



COUNCIL MINUTES

July 1, 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 July 1, 2024, at 5:15 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

(*Participated in the meeting through the use of video conference equipment.)

Mayor Giles conducted a roll call.

1. Review and discuss items on the agenda for the July 1, 2024, and July 8, 2024, Regular Council meetings.

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

In response to multiple questions from Councilmember Spilsbury regarding Item 5-a, **(Proposed amendments to Section 11-7-2 of Title 11 of the Mesa City Code, Zoning Ordinance, allowing Banquet and Conference Centers in certain Employment Districts)**, on the July 1, 2024, Regular Council meeting agenda, Planning Director Mary Kopaskie-Brown replied that there are two projects both light industrial (LI) that will be affected by the proposed amendment, Falcon Airport and a District 5 project off of Thomas Road, that would allow them to be permitted uses in LI Districts. She noted the proposed amendments will not delay either project.

In response to multiple questions from Councilmember Spilsbury regarding Item 5-b, **(Proposed amendments to Chapters 24 and 87 of Title 11 of the Mesa City Code, Zoning Ordinance, pertaining to the Downtown Events (DE) Overlay District including but not limited to**

revising the boundaries of the DE Overlay District, creating an exception to the maximum consecutive days for City special events in the DE Overlay District, and adding definitions related to City special events. (Citywide)), on the July 1, 2024, Regular Council meeting agenda, Downtown Transformation Manager Jeff McVay confirmed that a notice was sent to every property owner within the new boundary and within 500 feet regarding the revised boundaries, and the City did not receive any opposition. He stated up to approximately 300 properties were affected; however, in the newly added area, only one special event is held each month. He reported there is no maximum number of events per year, but there is a maximum number of days per event, meaning no single event can exceed four days without a special use permit (SUP). He explained that there are new definitions related to special events sponsored or produced by the City that exempt the City from the limitation on the four days per event; however, a private event producer will continue to require an SUP to exceed four days for a single event and there are limitations on the number of events that can be held on their property.

In response to multiple questions from Councilmember Spilsbury, Mr. McVay explained that the proposed amendment could benefit both the Easter Pageant and Christmas lights events by only requiring a special event license. He commented that notifications were sent to properties that were added into the events overlay areas. He added Pioneer Park is not subject to current zoning ordinances as it relates to special events; parks go through a separate process and utilize a Park Use Agreement.

City Manager Christopher Brady clarified that staff is working on simplifying the process to encourage more activities, as opposed to the process being a hindrance.

Mr. McVay stated that events are still subject to a special event license, and there are standards and guidelines that the City's Special Event Office follows when they are reviewing special event licenses to ensure that the events are being produced properly. He reported after events are completed, staff will determine if the event producer warrants having additional events.

Mr. Brady indicated Item 3-a, **(American Patriots Riders Club. This is a one-day event to be held on Friday, September 30, 2024, from 5:00 p.m. to 8:00 p.m. at Desert Wind Harley Davidson, 922 South Country Club Drive. (District 4))**, on the July 8, 2024, Regular Council meeting agenda, has been withdrawn by the applicant.

Mr. Brady advised that Item 3-e, **(Momma's Soul Fish & Chicken Lounge. A restaurant that serves lunch and dinner is requesting a new Series 12 Restaurant License for Momma's Soul Fish & Chicken LLC, 4906 East Main Street – Keith Brian Turner, agent. The existing license held by JJ Holmes LLC will revert to the State. (District 2))**, on the July 8, 2024, Regular Council meeting agenda, has been recommended for disapproval of the liquor license application, and staff will continue to resolve many of the restaurant's outstanding issues, permit requirements, and outstanding debt related to the City.

Downtown Transformation Manager Jeff McVay introduced Downtown Transformation Project Manager Jimmy Cerracchio and displayed a PowerPoint presentation regarding Item 5-a, **(Approving and authorizing the City Manager to enter into a memorandum of understanding between the City of Mesa and Habitat Fenix, LLC establishing the framework and key concepts for negotiation of future agreements for the redevelopment of approximately 41,585 sq ft of City-owned land at the southeast corner of Pepper Place**

and Macdonald (Green Parking Lot). (District 4)), on the July 8, 2024, Regular Council meeting agenda. **(See Attachment 1)**

Mr. McVay discussed the unsolicited proposal the City received for the Green Parking Lot and the benefits the developer will provide regarding parking. He shared that the Green Parking Lot is a public parking lot with approximately 105 parking spaces. He provided early renderings of ECO Mesa East and an overview of the proposed five-story building, 100 to 110 residential units with two to three decks of parking. He reported that the developer was instrumental in helping the City obtain and purchase the Hibbert Garage. (See Pages 2 and 3 of Attachment 1)

Mr. Cerracchio highlighted the developer's obligations under the Memorandum of Understanding (MOU). (See Pages 4 and 5 of Attachment 1)

Mr. Cerracchio reviewed the City's obligations, including a parking license for the developer to use up to 70 parking spaces in the Pepper Garage for potential tenants if additional parking is needed. He advised the City will be able to release 70 spaces in the Pepper Garage as a result of its purchase of the Hibbert Garage to support more development and businesses. He explained, in total, 100 out of the 230 parking spaces within the Pepper Garage will be available. (See Page 6 of Attachment 1)

In response to a question from Councilmember Freeman, Mr. McVay answered that the amount of public parking will remain the same in the Pepper Garage. He elaborated that there are approximately 500 spaces in the Pepper Garage, and during the week in the daytime, less than 10 spaces are available for public use. He noted 130 parking spaces will remain available to the City for future use as permitted spaces or to be offered for another project. He explained customers of Milano Music Center will remain with 74 parking spaces assigned to customers underneath the developer, and only the existing permitted parking spaces in the Green Lot will be relocating to the Pepper Garage.

In response to multiple questions from Councilmember Spilsbury, Mr. McVay stated that the new apartment development will have a minimum of 100 residential units with a maximum of 110 units. He indicated each unit will be assigned one parking space, and there will be an additional 74 public parking spaces available. He emphasized in the proposed MOU, the City cannot relocate permit parking into the 74 public parking spaces since the City must maintain public customer parking. He explained that the 70 parking spaces provided to the developer in the Pepper Garage are only for the first year, and after the first year it will be determined whether the demand for parking exceeds the number of spaces available. He added then the City has the opportunity to address parking or obtain the 70 spaces back.

In response to a question from Councilmember Freeman, Mr. McVay replied that if the developer exercises a renewal of the parking license agreement within that first 12 months, then the option is a five-year term that can be renewed two times for a maximum term of 15 years. He noted after 15 years, the City would renegotiate.

Mr. Cerracchio discussed the Government Property Lease Excise Tax (GPLET) agreement and the customized review schedule. (See Page 7 of Attachment 1)

In response to a question posed by Mayor Giles, Mr. McVay explained the requirements of a GPLET and stated that the City must demonstrate that there is a public benefit that exceeds 50%

of the value of the abated taxes. He emphasized that the total tax abatement is unknown until a development agreement is signed. He discussed in-lieu payments and advised that the City will always provide an in-lieu payment to the school districts, as previously done with all other GPLETs.

