

## LOCAL REDEVELOPMENT AUTHORITY

### MINUTES

March 29, 2012

The Local Redevelopment Authority of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 29, 2012 at 7:33 a.m.

#### MEMBERS PRESENT

Chairperson Scott Smith  
Alex Finter  
Christopher Glover  
Dina Higgins  
Dennis Kavanaugh  
Dave Richins

#### MEMBERS ABSENT

Scott Somers

#### STAFF PRESENT

Christopher Brady  
Linda Crocker  
Donna Bronski

Chairperson Smith excused Vice Chairperson Somers from the entire meeting.

#### 1-a. Presentation/Action Items.

#### 2. Take action on the following resolution to facilitate the disposition of the Former Air Force Research Lab (now known as AZLabs) located at 6030 South Kent Street:

- 2-a. A Resolution approving the Business and Marketing Plan (BMP) for the AZLabs (formerly known as the AFRL). Approval of the BMP includes approval of the Facility Management Plan, which is referenced in the BMP. **(District 6)** – Resolution No. 10000.

(See discussion under item 2-b)

- 2-b. A Resolution authorizing City Staff to submit the Economic Development Conveyance application, with appendices, to the Air Force for the disposition of the former Air Force Research Lab (AFRL). **(District 6)** – Resolution No. 10001.

Director of Economic Development Bill Jabjiniak introduced Craig Seymour Project Manager for RKG Associates, Jeffrey Donohoe President of Jeffrey Donohoe & Associates, and Brian Campbell Chairman of the Mesa Redevelopment Authority, who were prepared to address the Council. He also acknowledged Dane Mullenix of Alion Science and Technology, City Attorney Margaret Robertson, and Economic Development Project Manager Patrick Murphy, who were present in the audience.

Mr. Campbell expressed his appreciation for the Council's leadership and recognized the following members of the Citizen Advisory Board: Bill Jabjiniak, Virgil Renzulli, Tony Ham, and Retired Lt. Gen. John Regni.

Mr. Campbell said that the Council previously approved the Reuse Plan that transfers the Air Force Research Lab (AFRL) to the City by means of an Economic Development Conveyance (EDC). He explained that the EDC allows the City to receive and take full ownership of the property in a cost effective manner. He stated that the EDC process provides the flexibility needed to turn AzLabs into a "job creation machine."

Mr. Campbell reported that the Citizen Advisory Board, City staff, RKG Associates and Alion Science and Technology have developed an appropriate package to petition the Air Force to formally transfer the assets to the City. Mr. Campbell expressed his appreciation for staff's efforts, in particular, Bill Jabjiniak and Patrick Murphy who he said are a credit to the City.

Mr. Seymour displayed a PowerPoint presentation (**See Attachment 1**) and said that the City elected to obtain the research lab by means of an EDC in an effort to create and maintain jobs in the community. He said that the lab was the last piece of the former Williams Air Force Base to be transferred to the City. He stated that the lab has the potential to create approximately 250 jobs, many of which would be filled utilizing the existing workforce. (See Page 2 of Attachment 1)

Mr. Seymour advised that in order to obtain the property a Business Plan detailing how the facility would be operated over a 15-year period was required. He said that the Business Plan supports the retention/attraction of high tech, scientific jobs and the legacy research and development work for defense and national security. He stated that high-level security was critical to the defense community as well as the private companies conducting defense related work.

Mr. Seymour reported that City partner Alion Science and Technology obtained the certification necessary to secure the lab and will manage and market the property to private sector users. He said that the lab is strategically located on 6.8 acres between Arizona State University Polytechnic Campus and the Phoenix-Mesa Gateway Airport. He added that the site has ten buildings with a total of 71,220 sq. ft. of leasable space. (See Page 3 of Attachment 1)

Mr. Seymour displayed a series of graphs that illustrated the amount of space that was available and outlined the levels of security as follows:

- Open space – has the least amount of security
- Closed spaces – where most confidential work is performed
- High bay space – the most secure classification known

Mr. Seymour stated that three modular buildings were scheduled for demolition as part of the Capital Improvement Program (CIP), and would provide additional space for buildings or parking. (See Page 4 and 5 of Attachment 1) He also advised that the City of Mesa contracted with Alion to handle the recertification of facilities, property management, marketing, and high security activities. (See Page 6 of Attachment 8)

Mr. Donohoe advised that, as part of the business plan for the property, a summary of the Annual Revenues and Expenses over a 15-year period was prepared. He displayed a series of charts and graphs that demonstrated the growth in revenue and the expenses over the course of 15-years. He pointed out that in the early years expenses would exceed revenues however, as the property reached full occupancy there would be an annual surplus.

