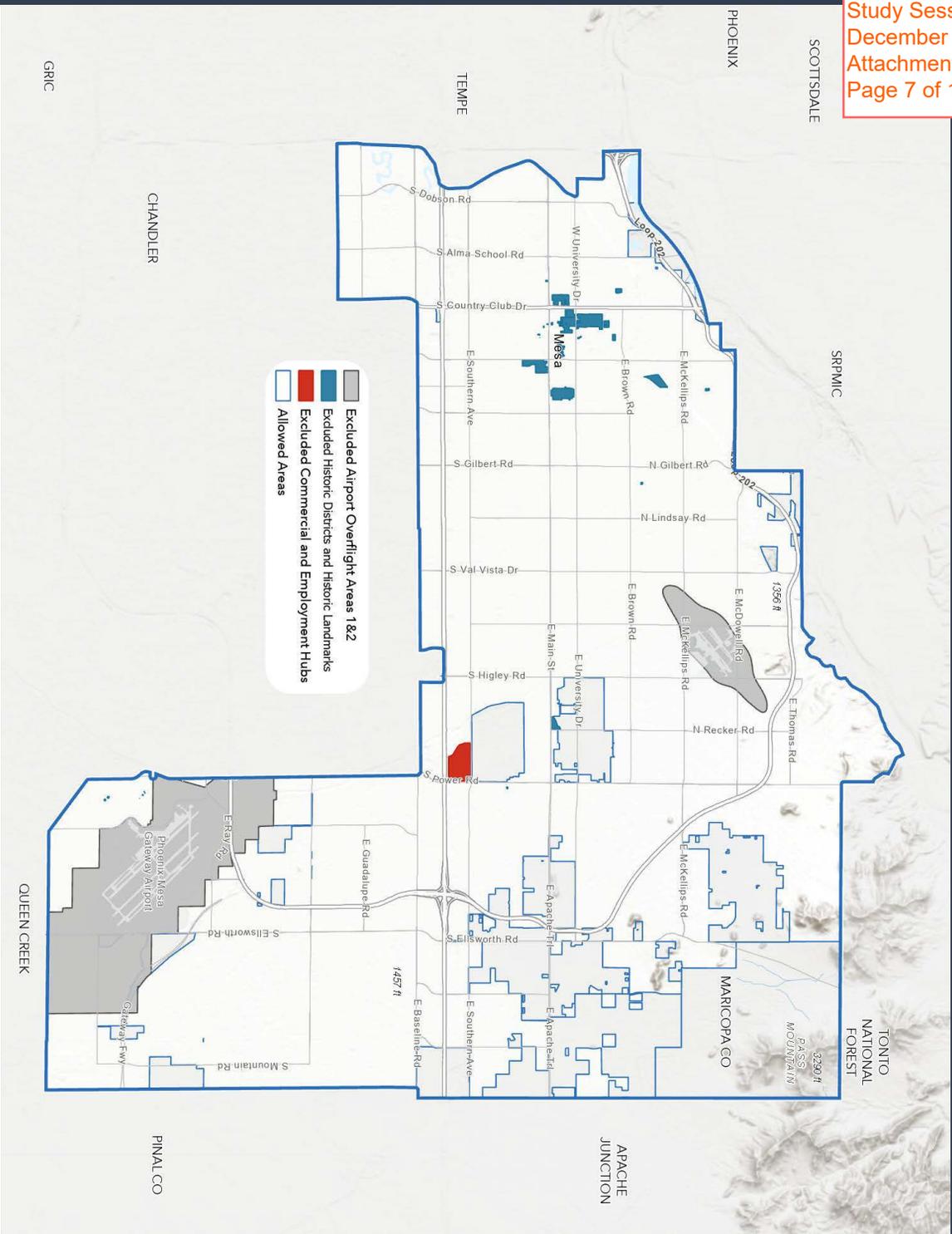
- 10% of buildings equals up to 202 buildings
- For Multiple Residence Projects
 - Currently allowed in commercial zones but must be part of a mixed-use project or receive a CUP to deviate from commercial/residential ratios
 - Approval would be administrative
 - Bill allows for complete demolition or reuse of existing building
- For Adaptive Reuse Projects
 - Residential required - Approval would be administrative
 - For non-residential - follow process required by zoning district
 - Bill allows for only partial demolition or reuse of existing building

HB 2297 EXCLUSIONS

- Historic Districts and Historic Landmarks
- Land in the vicinity of a Military Airport or ancillary Military Facility (N/A in Mesa)
- Land in the vicinity of commercially licensed airport, general aviation airport, or public airport (AOA 1 & AOA 2)
- Commercial or Employment Hubs identified by the City
 - May not exceed 10% of the existing commercial, office, or mixed-use buildings in the city



