



COUNCIL MINUTES

January 23, 2020

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 January 23, 2020 at 7:34 a.m.

COUNCIL PRESENT

Mark Freeman
Jennifer Duff
Francisco Heredia
David Luna
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

John Giles

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

(At 8:58 a.m., Vice Mayor Freeman excused Councilmember Luna from the remainder of the meeting.)

1. Review and discuss items on the agenda for the January 27, 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: 2-a

Items removed from the consent agenda: None

Items removed from the agenda: None

In response to a question posed by Councilmember Duff regarding Item 5-c, **(Approving the transfer of ownership of a City-owned parcel of real property and improvements located in Mesa, Arizona to A New Leaf, Inc., and authorizing the City Manager to execute documents to facilitate the transfer. (District 4)**, on the Regular Council meeting agenda, Deputy City Manager Natalie Lewis introduced Housing and Community Development Director Michelle Albanese and stated Council could explore additional ways of disposing of the leased properties, but added there will be caveats since Community Development Block Grant (CDBG) funds are used for this property to provide community services.

Ms. Lewis explained the two properties have been leased to A New Leaf for over 25 years and have provided services to the community during that time. She explained Housing and Urban Development (HUD) has criteria that must be followed when transferring CDBG property which includes continuing the service for a minimum of 10 years. She reported staff recommends the transfer.

Councilmember Luna indicated support for the transfer, adding A New Leaf has invested a lot of time and money remodeling and improving the facilities.

In response to a question posed by Councilmember Duff, Ms. Lewis stated the Mesa Drive property lease comes up for renewal in November 2021. She explained a new property would have to be located to ensure a seamless transition without service interruption.

In response to a question from Vice Mayor Freeman, Ms. Lewis remarked she does not believe the properties are listed on the Historic Register but will confirm.

In response to a question from Councilmember Whittaker, Ms. Albanese verified in 2017 the East University Drive/Hobson property appraised for \$121,000, the University property appraised for \$350,000 and the Mesa Drive/Main Street property appraised for \$166,000.

Ms. Lewis clarified since the properties were funded using CDBG, any funds from the sale of the properties are restricted and would go back into the CDBG.

In response to a question posed by Councilmember Whittaker, Ms. Lewis explained the request for the transfer was received from A New Leaf.

In response to a question posed by Vice Mayor Freeman, City Manager Christopher Brady replied the City of Mesa would continue to lease the space to A New Leaf in perpetuity if the transfer request had not been received.

Michael Hughes, Chief Executive Officer of A New Leaf, informed Council that A New Leaf is not opposed to finding an alternative site for the Mesa Drive property, but stated losing the Hobson site would pose an adverse situation since it is part of the Autumn House campus. He added A New Leaf is interested in doing what is best for the City of Mesa.

Councilmember Duff suggested further discussion on the process and finding an alternative to the Mesa Drive property. She recommended the best and highest use for the Hobson property would be to transfer to A New Leaf.

Ms. Lewis proposed moving forward with the Hobson transfer and shifting the Mesa Drive property discussion to the Community and Cultural Development Committee meeting in March to explore other options.

In response to a question posed by Councilmember Whittaker, Ms. Lewis stated the property appraisals were done in 2017. She clarified the property will be transferred and is not a gift.

In response to a question from Councilmember Whittaker, Mr. Brady emphasized the transfer is not a real estate transaction and has always been intended for public services. He stated the transfer would be done under Housing and Urban Development (HUD) regulations and Council policy which require at least another 10 years of continued services.

In response to a question from Councilmember Luna, Mr. Hughes explained the domestic violence shelter is located at the University site and the Mesa Drive site is used as transitional housing.

Mr. Hughes emphasized the strong partnership between the City of Mesa and A New Leaf. He remarked A New Leaf is willing to work with the City to ensure the best outcome for both.

Mr. Brady recommended modifying the agenda to separate the properties and only moving forward with the transfer on the Hobson property.

In response to a question posed by Councilmember Duff regarding Item 5-b, **(Approving the First Substantial Amendment to the City of Mesa Annual Action Plan for FY 2019/2020 and authorizing the City Manager to sign and submit the Amendment to the U.S. Department of Housing and Urban Development. (Citywide)** on the Regular Council meeting agenda, Housing and Community Development Director Michelle Albanese replied the funds are allocated and must be spent within a defined period of time to avoid penalties. She explained there are 42 individuals that have been on the waitlist for two to three years.

