



## AD HOC REDEVELOPMENT ADVISORY COMMITTEE

June 8, 2004

The Ad Hoc Redevelopment Advisory Committee met in the Mesa City Plaza Building, 20 East Main Street, Suite 170, on June 8, 2004 at 5:38 p.m.

### COMMITTEE PRESENT

Steve Adams  
Louise Daggs  
Art Jordan  
Alan Rash  
Dave Richins  
Chuck Riekema  
Joe Shipley  
Bev Title-Baker

### COMMITTEE ABSENT

Rex Griswold, Chairman  
Alex Finter  
Jordan Rose

### STAFF PRESENT

Paul Wenbert  
Greg Marek  
Patrick Murphy  
Bonnie Andersen

### OTHERS PRESENT

Tom Verploegen

By consensus, Committeemember Adams conducted the meeting in the absence of Chairman Griswold.

1. Approve minutes of April 27, 2004 meeting.

It was moved by Committeemember Jordan, seconded by Committeemember Shipley, that the minutes of the April 27, 2004 meeting be approved.

Acting Chairman Adams declared the motion carried unanimously by those present.

2. Hear a presentation regarding Valley-wide perspective on redevelopment.

Redevelopment Director Greg Marek introduced Grady Gammage, an attorney with Gammage & Burnham and a Senior Fellow with the Morrison Institute for Public Policy.

Mr. Gammage stated that the Morrison Institute is presently studying Arizona's redevelopment tools and making a comparison of the tools available in other parts of the country. He provided the following information to the Committee:

- The State of Arizona does not utilize "Tax Increment Financing," a redevelopment tool that is available in many other parts of the country.

- Arizona has a “Rube Goldberg” type of tax system that has been utilized by Phoenix and Tempe for tax abatement in redevelopment projects.
- The City of Scottsdale repealed their redevelopment statutes several years ago, but now recognize that areas of their city require redevelopment. The present Los Arcos redevelopment plan is perceived to be positive for the City of Scottsdale.
- The redevelopment process is often considered to be the same as offering incentives, but the goal is to initiate the process of reinvestment.
- A City experiencing decline in regional shopping center or strip mall areas should be in the redevelopment business.
- The Valley region is presently a competitive environment for investment, although some discussion has occurred that proposes regional cooperation.
- Employment centers sustain investment within a community.
- Mesa’s economy is driven by housing rather than industry and therefore, job growth is a secondary result.
- California’s “equity refugees” contribute to Mesa’s housing growth.

In response to a question from Committeemember Shipley, Mr. Gammage stated that housing would continue to drive Mesa’s growth for the foreseeable future. He noted that many individuals believe that “high-wage jobs for high-knowledge workers” is the best way to stimulate growth. Mr. Gammage expressed the opinion that a combination of high wage jobs and housing development is the best course for continued economic growth.

Mr. Gammage stated that cities reaching build out have concluded that redevelopment efforts must continue, and he noted that both Tempe and Scottsdale are presently addressing redevelopment issues. He explained that redevelopment is a very difficult process for one individual to undertake and therefore, large investment groups accomplish the majority of redevelopment. He expressed the opinion that government entities should streamline the approval processes in order to assist redevelopment efforts.

Discussion ensued relative to the fact that some developers basically “remodel” older properties rather than implement a significant change in use; that these types of developments do not reflect a long-term investment in the community; that some redevelopment areas in Phoenix are successfully addressing the influx of Spanish-speaking immigrants; and that examples of redevelopment without a change in ownership exist where owners consistently reinvest in their properties.

Mr. Gammage stated that he currently represents a Tempe project where 70 percent of the sales tax revenues for the first 15 years would be returned to the project, which was estimated to be in the range of \$50 million to \$70 million dollars over the 15-year period. He advised that the funds returned to the project would be used to address the environmental cleanup of the site, property acquisition and infrastructure.

Mr. Gammage explained that benefits derived by a City as a result of the redevelopment process include an improved visual appearance and a more stable community that requires fewer resources to address public safety issues. He also expressed the opinion that a community that abandons the downtown area will experience decline in other areas, and that a stable downtown area encourages private investment throughout the community. Mr. Gammage noted that the topic of redevelopment raises an issue relative to defining the function of

government, and he stated the opinion that a function of government was to create a stable environment for citizens that maintains property values and encourages investment over a long-term period.