- # EXCLUDED AREAS PER HB 2297:
- Historic Districts and Landmarks
 - Land in vicinity of commercially licensed airport, general aviation airport, or public airport (AOA 1 & AOA 2)



- # EMPLOYMENT HUB:
- Superstition Springs
 - Encourage comprehensive redevelopment approach
- ## PERMITTED AREAS:
- Anywhere else in the Mesa that meets eligibility requirements



PROPOSED TEXT AMENDMENTS

- Create an Adaptive Reuse Permit
 - Allow for administrative site plan review of multi-family residential in Multiple Residence Reuse and Adaptive Reuse projects
 - Establish development standards in compliance with HB 2297
 - Create Tracking System
- Land Uses
 - Multi-family residential - permitted and will not require a Council Use Permit or Public Hearing
 - Other land uses based on the permitted, conditional, and prohibited land uses of the underlying zoning district



PROPOSED TEXT AMENDMENTS

Multiple Residence Reuse Development Standards:

- Based on the development standards for the highest density Multiple Residential Zoning District within 1-mile of the project site (HB 2297)
- If no Multiple Residential Zoning District in 1-mile, based on the development standards for the next closest Multiple Residence Zoning District (HB 2297)
- Specific Height Restrictions:
 - May not exceed 5-stories (HB 2297)
 - Any portion of a project within 100 ft of a single residence zoning district or use shall be limited to 2-stories (HB 2297)

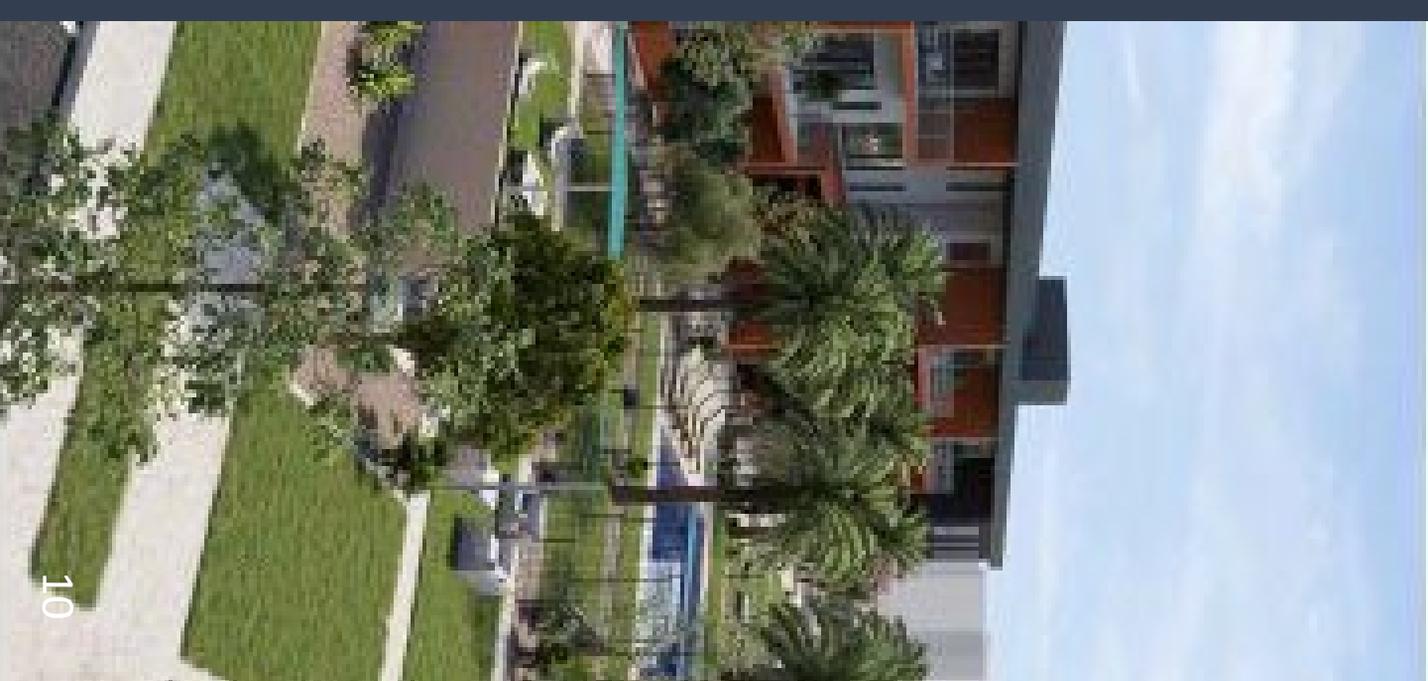
PROPOSED TEXT AMENDMENTS

Adaptive Reuse Development Standards:

- Non-residential - Based on the development standards for the underlying zoning district (HB 2297)

Non-conforming Structures:

- Height - Existing buildings which exceed the max. height limit may remain and be expanded with a height matching the existing height (HB 2297)
- Setback - Existing buildings with a setback less than required may remain and be expanded with a setback matching the existing setback (HB 2297)



ADMINISTRATIVE COMPLETENESS REVIEW FRAME TEXT AMENDMENTS

Mary Kopaskie-Brown

Planning Director



SB 1162

- SB 1162 signed by Governor Hobbs- April 2024
- On or before January 1, 2025, municipalities must amend their Zoning Ordinance to include:
 - Timeframe for Administrative Completeness Review
 - Timeframe for overall approval or denial
 - For Residential Zoning Applications

PROPOSED TEXT AMENDMENTS

Amend Section 11-67-4:

- Add Administrative Completeness Timeline
 - City has 30 calendar days to deem an application complete
 - Must provide written notice of deficiencies if incomplete
 - Upon resubmittal, City has 15 calendar days to deem an application complete
- Add Overall Approval or Denial Timeframe
 - 180 calendar days of the application being deemed administratively complete
 - May be extended one time 30 calendar days by Planning Director for extenuating circumstances
 - 30-day extensions may be requested by the applicant

PROPOSED TEXT AMENDMENTS

Amend Chapter 87: Definitions

- Add definition for *Residential Zoning Application*
 - A rezoning application to change a property from any zoning district to a residential zoning district or use; or an application that removes or modifies any regulation or condition of approval for a residential zoned property or use previously imposed by ordinance.

QUESTIONS

OVERVIEW OF FISCAL YEAR 2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Irma Ashworth
Finance Director

Jean Dietrich
Signing Director
(CliftonLarsonAllen LLP)

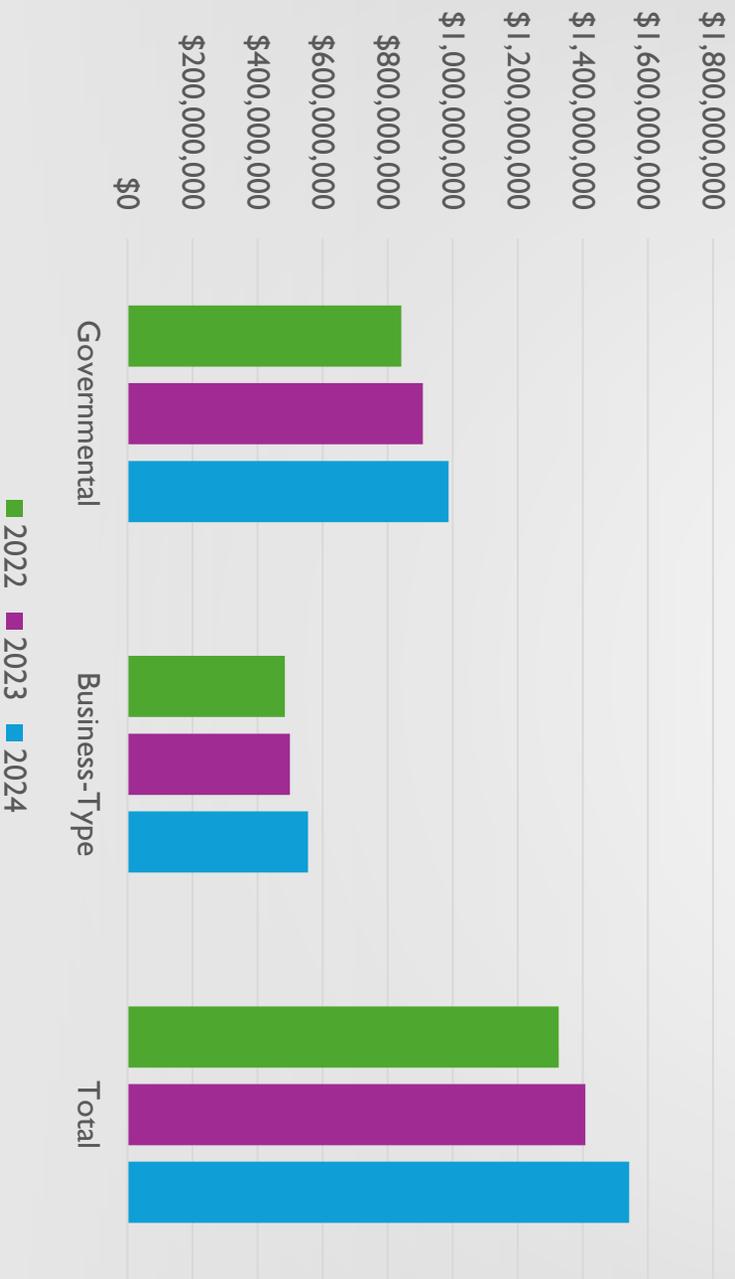


ANNUAL COMPREHENSIVE FINANCIAL REPORT

- ▶ Unmodified report issued
- ▶ No Findings
- ▶ Follows Generally Accepted Accounting Principles (GAAP)
- ▶ Complies with Governmental Accounting Standards Board (GASB)