In response to a question from Councilmember Duff, Housing and Revitalization Administrator Ray Thimesch stated August is the deadline for commitment of Home Investment Partnership Program (HOME) funds and that typically \$450,000 will cover three to four units for either development or rehabilitation.

Mr. Thimesch explained the funds were originally allocated to a senior affordable housing project developer that returned the funds after receiving better financing.

In response to a series of questions from Councilmember Duff, Mr. Thimesch reported a dollar amount is assigned per unit for the HOME funds and those units are required to be HOME-assisted units. He added the funding for the other units will be from additional financing. He advised he would verify the commitment dates and deadlines for the HOME funds.

In response to a series of questions from Councilmember Heredia, Mr. Thimesch stated tenant-based rental assistance averages between \$1,000 to \$1,500 per household. He explained when using HOME dollars there is a requirement to bring the house up to the current building code which can be a large expense.

In response to a question from Councilmember Luna, Mr. Thimesch advised during his tenure with the City of Mesa, under the Neighborhood Stabilization Program (NSP) 64 homes were rehabilitated and approximately 33 units.

In response to a question posed by Vice Mayor Freeman, Mr. Thimesch reported the majority of the rehabilitation dollars are spent on homes west of Lindsay Road.

In response to a question from Councilmember Thompson, Ms. Albanese clarified while individuals are on the waitlist, CDBG funds are available to assist with an imminent repair because the requirements have more flexibility.

In response to a question from Councilmember Duff, Mr. Thimesch explained liens are placed on a property for the amount of the rehabilitation, 50% is forgivable after a period of five to ten years and the rest is a permanent lien. He added when assessing a property for rehabilitation, the value of the property and the current mortgage are taken into consideration.

In regard to comments from Mr. Brady on agenda Item 7-b, **(ZON19-00473 (District 6) Within the 3100 block of South Eastridge (east side). Located south of Guadalupe Road and east of Hawes Road (4.2± acres). Rezone from RS-6 to RM-2 PAD; and Site Plan Review. This request will allow for the development of a single residence development. Sean Lake, Pew and Lake, P.L.C., applicant; James Render, owner.)**, on the Regular Council meeting agenda, Planning Director Nana Appiah explained the Planning and Zoning (P&Z) Board voted two to

three, which recommended denial. He advised after citizen concerns were received, the developer modified the plan to contain single-family detached homes rather than attached, and reduced the density from 36 to 32 homes.

City Attorney Jim Smith stated language can be added to the agenda that states a vote on the consent agenda will be a vote for approval to ensure clarity.

Councilmember Thompson indicated support for the changes, stating the developer and the homeowners' association worked together to come up with a better option for the neighborhood.

In response to a question from Councilmember Whittaker, Mr. Appiah pointed out the main concern for P&Z was the attached single-family homes and in response the developer has changed the request to detached. He stated he cannot speak for the P&Z board, but with the concerns being addressed he feels the board would be satisfied to move forward.

Mr. Brady added it is possible to send the item back to P&Z, but there would be additional costs to the developer.

Deputy City Manager Kari Kent explained staff can follow up to confirm with P&Z.

In response to a question posed by Councilmember Thompson regarding Item 6-a, **(Amending Title 11, the Zoning Ordinance, of the Mesa City Code, by adding Chapter 15: Leisure and Recreation Zone District to Article 2: Base Zone; and by adding the Leisure and recreation Base Zone to Chapter 3: Designation of Zoning Districts, Zoning Map, and Boundaries to Article 1: Introductory Provisions. (Citywide)**, on the Regular Council meeting agenda, Mr. Appiah replied currently there is not a zoning district dedicated to leisure and recreation activities. He stated the change to the ordinance to add the leisure and recreation designation will allow flexibility in the requirements of the underlying zoning district for Planned Area Development (PAD), and any change to the base zoning will require Council approval.

Mr. Brady clarified that adding the leisure and recreation base zone will make the zoning fixed and transparent.

Mr. Appiah explained the General Plan has open space as a character designation and there is no linkage between the General Plan character designation and the zoning district to support the character designation.