Mr. Cerracchio shared additional City obligations under the MOU. He stated the purchase of the City land will be based on fair market value and the City will request an appraisal. (See Pages 8 and 9 of Attachment 1)

In response to a question from Mayor Giles, Mr. McVay mentioned that once the Council takes action on the MOU, the next step would be to commission an appraisal, which will be the basis of all negotiations for the final development agreement and GPLET agreement.

In response to a question from Councilmember Duff, Mr. McVay commented that staff does not believe that rezoning is necessary, but there will be planning processes that the City as property owner will partner in should rezoning be required.

Downtown Transformation Manager Jeff McVay displayed a PowerPoint presentation regarding Item 5-b, **(Approving and authorizing the City Manager to enter into an Amended and Restated Intergovernmental Agreement between the Arizona Board of Regents for and on behalf of Arizona State University and the City of Mesa for the development, operation, and maintenance of educational facilities in downtown Mesa, with terms that allow for the sale, transfer, lease, and license of City real property and improvements. (Citywide))**, on the July 8, 2024, Regular Council meeting agenda. **(See Attachment 2)**

Mr. McVay presented a site plan for the 2018 Inter-governmental Agreement (IGA), a three-phase project. He shared that based on the image, the footprint of Site A became much larger and precluded the ability for the City to construct Site C as shown on the site plan. He stated following the development of the Arizona State University (ASU) MIX Center, the City wanted to have more control for Site B, 51-55 East Main Street, which necessitated the need to renegotiate the IGA, as well as to identify additional sites since the sites on the city block property were no longer as viable. (See Page 2 of Attachment 2)

Mr. McVay provided a summary of the business terms for the amended and restated IGA. He discussed the renegotiation of the ASU MIX Center lease that would require ASU to continuously program consistent with their requirements for academic programming, students, and faculty that exists in the current lease. (See Page 3 of Attachment 2)

Mr. McVay discussed the terms that apply to all three potential development sites, with the exception of the leases, which will be negotiated separately. He stated that for each potential development site, the City will establish a development determination period, a window of time in which the City and ASU must agree whether or not to develop the site. (See Pages 4 and 5 of Attachment 2)

Mr. McVay reviewed each of the three potential development sites (Post Office, Mesa Main Library parking lot, and Mesa Municipal Building) and each of their individual terms. He mentioned that for Site 2, the Mesa Public Library Parking Lot, each construction on the site would be negotiated separately with the lease since construction time is unknown. He highlighted that Site 3, 55 N. Center Street, is unique in that the City does not currently have plans to relocate

employees so the development determination period would not begin until the City gives notice to ASU by a date that the building is available for their use. (See Pages 6 through 8 of Attachment 2)

Mr. McVay summarized the terms of the partner locations with ASU regarding the former City Council Chambers and 51-55 E. Main Street. He stated once the new City Council Chambers has been completed, the City will provide ASU the opportunity for a non-exclusive right to joint use of the former Council Chambers in the form of a license agreement. He added that any ASU license agreement would have to be in support of the direct academic programming that happens at the ASU MIX Center currently or other ASU facilities that could occur in the future. He indicated regarding the 51-55 East Main Street partner location, staff presented to Council a feasibility concept along with a vision for a development of an architecturally significant mixed-use, high-rise building that can accommodate retail, office, residential, and institutional uses without the need to change the floor plates. (See Pages 9 through 11 of Attachment 2)

Mr. McVay highlighted additional terms outside of each specific site. He commented that the City will consider additional public open space as part of any of the potential development sites and there may be an opportunity to include additional green space similar to the Plaza at Mesa City Center. (See Page 12 of Attachment 2)

Mr. McVay informed the City Council of the next steps and mentioned that the City has less than a year to complete the negotiations for the Post Office site and return to Council. (See Page 15 of Attachment 2)

Discussion ensued relative to public parking, the amended and restated IGA, ASU developments, solar projects, fiscal impact, and the potential development sites.

Mayor Giles thanked staff for the presentation.

2. Current events summary including meetings and conferences attended.

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

3. Scheduling of meetings.

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

Monday, July 8, 2024, 5:15 p.m. – Study Session

Monday, July 8, 2024, 5:45 p.m. – Regular Council

4. Adjournment.

Without objection, the Study Session adjourned at 6:24 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 1st day of July 2024. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

lr
(Attachments – 2)

So Mesa East MOU (Green Lot)

City Council Study Session

July 1, 2024

Jeff McVay

Manager of Urban Transformation

Jimmy Cerracchio

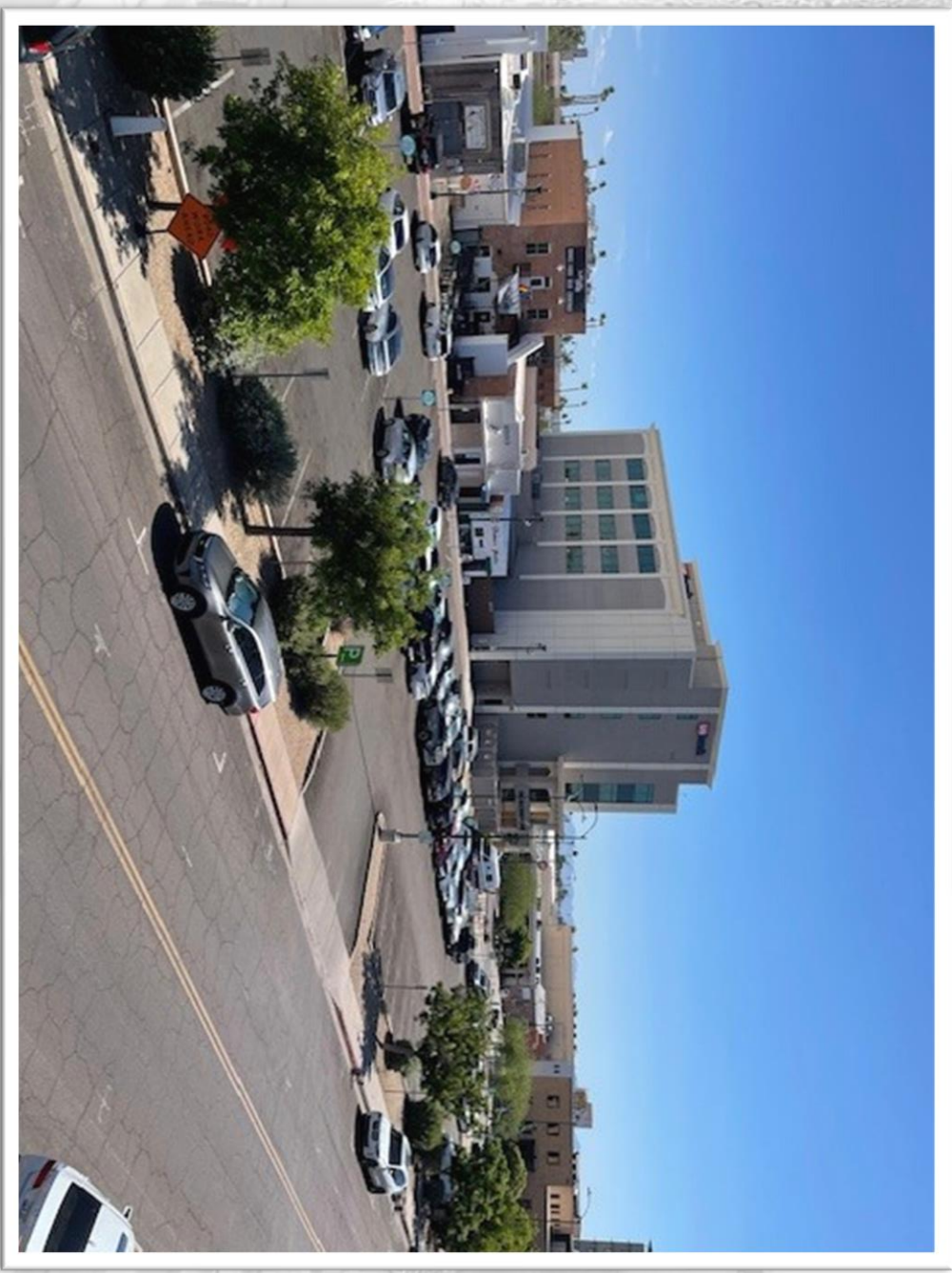
Downtown Transformation Project
Manager



Background

Summer 2023: City received unsolicited proposal to develop Green Parking Lot

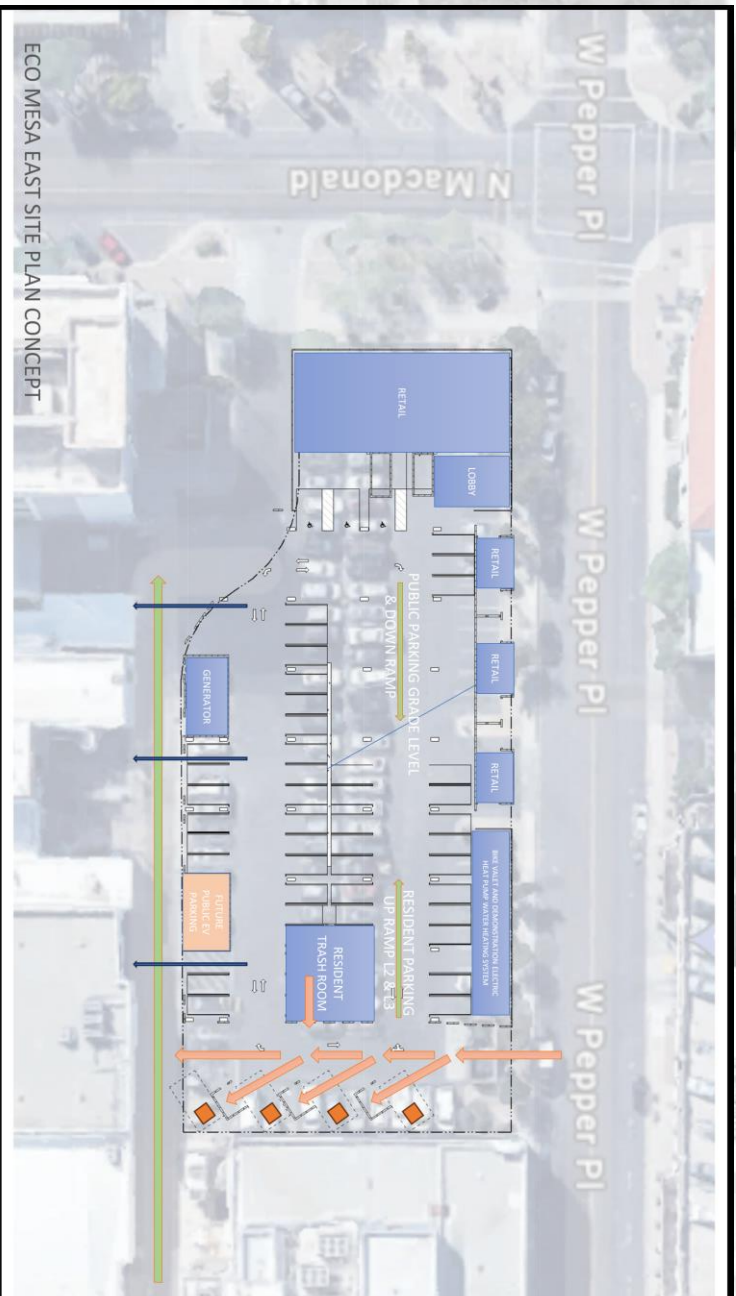
- Located at southeast corner of Macdonald and Pepper Place
- 105 Parking Spaces



Eco Mesa East – Concept Overview



U Deal Points – Developer Obligations



ECO MESA EAST SITE PLAN CONCEPT

Development of mixed-use apartment building and parking garage

- Minimum of 100 market rate/ luxury sustainable apartments
- Minimum of 2,000 sq ft of commercial space
- Multi-story, structured parking garage including:
 - 74 contiguous public parking spaces, with perpetual parking easement to City
 - At City's request, installation of conduit to support Level 2 electric vehicle chargers
 - All operation and maintenance during term of CPLET
- Wayfinding
- Design and construction of public outdoor plaza
- Potential installation of solar project on top of Pepper Place Garage

U Deal Points – Developer Obligations

Development of mixed-use apartment building and parking garage (continued)

- Project will use City of Mesa utilities
- Provision of business plan including budget & pro forma
- Demonstration of financial capacity to successfully complete project



MOU Deal Points – City Obligations



- **City will not solicit or entertain development proposals or offers during the term of the MOU**
- **Relocation of 30 permit parking spaces from City's Green Lot to Pepper Garage**
- **Provision of parking license agreement for up to 70 spaces in Pepper Garage**
 - **Provides developer 12 months option on spaces**
 - **Initial term of 5 years at \$45/month/space**
 - **Two five-year renewals for max 15 years**
 - **Renewal rate will be the published parking rate**

Deal Points – City Obligations

- **CPLET agreement – 8-year tax abatement**
 - Minimum public improvements that support requested tax abatement or reduction include:
 - Potential solar project
 - Public plaza space
 - Monetary contribution to be used for homeless or affordable housing programs, solar project, or programs that address infill development in redevelopment areas or at properties in Mesa categorized as blighted
- **Customized Review Schedule for construction plans, applications, etc.**
 - City will partner to provide support in any required rezoning process for the project



Deal Points – City Obligations



- **City may reimburse developer for certain public infrastructure improvements**
- **Provision of available impact fee offsets for previous development**

Deal Points – Other Provisions

- **Purchase of City land will be based on fair market value, which may take into account the value of certain development costs, such as public improvements and public amenities or enhanced costs**



Discussion



Amended and Restated Inter-governmental Agreement: ASU Downtown

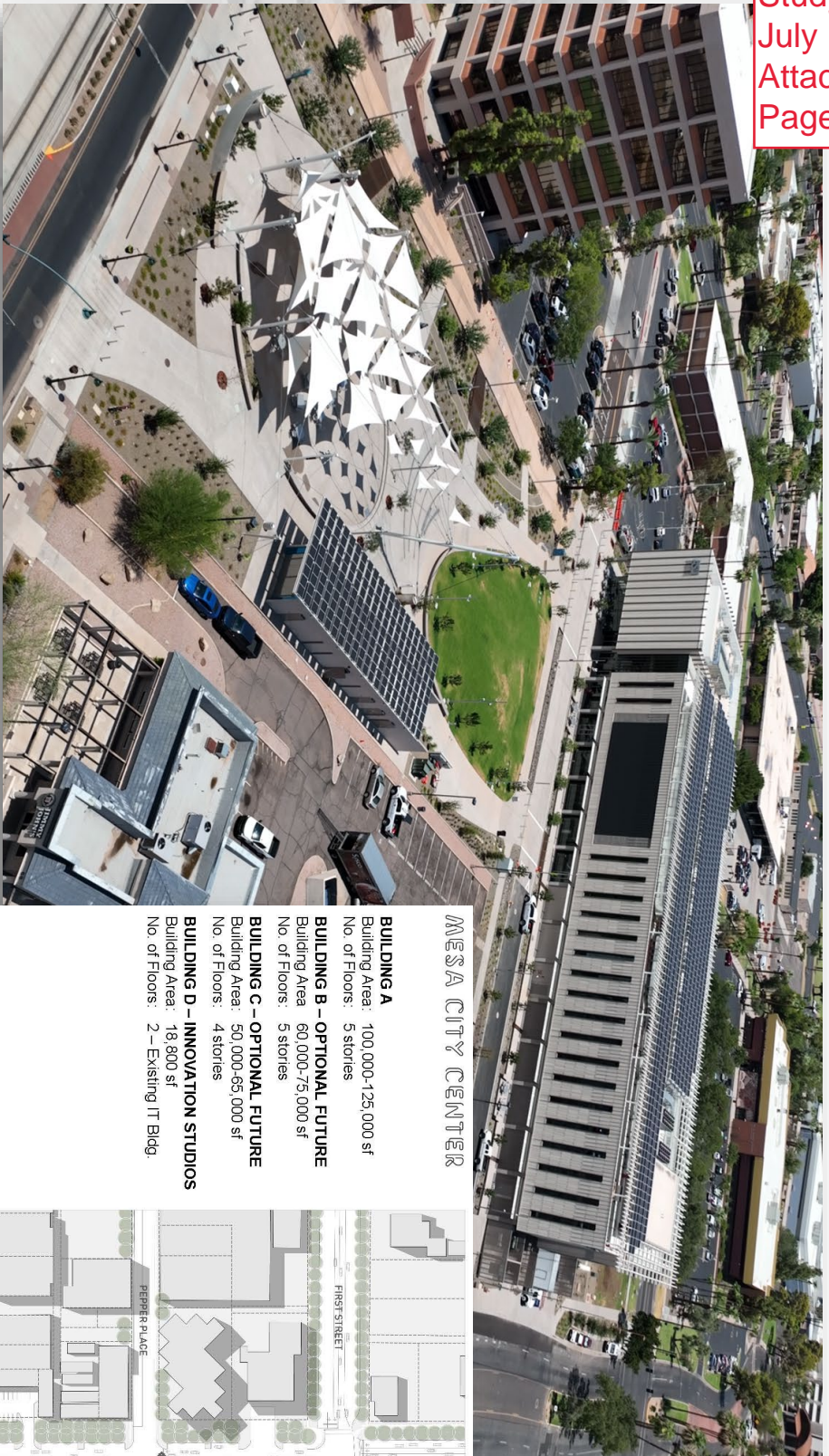
City Council Study Session

July 1, 2024

Jeffrey McVay, AICP

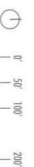
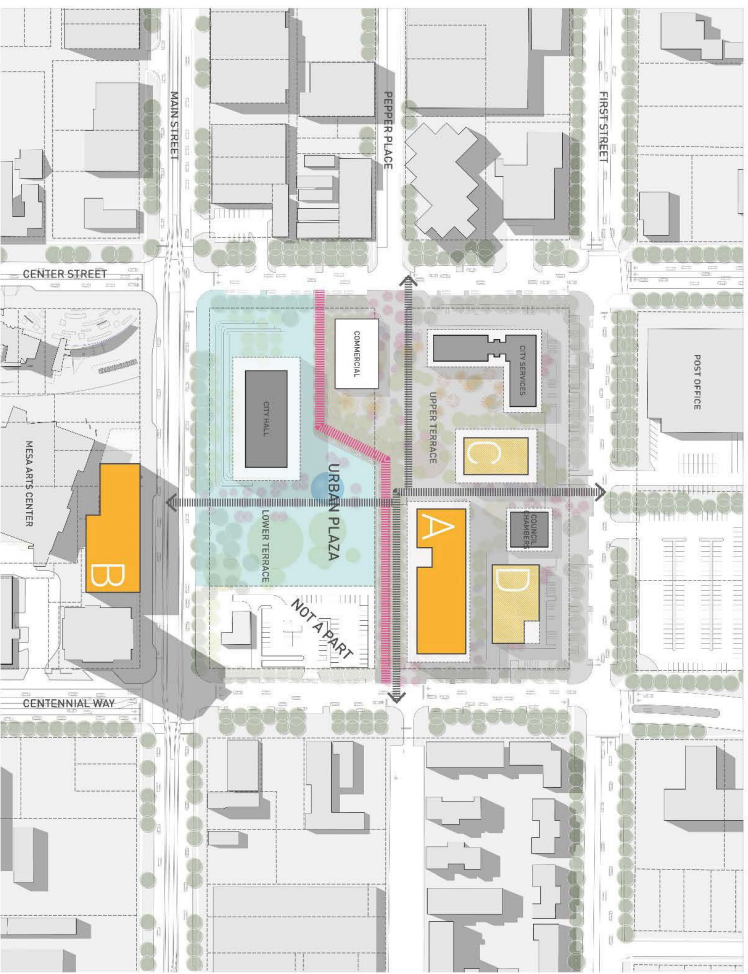
Manager of Urban
Transformation