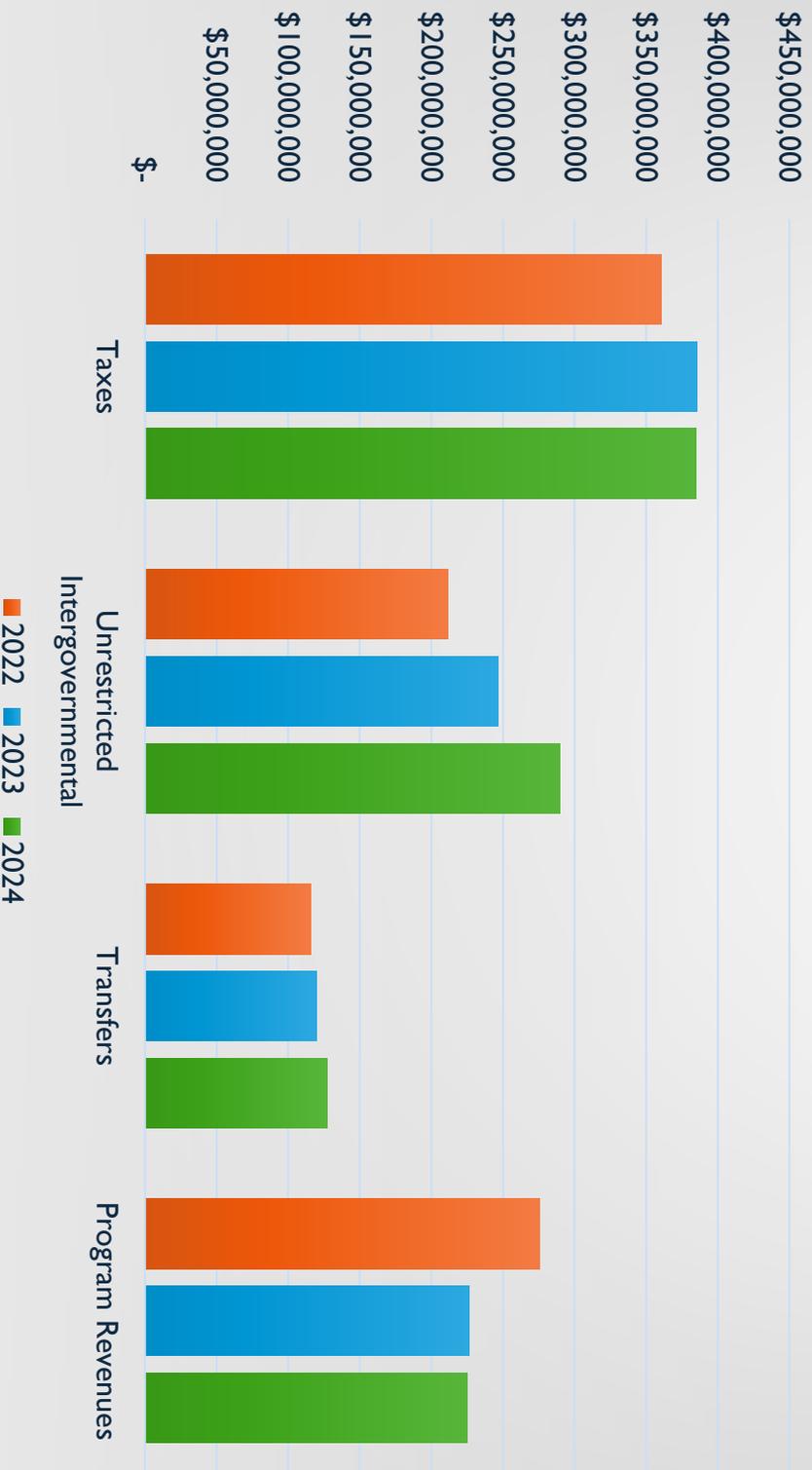
FINANCIAL HIGHLIGHTS

FY 2024 City Revenue's increased by \$134.5 million