In response to a question posed from Councilmember Thompson, Mr. Appiah remarked the PAD is assigned to a specific location and any modifications will come to Council for approval. He pointed out the leisure and recreation designation will function in a similar manner.

In response to a question from Councilmember Heredia, Mr. Smith stated this ordinance will affect future zoning and not current properties.

In response to a question from Councilmember Duff, Mr. Appiah verified the ordinance is consistent with surrounding municipalities.

Finance Director Irma Ashworth presented a PowerPoint Presentation. **(See Attachment 1)**

Ms. Ashworth informed Council the Comprehensive Annual Financial Report (CAFR) audit was completed in December with no material findings and one recommendation related to journal

entries. She reported the CAFR follows Generally Accepted Accounting Principles (GAAP) and complies with the Governmental Accounting Standards Board. (See Page 2 of Attachment 1)

Ms. Ashworth stated comparing 2018 to 2019, the City's total revenues increase by \$71.4 million. She added the largest portion of the gain was from the sale of Pinal County land, which was used to defease the excise tax bonds. (See Page 3 of Attachment 1)

Ms. Ashworth commented as of June 30, 2019, the City's total assets were \$4.5 billion. She explained the largest component is from capital assets, which includes buildings, infrastructure and land. (See Page 4 of Attachment 1)

Ms. Ashworth remarked as of June 30, 2019, the City's total liabilities were \$3.8 billion and have remained consistent for the past three years. She commented the majority of liabilities are long-term obligations. (See Page 5 of Attachment 1)

In response to a series of questions from Councilmember Whittaker, Ms. Ashworth confirmed the operating revenues, depreciation and operating expenses have been audited and are accurate, but do not include non-operating revenues. She agreed to provide a breakout for the \$1.6 million non-operating revenues. She described total interest income is recorded as a whole for the City and is in the CAFR but does not specify the return on internally managed money in the CAFR, adding that the quarterly investment report would contain the information. She continued by explaining reasons why the Public Safety Personnel Retirement System (PSPRS) liability could increase. She reviewed the unfunded liabilities for PSPRS. She stated she would have to review whether ASRS decreased from the previous year and would report back. She remarked there is not a comparison with other municipalities regarding returns on internally-managed assets. (See Page 11 of Attachment 1)

2-a. Hear a presentation and discuss the proposed 1st Avenue Maintenance Agreement and upcoming maintenance agreements for segments of Mesa Drive, Main Street, Udall, 1st Avenue, LeSueur, Hobson, and 2nd Avenue associated with the redevelopment projects under construction at the southeast corner of Mesa Drive and Main Street (The Grove on Main Street and Temple Renovation).

Vice Mayor Freeman declared a potential conflict of interest on agenda Item 2-a and said he would refrain from discussion on this item.

Manager of Downtown Transformation Jeff McVay introduced downtown Transformation Project Manager Angelica Guevara and displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. McVay presented an overview of The Groves on Main, which will consist of 243 apartments; and the Temple renovation projects, which includes removal of the visitor center and the complete renovation of the interior of the Temple and grounds. (See Page 2 of Attachment 2)

Mr. McVay discussed the 1st Avenue Streetscape project and Mesa Drive Phase 2 project which are voter approved bond package street improvement projects funded by 2013 transportation bonds and 2014 utility bonds. (See Page 4 of Attachment 2)

Mr. McVay detailed the Suburban Land Reserve street improvements, highlighting 1st Avenue because of its terminus view of the Temple. He stated due to the level of desired enhancements, the developer agreed to complete the design and construction of the streetscape elements in

coordination with Mesa's 1st Avenue Capital Improvement Projects (CIP). (See Page 5 of Attachment 2)

Mr. McVay highlighted the Temple renovation street improvements on Hobson, 2nd Avenue and portions of LeSueur which will remain public street improvements. (See Page 6 of Attachment 1)

Ms. Guevara explained the future maintenance agreements will define developer and City responsibilities and are similar to Cadence and Eastmark agreements. She provided an overview of the 1st Avenue agreement between Suburban Land Reserve, the Temple and the City, adding the agreement will save the City \$10,000 annually. (See Pages 8 through 10 of Attachment 2)

In response to a series of questions from Councilmember Duff, Mr. McVay commented the streetscape concept from Country Club to Mesa Drive incorporates separate bicycle lanes; however, Mesa Drive to LeSueur does not have bicycle lanes because that section is more neighborhood focused. He stated the proposed layout will be a safer environment for pedestrians and bicyclists.