2018 INTER-GOVERNMENTAL AGREEMENT



MESA CITY CENTER

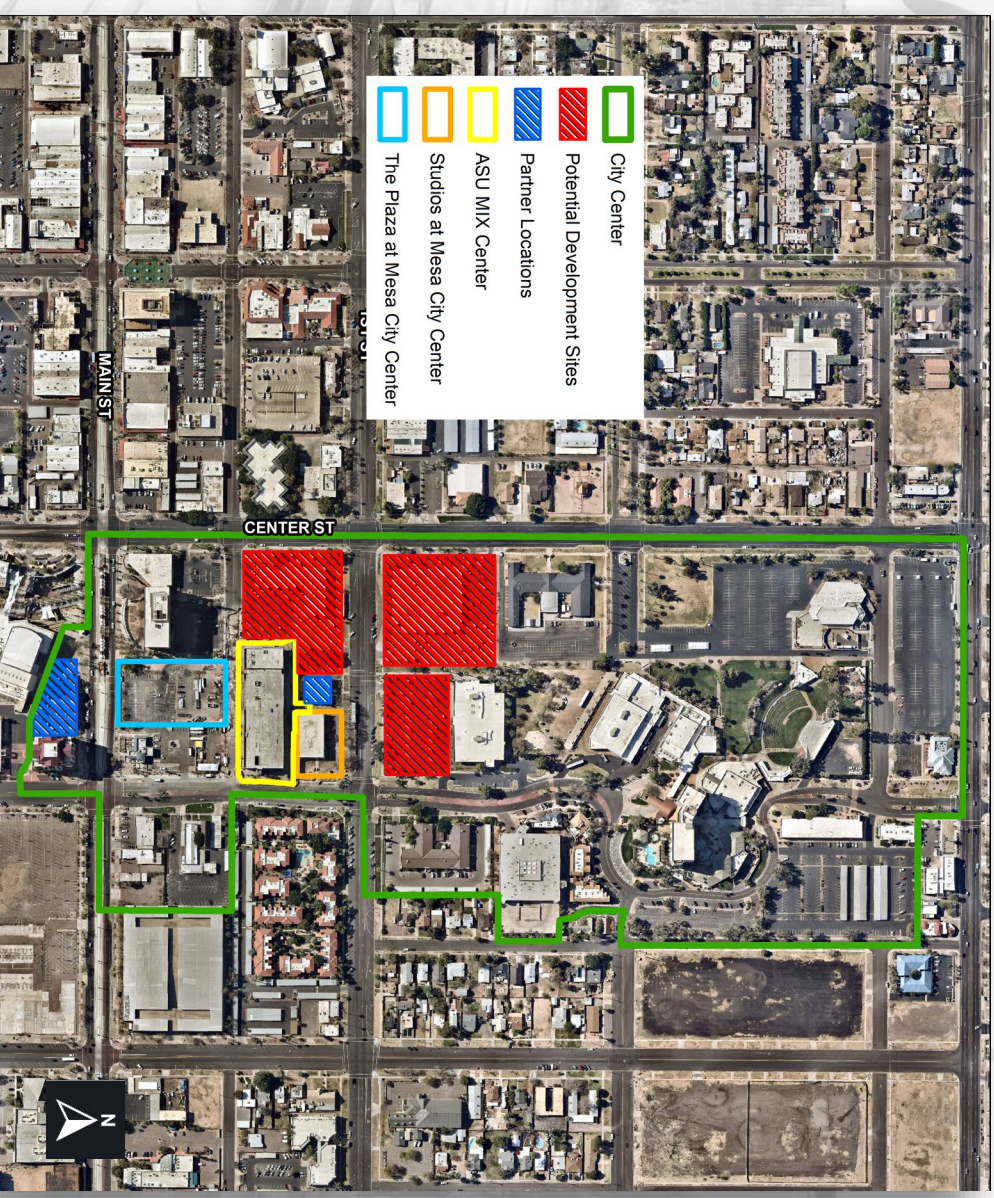
- BUILDING A**
 Building Area: 100,000-125,000 sf
 No. of Floors: 5 stories
- BUILDING B - OPTIONAL FUTURE**
 Building Area: 60,000-75,000 sf
 No. of Floors: 5 stories
- BUILDING C - OPTIONAL FUTURE**
 Building Area: 50,000-65,000 sf
 No. of Floors: 4 stories
- BUILDING D - INNOVATION STUDIOS**
 Building Area: 18,800 sf
 No. of Floors: 2 - Existing IT Bldg.



WENDEED AND RESTATED INTER-GOVERNMENTAL AGREEMENT

Primary Business Terms

- Identifies three Potential Development Sites for future ASU projects
 - Site 1: 135 N. Center Street (Post Office)
 - Site 2: 64 E. 1st Street (Mesa Public Library Parking Lot)
 - Site 3: 55 N. Center Street (Municipal Building)
- Identification of two City Center Partner Locations
 - “Former” Council Chambers
 - 51-55 E. Main Street
- Renegotiation of MIX Center Lease to ground lease to allow ASU ownership of improvements upon City retiring bond debt
- Requires continuous operations by ASU consistent with minimum obligations of ASU included in current building lease