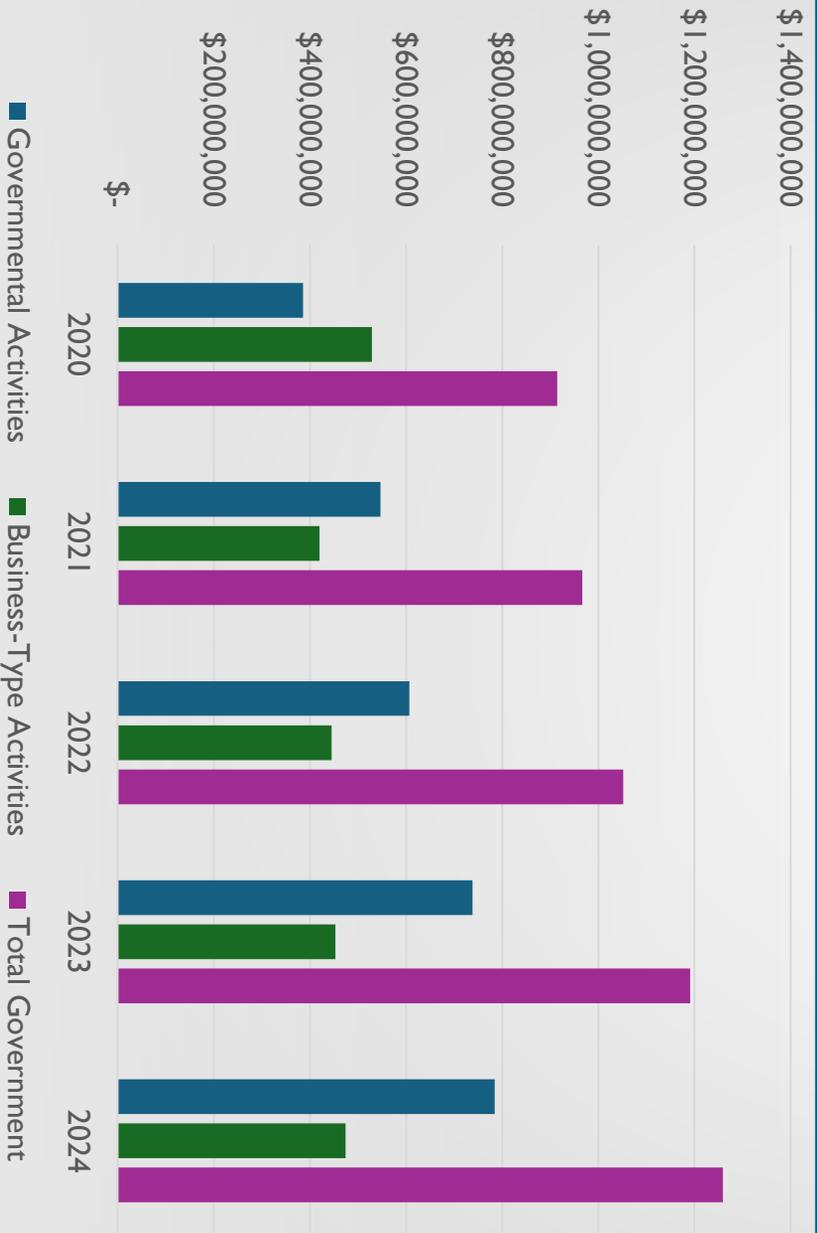


GOVERNMENTAL ACTIVITIES – REVENUES

FISCAL YEARS 2022, 2023 AND 2024



5-YEAR NET POSITION COMPARISON