In response to a question posed by Councilmember Duff, Ms. Guevara described the option of adding a bicycle lane next to the sidewalk and pushing out the parking, stating engineering determined there was not enough room to add the bicycle lane.

Mr. McVay pointed out the difficulty of changing the flood irrigation landscape due to the 100-year-old trees on 1st Avenue.

In response to a question from Councilmember Duff, Mr. McVay explained additional landscape is being added to create parallel parking but there is not enough space for an additional bicycle lane.

Vice Mayor Freeman thanked staff for the presentation.

2-b. Hear a presentation and discuss the findings of the Food-to-Energy program feasibility study and provide direction on the Food-to-Energy program.

Environmental Management and Sustainability Department Director Scott Bouchie introduced Special Projects Manager Niel Curley and Special Projects Manager Lauren Whittaker and displayed a PowerPoint presentation. **(See Attachment 3)**

Mr. Bouchie stated the focus over the last five years has been how to convert waste into a resource and reduce environmental impacts. He pointed out Mesa is unique in that it owns the solid waste, wastewater and natural gas utilities that allows vertical integration to collect, process and use the resource locally in the City of Mesa. (See Page 2 of Attachment 3)

Mr. Curley presented the vision for the Food-to-Energy program model, stating the benefit of adding food waste to the digesters is to significantly increase the production of biogas. He reported the feasibility study showed up to 95% of the plant's needs could be generated or could create natural gas to fuel solid waste trucks to create a closed-loop system. (See Page 3 of Attachment 3)

Mr. Curley acknowledged the partners the City of Mesa worked with during the feasibility study which represented a variety of food waste generator types. (See Page 4 of Attachment 3)

Mr. Curley stated in order to generate enough food waste, at least 90% of the businesses would need to subscribe to the collection service. He reported rates for the collection service would be similar to current charges for solid waste pickup. He described a big selling point for businesses is there are no additional time, labor or training required. (See Page 6 of Attachment 3)

Mr. Curley explained co-digestion and ensuring introduction of food waste will not negatively impact wastewater treatment. He remarked safe operating parameters and tons per day capacity were tested at the Northwest Water Reclamation Facility (NWWRF). (See Page 7 of Attachment 3)

Mr. Curley commented staff has been working with Energy Resources to develop Renewable Natural Gas (RNG) specifications and monitoring procedures to allow introduction into the natural gas utility. (See Page 8 of Attachment 3)

Mr. Curley highlighted the flexible uses of biogas for power generation, for heating values or for transportation fuel, and presented financial costs comparing the different uses. He stated by using the biogas as transportation fuel an additional revenue source is created which will allow the City to produce a Renewable Identification Number (RIN) that can be sold to big oil companies for compliance. He clarified the Advanced Biofuel (D5) RINs containing food waste have higher capital costs and will produce less revenue versus Cellulosic Biofuel (D3) RINs that do not contain food waste and will have a positive return due to lower capital costs. (See Pages 9 through 11 of Attachment 3)

In response to a question from Councilmember Thompson, Mr. Curley remarked the expected Return on Investment (ROI) is based strictly on City use. He indicated the D3 RIN route would supply approximately 50% of the solid waste fleet usage and would not generate excess capacity.

Councilmember Thompson suggested because of the prime location on the 101 and 202 making the fuel available to consumers to increase the ROI.

Mr. Curley stated the \$4 million capital cost for the D3 RINs does not set aside dedicated capital for a Compressed Natural Gas (CNG) station. He added the intent was to utilize the existing yard for solid waste. He replied staff could run numbers for the cost of an additional station for consumers and the expected revenue.

In response to a question from Councilmember Thompson regarding the cost to build a station, Mr. Brady explained the first step in the process was to get the program running using City vehicles by keeping costs at a minimum to prove the concept, and then in the future explore other uses.