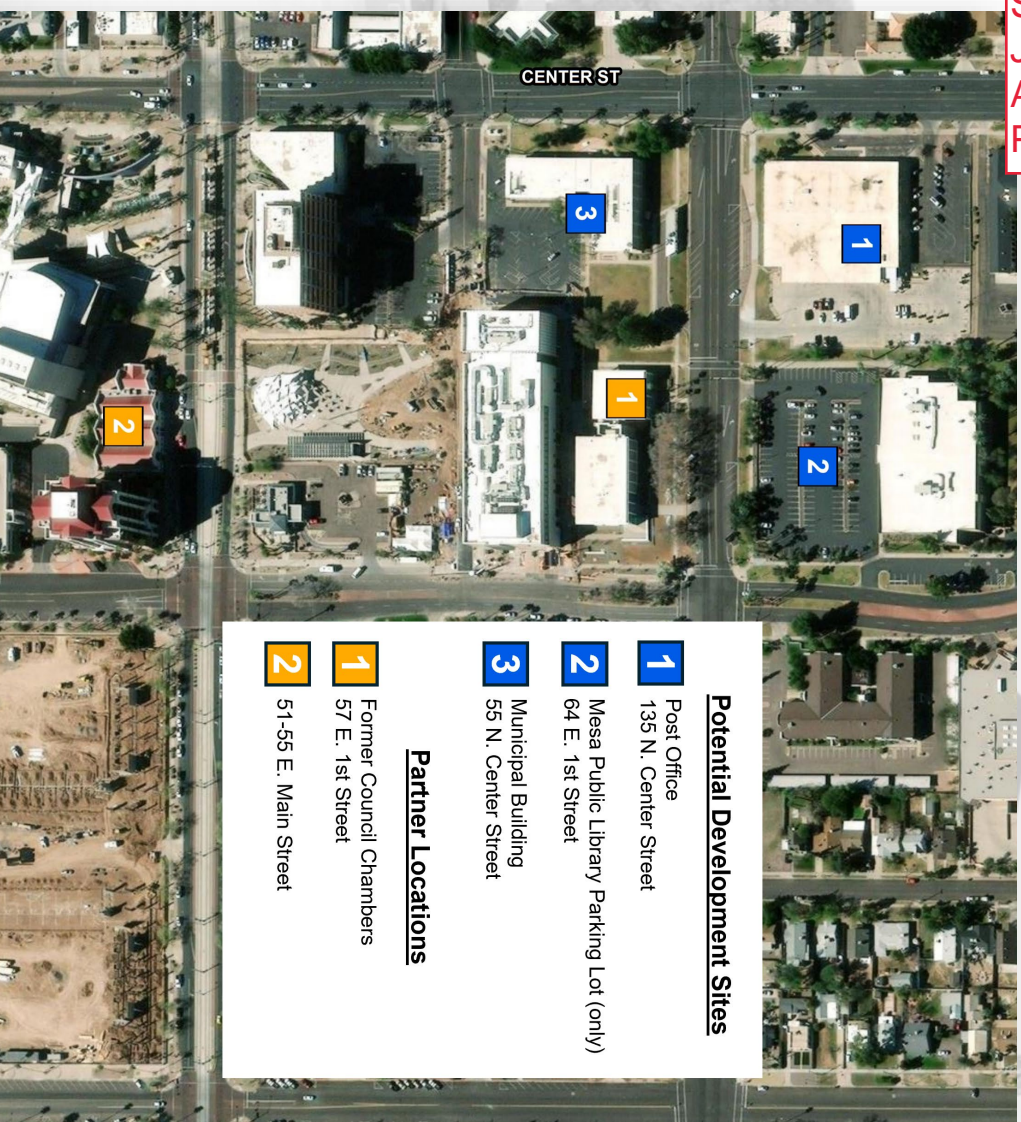


POTENTIAL DEVELOPMENT SITES

Terms applicable to all Potential Development Sites

Sites

- During the Determination Period, City and ASU must mutually agree to develop the site
- Agree if the site is a Joint development or ASU development
- Agree upon a conceptual plan
- If a Joint Development, agree upon an initial project budget, including funding and proportions
- Negotiate and enter into site lease and other necessary documents
 - Minimum ASU requirements (academic, student, faculty, and O&M)
- If agreement is not reached by end of Development Determination Period, ASU's reservation of the Potential Development Site expires

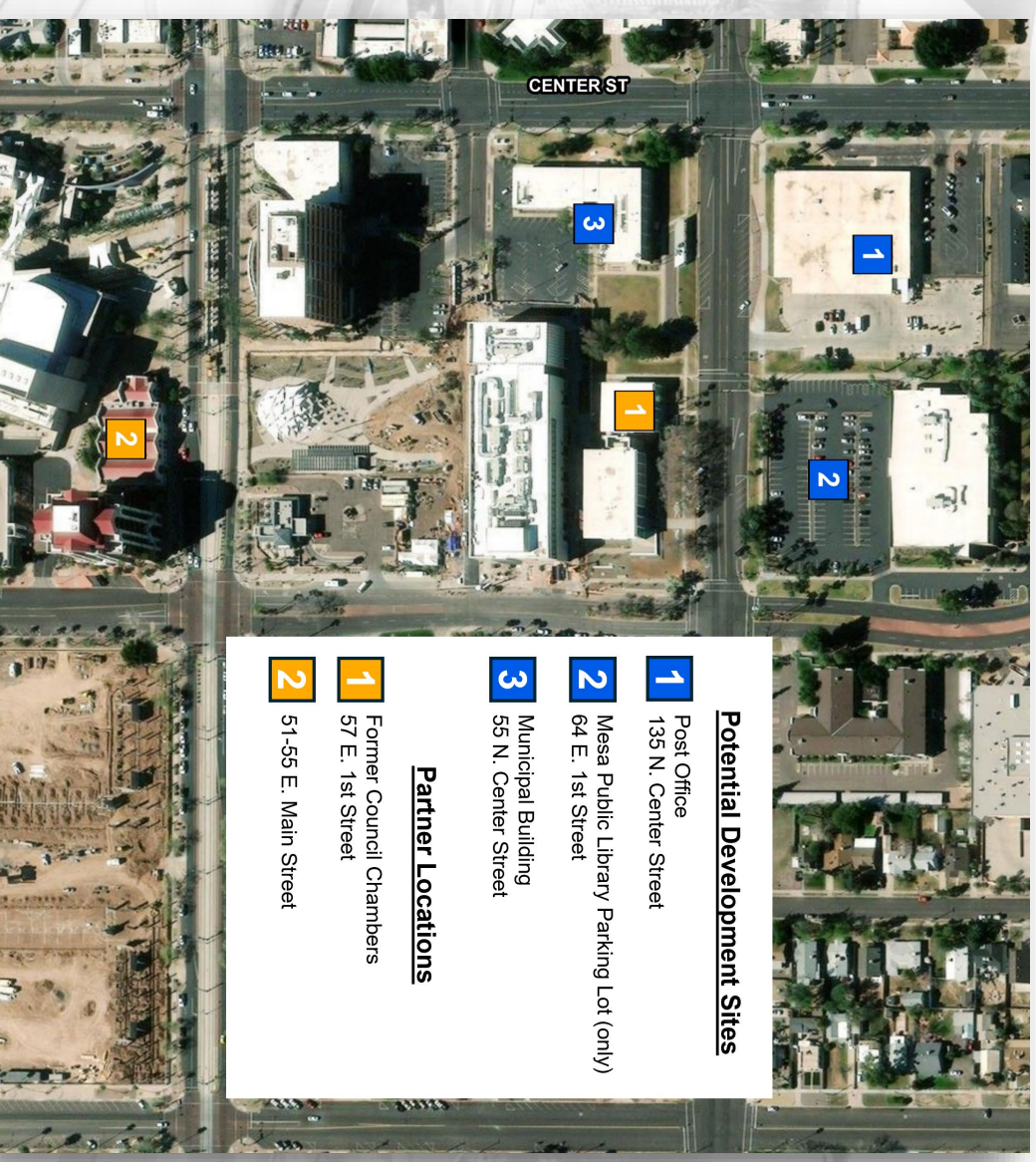


POTENTIAL DEVELOPMENT SITES

Terms applicable to all Potential

Development Sites

- During the Determination Period, City will not encumber site
- ASU owns improvements, the later of 30 years or retirement of municipal bond debt
- Each site lease negotiated separately, with following terms:
 - Initial term of 99 years
 - After Year 75 of the site lease, significant ASU capital investment will extend lease by useful life of the capital improvement
 - Maximum lease extension is 99 years
 - Rent to be determined case-by-case
 - ASU responsible for commercial subleases
 - Establishment of a Reserve and Replacement Fund



POTENTIAL DEVELOPMENT SITES

Site 1: 135 N. Center Street (Post Office)

- Acknowledgement that current ground lease exists until May 31, 2025, and that it is the intent of the City and ASU to retain a retail post office as a component of any future development
- Development Determination Period begins on Effective Date of IGA and ends June 1, 2025
- Construction of ASU project complete within five years of the effective date of the site lease
- While Postal Service has a lease or license, the City shall retain ownership of the portion of the building used by the Post Office