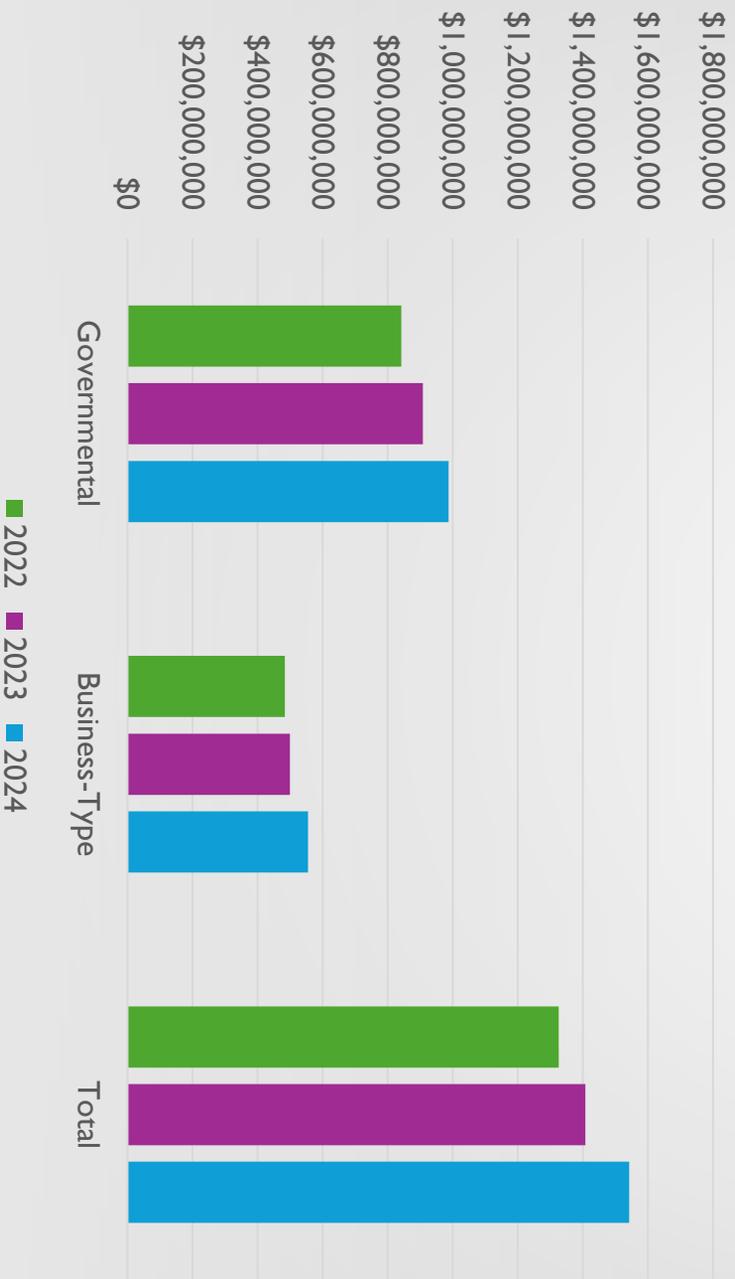


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