In response to a series of questions posed by Councilmember Heredia, Mr. Curley stated part of the feasibility study was exploring available financial incentives and options of exporting the commodity. He explained exporting would have higher associated costs which will reduce the revenue. He remarked the lower capital cost for the D3 is attributable to not needing a pre-processing facility. He commented staff is recommending a phased approach by capturing the flare and upgrading the biogas to generate fuel for the solid waste fleet and continue working with the Environmental Protection Agency (EPA) to qualify for D3 RINs or possibly a D3/D5 split. (See Page 12 of Attachment 3)

Mr. Curley illustrated the next steps in the process as follows: (See Page 13 of Attachment 3)

- Progress to 30% design
- Continue to work with EPA on Renewable Fuel Standard changes
- Engage with EPA to approve the eRIN pathway
- Source food waste from regional partnerships

In response to a series of questions from Councilmember Heredia, Mr. Curley detailed the only items not allowed to go through the digesters are glass, eggshells and bones, adding during the study there was less than 1% contamination received. He stated the pre-processing facility has equipment that will separate the food waste from any packaging which benefits the partners. He confirmed the City of Phoenix is the only other city in the Valley capturing the flare but does not introduce food waste, and there are a few cities in California that are introducing food waste.

Mr. Curley presented the environmental benefits for each scenario comparing the capital costs, payback periods and the amount of metric ton equivalent of carbon dioxide reduction. He recommended the D3 scenario is the most economical when comparing capital cost and the environmental benefits.

In response to a question posed by Councilmember Duff, Mr. Bouchie stated green barrel waste cannot be used for this program.

In response to a question from Councilmember Duff, Mr. Curley explained the United Food Bank was able to provide a lot of fresh produce for the program and that the unused citrus would be great material to help the program.

In response to a question from Councilmember Whittaker, Mr. Curley replied staff uses the internal RIO looking at the cash flows.

In response to a series of questions from Councilmember Whittaker, Mr. Bouchie remarked the objective of the program is to assist commercial business customers to meet sustainability goals locally, to avoid throwing food waste into landfills, and at the same time reducing greenhouse gas emissions in a fiscally-responsible way. He reported the scope of the feasibility study was limited to commercial customers and learned during the study that more needs to be done to collect food waste. He stated there have been ongoing conversations with other municipalities and businesses that are interested in becoming involved with the program. He suggested moving forward with the first phase and staff will continue to examine ways to expand the program. He remarked there are further opportunities for growth with other wastewater treatment plants owned by the City.

Mr. Curley clarified that with expansion to the Greenfield plant, the two plants could produce 160,000 one million British Thermal Units annually of RNG, and currently the solid waste fleet consumes between 75,000 and 80,000. He described a future possibility of excess capacity.

In response to a question from Councilmember Whittaker regarding future expansion, Mr. Bouchie commented partnering with another fleet would require broker involvement and revenue sharing.

In response to a question from Vice Mayor Freeman, Mr. Curley indicated staff would like direction to progress to 30% design.

Vice Mayor Freeman indicated Council support to move forward.

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

3-a. Housing and Community Development Advisory Board meeting held on December 5, 2019.

It was moved by Councilmember Thompson, seconded by Councilmember Heredia, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES – Freeman-Duff-Heredia-Luna-Thompson-Whittaker

NAYS – None

ABSENT – Giles

Vice Mayor Freeman declared the motion carried unanimously by those present.

4. Current events summary including meetings and conferences attended.

Vice Mayor Freeman –	Falcon Field Airport Mesa Hangar Groundbreaking
Councilmember Thompson –	Landing 202 Groundbreaking Martin Luther King Parade Signal Butte Park Grand Opening
Councilmember Duff –	Alice Cooper Rock Teen Center Hacktivate Mesa We Run Mesa Kickoff – Eagles Community Center Mesa United Way Volunteer Income Tax Assistance

5. Scheduling of meetings.

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

Saturday, January 25, 2020, 4:30 p.m. – Regional Unity Walk at Tempe Beach Park

Monday, January 27, 2020, 5:00 p.m. – Study Session

Monday, January 27, 2020, 5:45 p.m. – Regular Council meeting

6. Adjournment.

Without objection, the Study Session adjourned at 10:05 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 Study Session of the City Council of Mesa, Arizona, held on the 23rd day of January 2020. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 3)