Mr. Donohoe said that it was anticipated that all of the available space would be filled within the next five years. He stated that a \$3.2 million deficit was expected for the first five years however, once full occupancy was reached there would be an annual surplus and the project would break even by the end of the 15-year timeframe. (See Page 7 of Attachment 1)

Mr. Donohoe briefly highlighted the CIP plan, which called for \$10.3 million in upgrades to the facility over time. He reviewed the costs associated with the demolition of the buildings and the replacement of the HVAC chiller units that serve AZlabs and some of the ASU buildings. (See Page 8 of Attachment 1)

Mr. Seymour advised that the next step would be for the Council to adopt the resolutions and submit the EDC application to the Air Force. He said that the Air Force would then review the application and would return to the City to negotiate any fine points. He added that once the Memorandum and Agreement were signed the property transfer could take place.

Mr. Jabjiniak stated that the Business and Marketing Plan was an integral part of the EDC that included the Facility Management Plan. He advised that a \$30,000 grant was received from the Office of Economic Adjustment for additional outside legal services. He added that the grant would be brought before the Council for approval in the near future.

In response to a question from Councilmember Richins, Mr. Donohoe explained that the \$10 million in capital expenses was incorporated into the "break even" schedule. He advised that an annual amount was also included in the repayment schedule for the \$10.3 million investment.

Chairperson Smith advised that item 2-a and 2-b would be considered in one motion.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Finter, that Resolution No. 10000 and Resolution No. 10001 be approved.

Chairperson Smith declared the motion carried unanimously by those present.

3. Adjournment.

Without objection, the Local Redevelopment Authority meeting adjourned at 7:47 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Local Redevelopment Authority meeting of the City of Mesa, Arizona, held on the 29<sup>th</sup> day of March 2012. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

bdw  
(attachments -1)

**MESA REDEVELOPMENT AUTHORITY**  
**for the former**  
**Air Force Research Lab**

**ECONOMIC DEVELOPMENT CONVEYANCE**

*Arizona Laboratories*  
*for Security and Defense Research*  
*“AZLabs”*

March 29, 2012



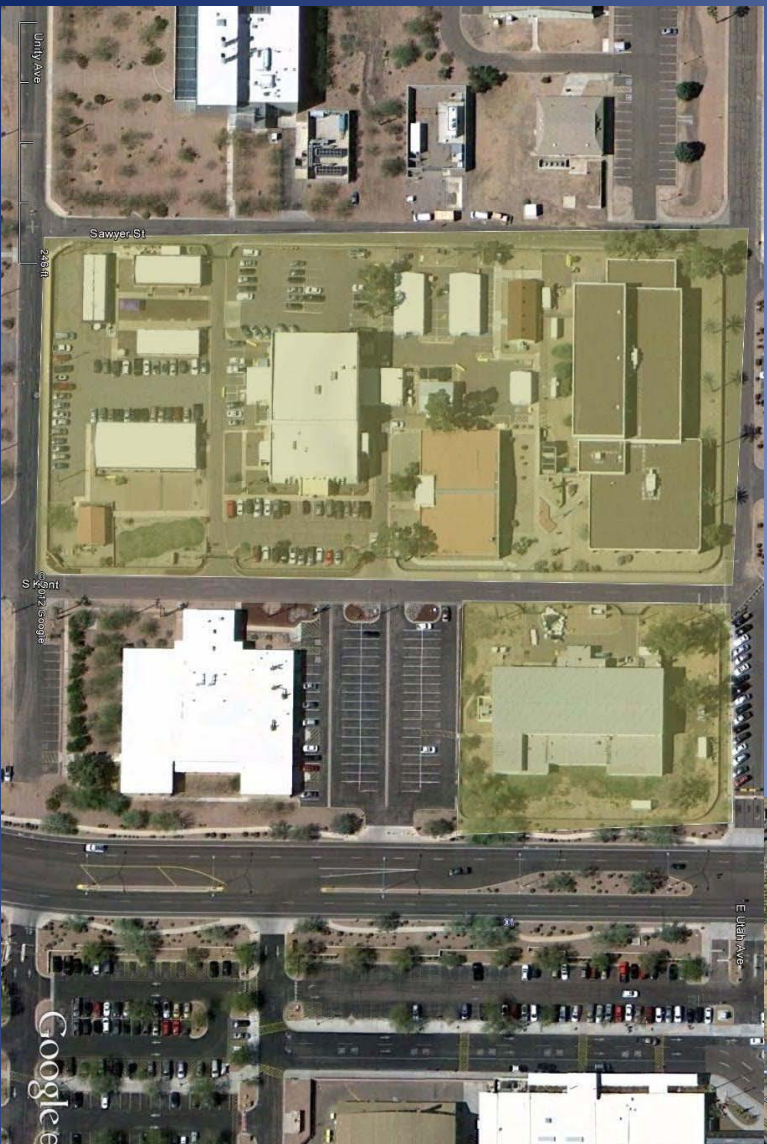
# Economic Development Conveyance

intended to help communities recover from BRAC

- Job retention and more rapid job creation
- 250 jobs at full occupancy
- Requires application and business plan which detail implementation approach
- Plan supports retention/attraction of high tech and scientific jobs
  - Legacy R&D work for defense and national security
  - Capitalizes on unique security status of facilities
  - Capitalize on skills, knowledge, experience of workforce
- City is partnered with Alion Science & Technology