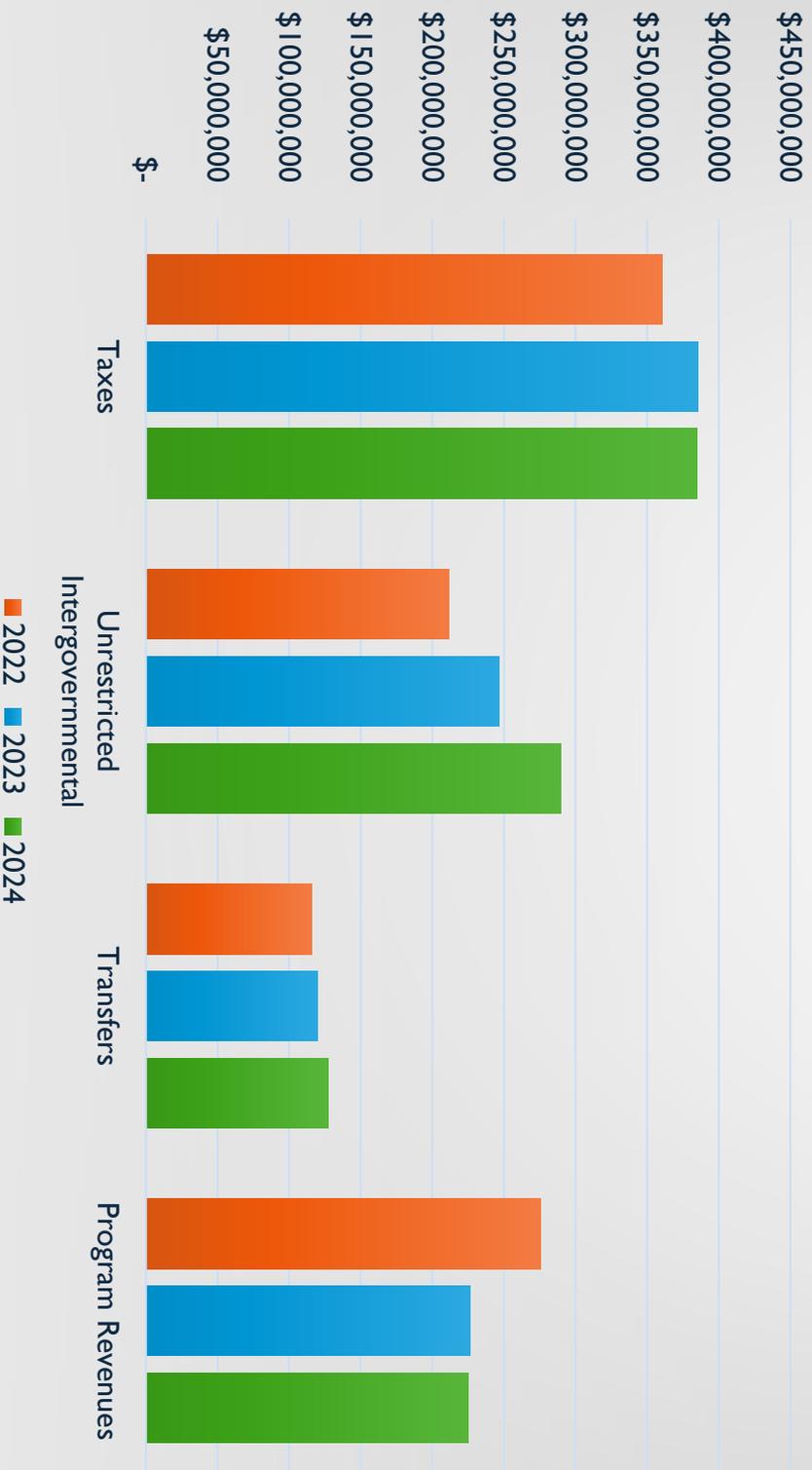
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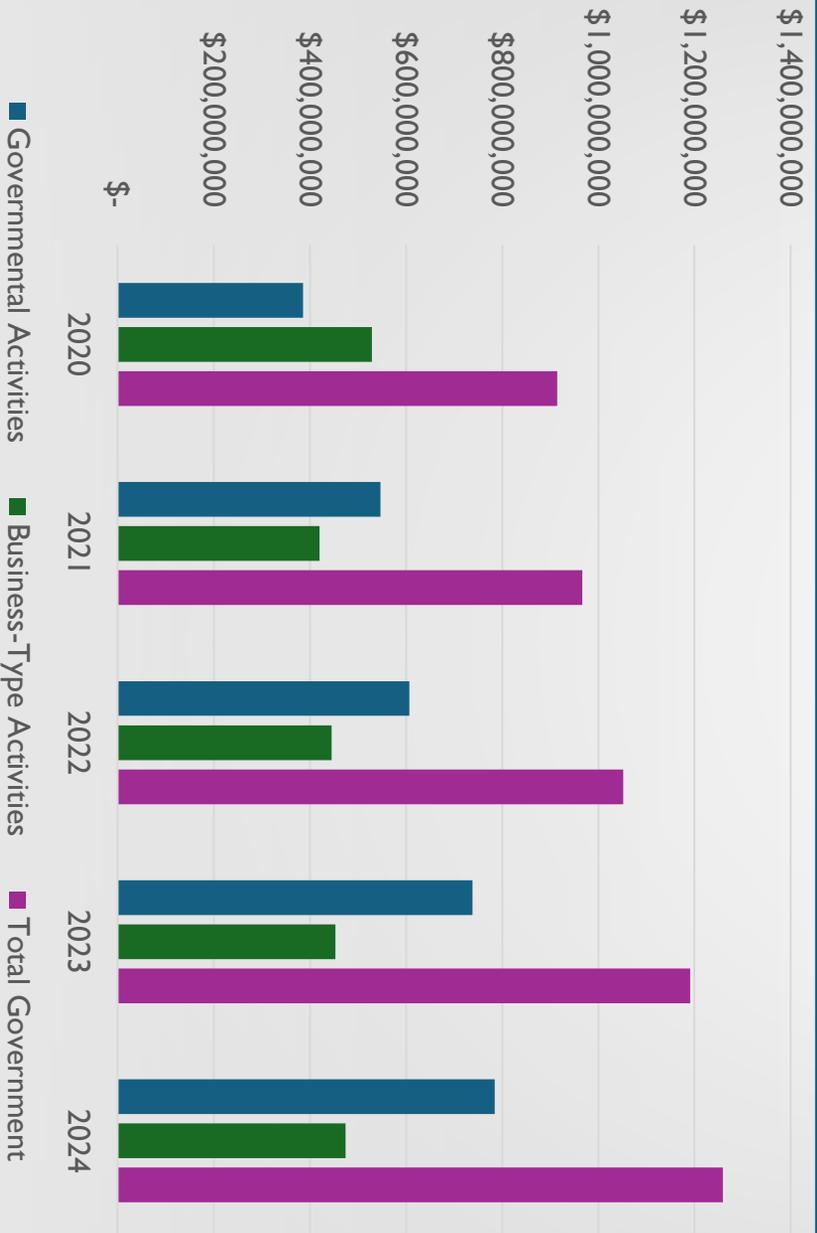