POTENTIAL DEVELOPMENT SITES

Site 2: 64 E. 1st Street (Mesa Public Library Parking Lot)

- Development Determination Period begins on Effective Date of IGA and expires 10 years later
 - May be extended five years, up to three times, with completion of construction on a Potential Development Site, for maximum term of 25 years
 - Deadline for completion of construction will be negotiated with the Site Lease
- Any ASU development will require a solution for replacement of existing public parking displaced by the project





POTENTIAL DEVELOPMENT SITES

Site 3: 55 N. Center Street (Municipal Building)

- Development Determination Period begins when City notifies ASU that building will be vacant and expires two years later
- Construction of ASU project complete within four years of the effective date of the site lease

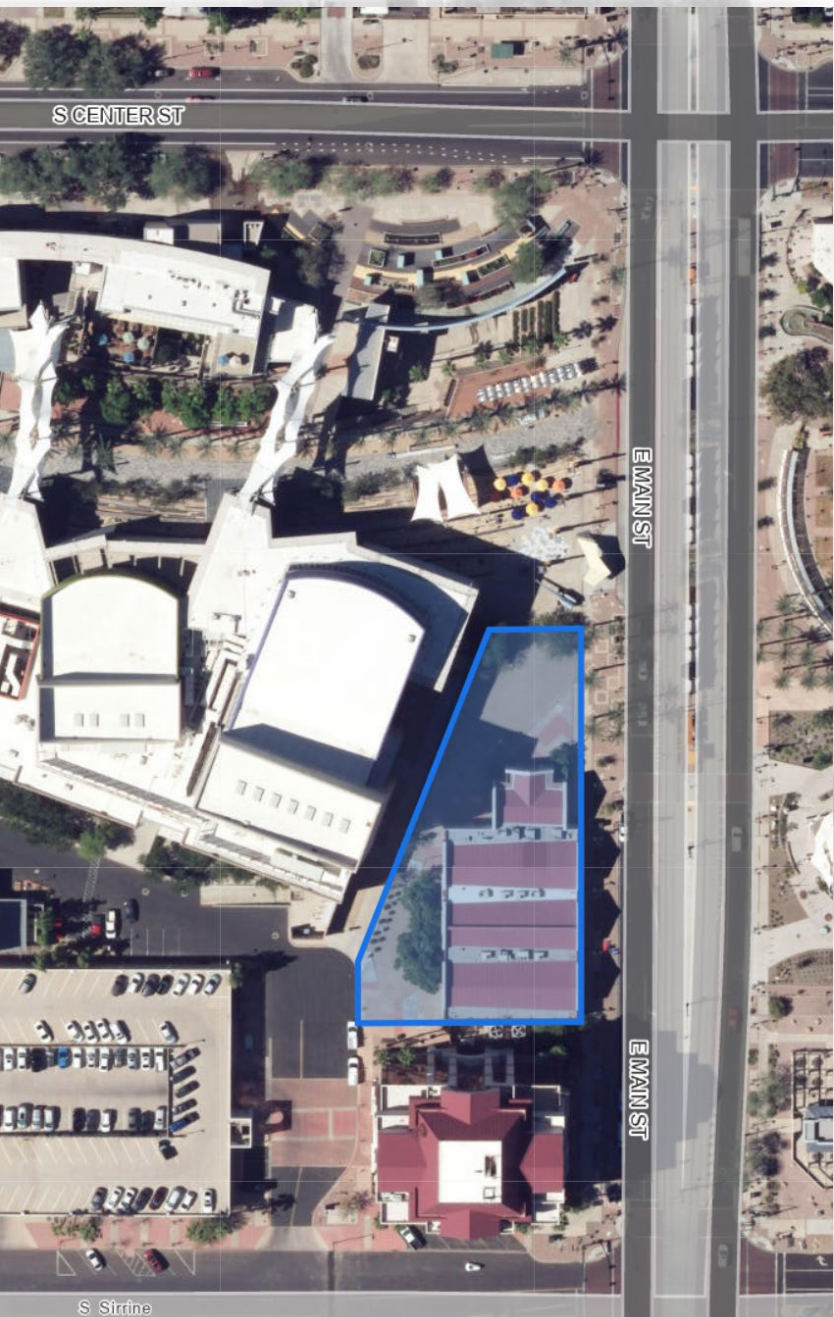
PARTNER LOCATIONS

Former City Council Chambers

- Upon completion of new Council Chambers, provides ASU a non-exclusive right to Joint Use of the Former Council Chambers.
- City will design and construct improvements to Former Council Chambers in coordination with ASU
- ASU's use will directly support academic programming
- If City leases, ASU will have first option to lease