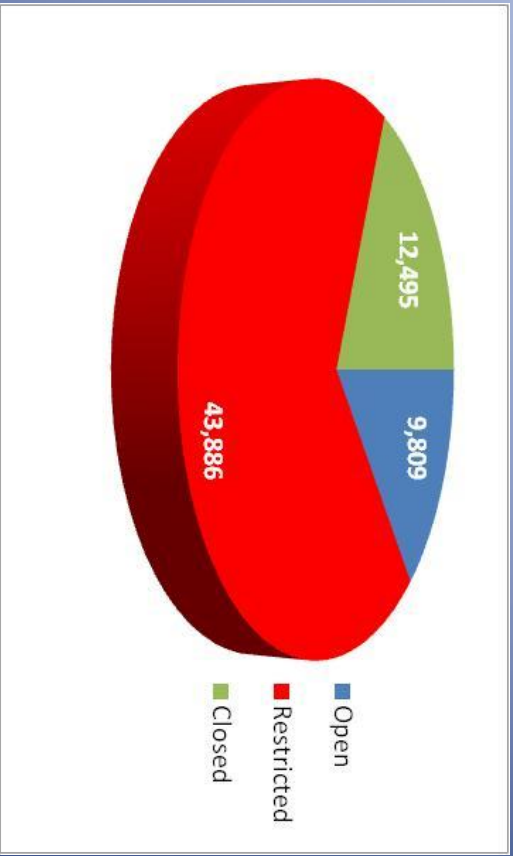
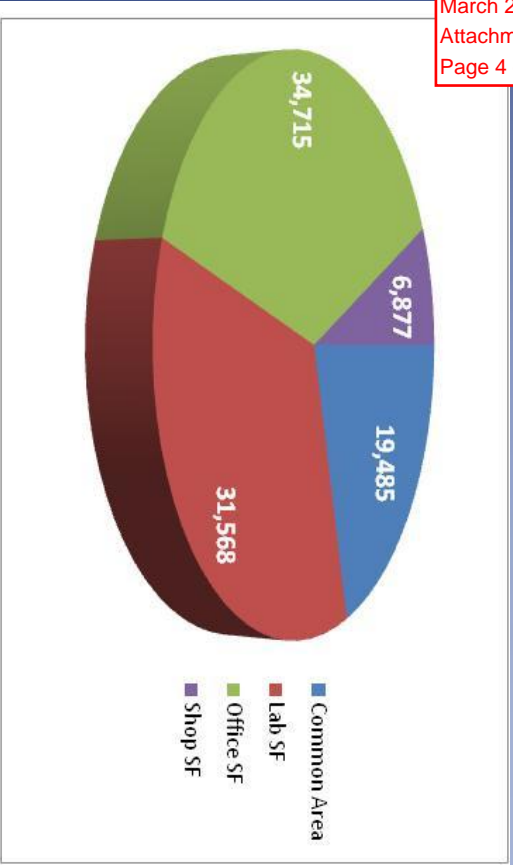
# Location

- 6.8 acres
- 10 buildings
- 71,220 leasable SF



- Between ASU  
Polytechnic &  
Mesa Gateway  
Airport

# Facilities for Reuse



Building	Common Area SF	Lab SF	Office SF	Shop SF	Total SF
551	1,645		1,645		1,645
552			1,647		1,647
554				1,647	1,645
558	5,784	12,548	5,786		24,118
560	1,691		7,909		9,600
561	7,654	14,700	8,306		30,660
562	361		4,039		4,400
567			1,647		1,647
570	2,350	4,320	5,383	5,230	17,283
<b>Total</b>	<b>19,485</b>	<b>31,568</b>	<b>34,715</b>	<b>6,877</b>	<b>92,645</b>

Source: Alion Science & Technology, Inc.