GOVERNMENTAL ACTIVITIES – REVENUES

FISCAL YEARS 2022, 2023 AND 2024



5-YEAR NET POSITION COMPARISON



TOTAL ASSETS INCREASED TO \$5.7 BILLION

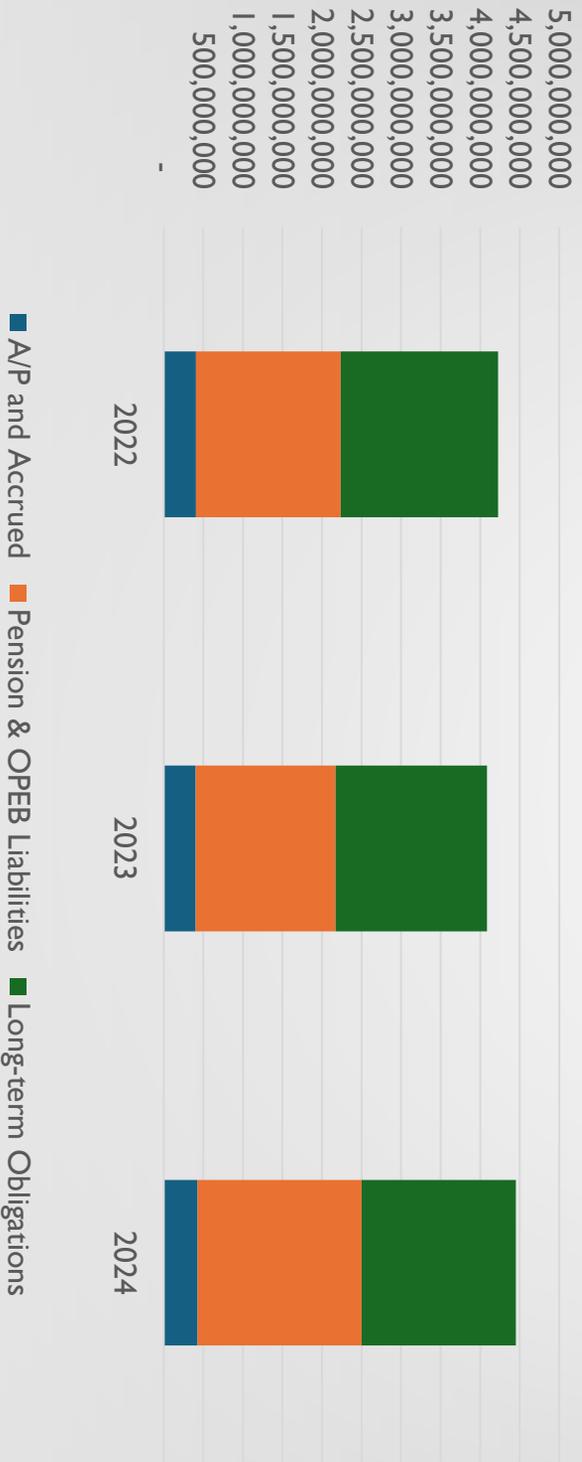


CAPITAL ASSETS

AS OF JUNE 30, 2024

Capital Asset (net of Accumulated Depreciation)	Governmental Activities	Business-Type Activities	Total
Land	\$ 419,761,000	\$ 31,786,000	\$ 451,547,000
Infrastructure – Nondepreciable	3,597,000	17,666,000	21,263,000
Construction in Progress	186,489,000	191,396,000	377,885,000
Buildings & Improvements	502,868,000	62,633,000	565,501,000
Machinery & Equipment	117,272,000	26,178,000	143,450,000
Infrastructure	577,269,000	1,214,747,000	1,792,016,000
Other Assets	23,210,000	3,579,000	26,789,000
Total	<u>\$ 1,830,466,000</u>	<u>\$ 1,547,985,000</u>	<u>\$ 3,378,451,000</u>

TOTAL LIABILITIES \$4.5 BILLION



LONG-TERM OBLIGATIONS

Issue Type	June 30, 2023	June 30, 2024
General Obligation Bonds	\$ 284,955,000	\$ 335,990,000
Highway User Revenue Bonds	29,030,000	18,540,000
Utility Revenue Bonds	1,112,515,000	1,063,125,000
Utility Revenue Obligations	138,725,000	323,975,000
Excise Tax Obligations	<u>32,935,000</u>	<u>31,630,000</u>
Total	<u>\$ 1,598,160,000</u>	<u>\$ 1,773,260,000</u>

PENSION AND OPEB UNFUNDED LIABILITY

Plan	June 30, 2023	June 30, 2024
ASRS Pension	\$ 263,694,000	\$ 261,311,000
PSPRS - Fire Pension	253,036,000	261,760,000
PSPRS - Police Pension	485,351,000	498,380,000
PSPRS - Police OPEB	11,401,000	11,501,000
City OPEB Plan	778,046,000	914,548,000

Questions ?

Irma Ashworth

Finance Director

Irma.Ashworth@mesaz.gov

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