PARTNER LOCATIONS

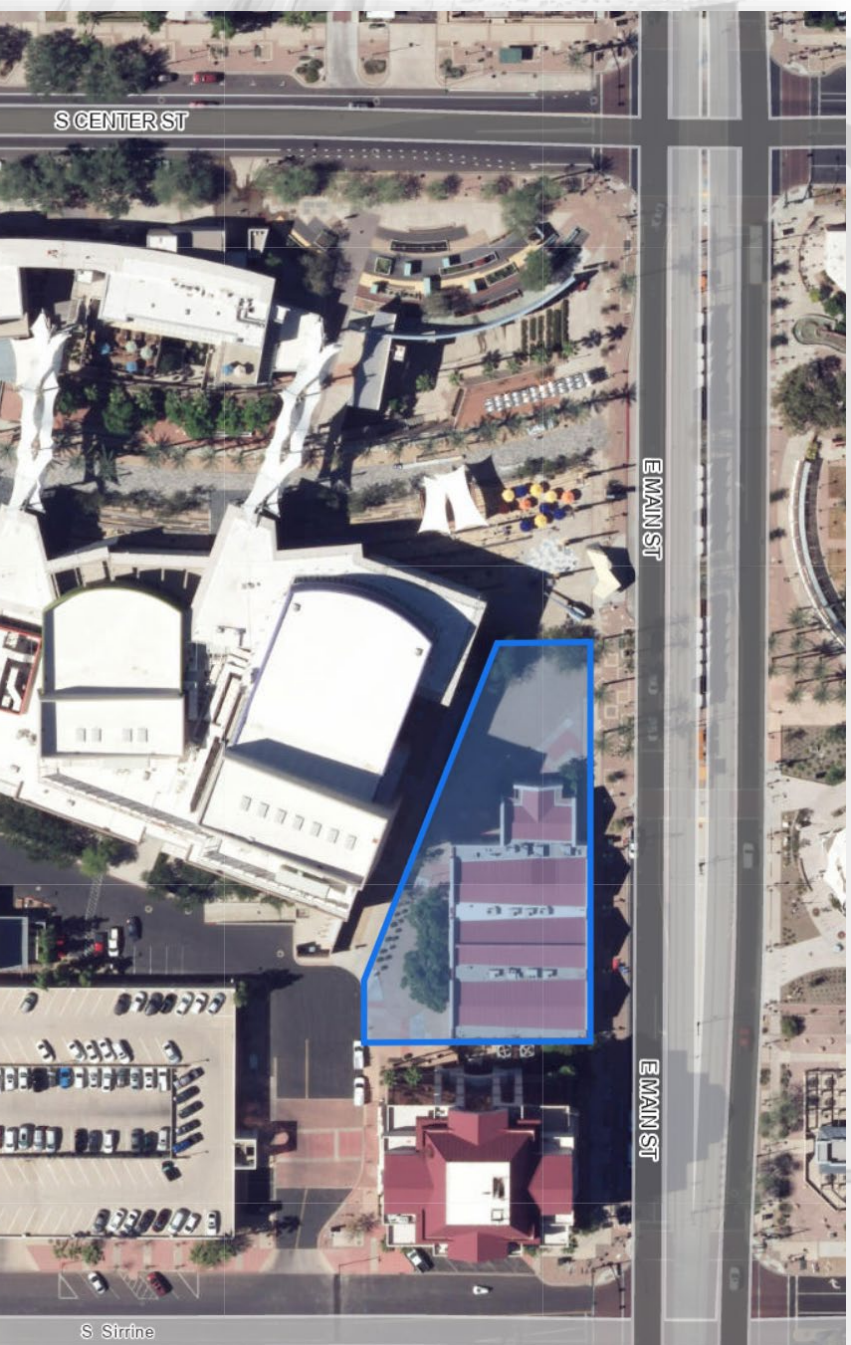


- 51-55 E. Main – As a Partner Location**
- Development at City's cost and expense
 - Provides ASU with designated portions of the property as potential tenant, with lease terms to be negotiated.
 - City will consult with ASU on the design of the improvements

PARTNER LOCATIONS

51-55 E. Main – As a Potential Development Site

- City may elect to convert site to a Potential Development Site
 - Development Determination Period begins on date site is converted to a Potential Development Site and expires five years later
 - As a Joint Development, City may choose to transfer ownership of land to ASU
 - If an ASU Development, City shall transfer ownership of the land to ASU
- Any development must be consistent with City's vision for development of the site



AMENDED AND RESTATED INTER-GOVERNMENTAL AGREEMENT

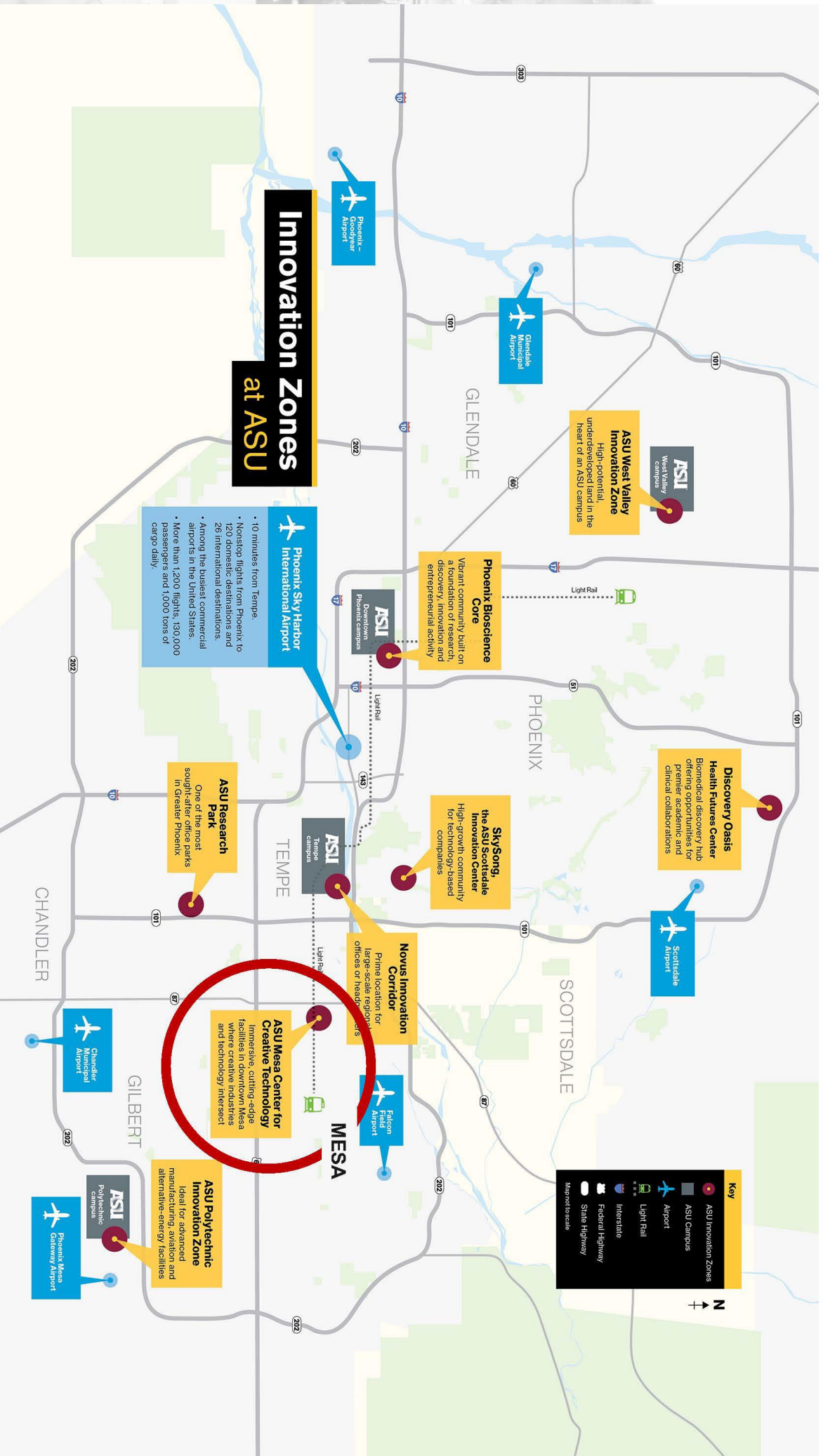
NEXT STEPS

- Council action on the Amended and Restated Inter-governmental Agreement
- Begin negotiations for ASU development on Potential Development Site 1 (Post Office)
- Preparation of a Request for Proposals to develop 51-55 E. Main Street consistent with the City's vision
 - Architecturally significant mixed-use high-rise
 - First floor retail/restaurant
 - Upper floors designed to accommodate office, academic, hospitality, and residential
- Begin design on Former Council Chambers renovation in coordination with ASU

Discussion



2024 INTER-GOVERNMENTAL AGREEMENT



2024 INTER-GOVERNMENTAL AGREEMENT

ASU | MESA CENTER FOR CREATIVE TECHNOLOGY