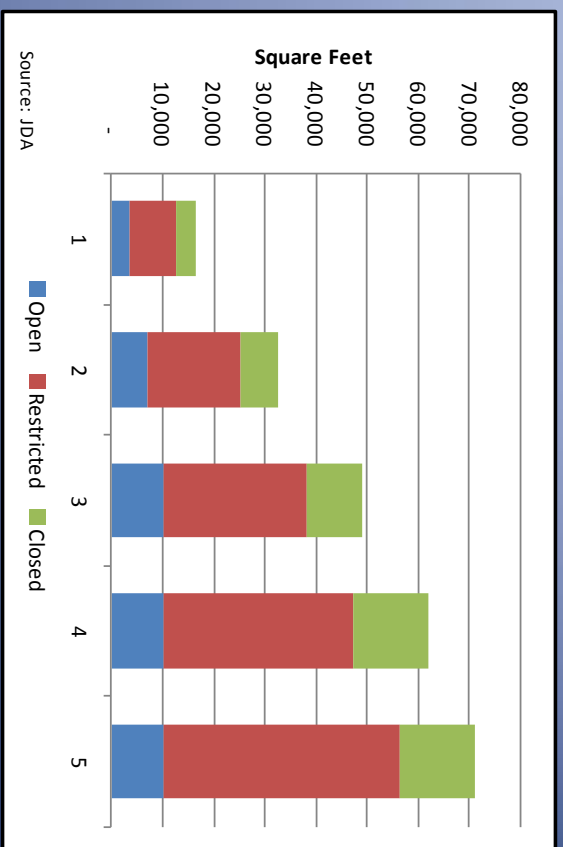
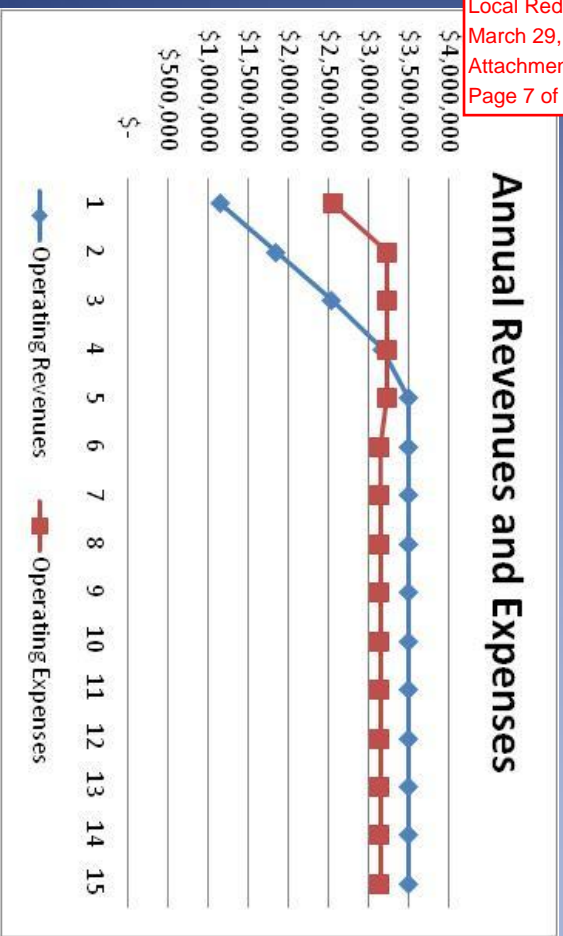
# AFRL Buildings



# Roles

- City acquires property from Air Force
- City has contracted with Alion for re-certification of facilities (completed), property management and marketing
- Alion provides ongoing security, property maintenance, marketing, facility upgrades, subject to City concurrence

# Financial Summary



	Years 1-5	Years 6-10	Years 11-15	Total
Operating Revenues	\$ 12,219,174	\$ 17,488,989	\$ 17,488,989	\$ 47,197,151
Operating Expenses	\$ 15,464,557	\$ 15,737,400	\$ 15,737,400	\$ 46,939,357
Operating Surplus (Deficit)	\$ (3,245,383)	\$ 1,751,589	\$ 1,751,589	\$ 257,795
Cumulative Surplus (Deficit)	\$ (3,245,383)	\$ (1,493,794)	\$ 257,795	

Source: Jeffrey Donohoe Associates



# Capital Improvement Plan

- Renovations to be completed as demand justifies
- Demolition will create more parking and/or developable area on-site
- HVAC replacement serves AZLabs as well as some ASU space
- Abatement includes ACM and lead paint

Building Renovations	
564	\$ 6,000
552	\$ 115,000
562	\$ 330,000
560	\$ 475,000
558	\$ 2,475,000
561	\$ 2,325,000
570	\$ 1,225,000
Building Demolition	
Abatement	\$ 24,000
HVAC	\$ 500,000
<b>Total Capital Improvements</b>	<b>\$ 2,866,000</b>
Source: Weston Solutions	
<b>Total Capital Improvements</b>	<b>\$ 10,341,000</b>

# Next Steps

- MRAEB recommendation to MRA/Council
- Council adopt resolutions to submit EDC application to Air Force and approval of the Business and Marketing Plan
- Staff submits EDC Application package
- Air Force reviews application for completeness and financial viability
- City and Air Force negotiate terms of transfer
- Deed transfer completed

Questions?

Thank You!