Additional discussion ensued relative to the fact that Mill Avenue in Tempe was a destination because of its unique character; that the property located at Mesa Drive and University has been cleared and is available for development, but the highest and best use of the property has not been determined; and that the City of Mesa is not perceived as being a "destination."

Mr. Gammage stated that hotels are the only type of business in which local governments normally become involved, but he expressed the opinion that these ventures are not advisable. He added that local municipalities do participate by sponsoring events such as a farmer's market in the downtown area or managing downtown parking facilities.

In response to a question regarding the point at which redevelopment efforts should be terminated, Mr. Gammage stated that local government should continue to protect the investment made in the community. He also expressed concern relative to the practice of expanding redevelopment areas beyond the downtown area, and he added that commercial or industrial areas in decline could be converted to residential development.

Further discussion ensued relative to the fact that the recent vote to restrict the City of Mesa's use of eminent domain will negatively impact future redevelopment; that the City could purchase property rather than utilize eminent domain; and that the City of Mesa's political climate is more conservative than that of other Valley communities.

Mr. Gammage stated that he is advocating that the State of Arizona implement "Tax Increment Financing" as a redevelopment tool.

Additional discussion ensued relative to the fact that some communities utilize a type of tax abatement called Government Property Lease Excise Tax (GPLET); that GPLET allows a property owner to pass title of a building to the City, the City removes the property from the tax roles, and the City then leases the property back to the owner; and that some communities, such as Tempe, include provisions that exempt school taxes from the abatement.

Mr. Gammage stated that although Arizona ranks low for residential property taxes, the State is ranked fourth or sixth in the country for the level of commercial property tax. He expressed the opinion that the commercial property tax rates prohibit creative investment.

Mr. Gammage further stated that a residential component is critical for downtown area development; that residential units are being purchased in downtown Phoenix; and that upscale developments similar to the project at 40<sup>th</sup> and Camelback in Phoenix would be difficult for the City of Mesa to attract due to the demographic profile of the community.

Further discussion ensued relative to the fact that the restrictions on eminent domain imposed by Proposition 105 were not applicable to property acquired by the City prior to the election; and that voters could reconsider the restriction on eminent domain during a future election.

In response to a question from Tom Verploegen, Executive Director of the Mesa Town Center Corporation, regarding the political redevelopment status of Mesa in comparison to other Valley communities, Mr. Gammage stated that developers were "scared to death" of Mesa. He added that developers are reluctant to consider redevelopment projects, and that lending institutions are reluctant to finance projects as a result of Mesa's political climate. Mr. Gammage further stated that the development community perceives that the City of Mesa is strongly opposed to redevelopment.

Mr. Gammage provided the following information regarding other Valley cities:

- The speaker at last month's meeting, the former Development Services Director for the City of Tempe, was a person "who made things happen," but he was replaced with staff that is perceived to be "difficult to deal with," and there is also a perceived "instability in the Mayor's Office." The Tempe market is difficult to predict.
- The City of Phoenix is presently considered to be the best city in the Valley for redevelopment business due to the fact that the current Mayor considers downtown redevelopment to be a priority issue.
- The City of Scottsdale was viewed as questionable because of the experiences of Steve Ellman, but is now considered to be more stable with the re-election of Mayor Manross and resolution of the Los Arcos situation. The Fifth Avenue area is likely to be a prime target for redevelopment efforts.

Acting Chairman Adams thanked Mr. Gammage for his presentation.

3. Other items.

Mr. Marek announced that the next meeting of the Ad Hoc Redevelopment Advisory Committee was scheduled for June 22, 2004, in the Lower Level Council Chambers.

4. Adjournment.

Without objection, the Ad Hoc Redevelopment Advisory Committee adjourned at 7:02 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Ad Hoc Redevelopment Advisory Committee meeting of the City of Mesa, Arizona, held on the 8<sup>th</sup> day of June 2004. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK