

**CITY OF MESA
MINUTES OF THE DOWNTOWN DEVELOPMENT COMMITTEE
MEETING**

DATE: October 17, 2002 **TIME:** 7:30 a.m.

MEMBERS PRESENT

Dave Wier, Chair
Art Jordan, Vice-Chair
Theresa Carmichael
Vince DiBella
Robert Fletcher
Wayne Pomeroy
Mark Reeb
Chuck Riekema
Terry Smith

STAFF PRESENT

Shelly Allen
Katrina Bradshaw
Craig Crocker
Tony Felice
Greg Marek
Amy Morales
Bryan Raines

OTHERS PRESENT

Robert Bergheimer
Greg Bonderud
Deb Duvall
Doug Edgelow
Kyler Keinholtz
Lori Osiecki
Donovan Ostrom
Elizabeth Parks
Craig Prouty
Andrew Scott
Norman Solomon
Bill Stalnaker
Laurent Teichman
Susan Tibshraeny
Ben Trainer
Gene Valentine
Chuck Wahlheim
Sharon Winters

MEMBERS ABSENT

1. Call to Order

The October 17, 2002 meeting of the Downtown Development Committee was called to order at 7:30 a.m. in the City Council Chambers located at 57 E. First Street by Chair Wier.

2. Items from Citizens Present

There were no items from citizens present.

3. Approval of Minutes of September 19, 2002 Study Session

It was moved by Theresa Carmichael, seconded by Wayne Pomeroy to approve the minutes.

Vote: 9 in favor; 0 opposed

Approval of Minutes of September 19, 2002 Regular Meeting

It was moved by Art Jordan, seconded by Theresa Carmichael to approve the minutes.

Vote: 9 in favor; 0 opposed

4. Presentation of awards for departing Board member, Deb Duvall.

Chair Wier presented an award to Deb Duvall for the time she has served on the Downtown Development Committee and thanked her for her service.

Ms. Duvall thanked Chair Wier and said she was very proud to serve with the other Board members on this Committee. She added that she has been a volunteer on several committees but has found a great deal of personal satisfaction by serving on this Committee.

Mr. Pomeroy thanked Ms. Duvall for all her service and the many years of dedication and volunteerism to the City.

Vice Chair Jordan said he hoped that they could continue to communicate with her and call on her for her opinions and feedback.

Ms. Duvall said she would be happy to hear from the Board members at any time.

5. Discuss and consider the responses to the Request for Proposals for Site 21, located at One North Macdonald Street.

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Vince DiBella declared a conflict of interest and abstained from discussion and voting on this agenda item.

Chair Wier said he would like to ask each of the developers to come up in alphabetical order and give a 10-minute presentation on their proposals. After the presentations, City staff will be allowed to give their report, and then time will be opened up for discussion and questions from the Board members. Chair Wier wanted to clarify that there have been no decisions made yet by the Committee, and even though staff has made a recommendation in their written report, the Committee will make an independent decision after they have heard the presentations and asked their questions.

Each developer gave a timed 10-minute presentation before the Board in the following order: Continental Commercial Group, LLC; EQUUS Development Corp.; Lexington Capital Corp.; and Outsource International.

Chair Wier turned the time over to Greg Marek for the City's staff report.

Mr. Marek said the City Council authorized staff to issue a Request for Proposals for Site 21 in August 2002 after they had considered the seven responses to the Request for Qualifications. In response to the Request for Proposals the City received four high-quality proposals, all of which were

submitted by qualified developers. Staff has prepared a synopsis of each of the proposals in the staff report provided to the Committee, which outlines the project concept, the requested incentives, and a general discussion of their experience.

Mr. Marek said a review team was formed to perform an analysis of the proposals comprised of the following people:

- Greg Marek, Redevelopment Director
- Patrick Murphy, Redevelopment Specialist
- Shelly Allen, Redevelopment Specialist
- Dick Mulligan, Economic Development Director
- Don Hunter, Hunter Interests (consultant hired by City of Mesa)
- Ernie Bleinberger, Hunter Interests (consultant hired by City of Mesa)

The review team performed an analysis of the proposals and felt that all four developers demonstrate the ability and experience to undertake the projects that they have proposed. Mr. Marek said regardless of which proposal is selected, the City hopes that all of the developers will consider future projects in downtown Mesa.

Mr. Marek said the proposals were evaluated based on the following criteria:

- The developer's financial strength and experience to finance the project,
- The developer's experience in redevelopment projects,
- The general approach to the project,
- Confirmed tenants, and
- Requested actions from the City of Mesa.

Mr. Marek said two of the proposals contained residential components and two contained office components. Staff was pleased to see that all four of the proposals included retail on the ground floor of the building, as it has been an impediment with past proposals. He also said that three of the four developers have proposed to use the existing BPLW plans (which have been approved by the Downtown Development Committee for design review) and would not require any additional reviews for approval.

Mr. Marek said one of the chief issues that the review team has been confronted with throughout the evaluation of the proposals is whether to select a residential or office-retail proposal. During these discussions, Don Hunter, consultant with Hunter Interests, felt that there was a stronger market for office-retail at this time. If the proposal that is selected contains a residential component, it was Mr. Hunter's recommendation that the rental units have the ability to turn into condominiums or ownership housing in the future. Mr. Hunter urged the team to keep the project as simple as possible to ensure a successful outcome and he felt this was more likely to be attained by focusing on office and retail uses. After discussions amongst the team, the consensus was to look more closely at the two proposals with office-retail and make a recommendation between the two. With this in mind, the review team hoped

that the developers who included the residential component in their proposals would consider future residential projects with the City.

Mr. Marek said that after much deliberation, the team decided to recommend Outsource International primarily because of McShane Corporation, who is a national developer with a strong background of experience with these types of projects. Outsource was also the developer recommended by Hunter Interests. The review team recommended that the City enter into a 90-day exclusive negotiation period with Outsource International to develop a Redevelopment Agreement and obtain final commitments for financing. If an agreement cannot be reached at the end of the 90 days, then the team recommends that the City enter into negotiations with Lexington Capital.

Mr. Marek said the General Development Committee will be reviewing the four proposals at their meeting on Monday, October 21st at 2:30 p.m. All four developers have been asked to attend this meeting and give their presentation. The City Council will consider the proposals and make a final decision in November. Staff's goal is to have a Redevelopment Agreement in place by the first of next year.

Chair Wier asked the Board if they have any questions of the developers.

Mr. Riekema asked Chair Wier if each developer could come forward separately for questioning by the Board.

Chair Wier asked Continental Commercial to come forward and answer questions from the Board.

Norman Solomon, Principal Manager of Continental Commercial Group, came forward and introduced Andrew Scott with Appleton Associates, an internationally acclaimed architectural firm. He stated that they have a loan committed and all equity in place for the project.

Mr. Riekema asked Mr. Solomon if he were selected as the exclusive developer for Site 21, how many days would it take before Continental would be in a position to have unconditional financing for the project (other than the execution of a development agreement).

Mr. Solomon said Continental currently has unconditional financing for the project. Their lender has already committed to the project and has been involved in the design stage throughout the project and has previously lent to Continental on four other occasions. Mr. Solomon said they have spent a tremendous amount of money and time on their concept to make sure it was compatible to the building and to Mesa. He stated that their lender has been committed to the project before the Request for Qualifications was even issued. Again he stated that they currently have the equity in place to do the project.

Mr. Riekena said Continental's proposal didn't provide a timeline and asked when they expect to commence construction on the project and when they expect to obtain a Certificate of Occupancy.

Mr. Solomon said their proposal would allow construction to move forward on an expeditious and timely basis because there are many elements of the building that they will still be using. He said they see no reason not to move forward as expeditiously as possible. Appleton Associates is a full service, capable architectural firm that will complete drawings as expeditiously as the City will allow. They are willing to commence that process immediately and they have no issue with construction.

Mr. Riekena asked Mr. Solomon if Continental had a specific timeline in place.

Mr. Solomon said he did not have a specific timeline, but pointed out that they have completed many live-work concept buildings over the past 25 years and never had a problem with expeditiously completing their projects. He said they intend to work with the Redevelopment Office, Planning and Zoning, and Building Safety to quickly complete the permitting process and, from that point forward, their project is very straightforward and simple to execute.

Mr. Reeb asked Mr. Solomon to give his definition of a live-work space.

Mr. Solomon said it is a combination of both residential and work-office space in the unit. As a result it accomplishes two purposes. During the day, the office-work element provides interaction with the outside community within the building, and during the night the tenants continue to use the space for residential occupancy. Mr. Solomon said this type of occupancy tends to work very well in an environment where there is a commitment and direction taken towards a more creative, artistic, cultural use. He said the first generation of live-work tenants tend to be on the younger side, are professionals, and usually do not have children. He added that he has never had a problem with leasing these units in any of his previous projects. In fact, they already have several commitments from individuals who are interested in leasing the space. Mr. Solomon said they have not provided any written commitments at this stage because they did not feel it would be fruitful or meaningful given the demand and given the time span before completion of the project. In addition, Mr. Solomon added that they have already spoken to several individuals and tenants for leasing of the ground floor of the building.

Vice Chair Jordan acknowledged the challenge of a conversion over trying to build a brand new loft space. He asked that since Mr. Solomon has already made his financial analysis and knows what his initial commitment would be in rebuilding the building, where would he have to cap that investment for it not to be a good investment.

Mr. Solomon said they looked at providing an initial budget for this project and felt that it was too preliminary to provide that. He said they looked at the other proposals and noticed that they varied from each other anywhere from 200 -

400% on the same line items. Again, he emphasized the difficulty in providing that kind of information at this stage of the project. He added that Continental's analysis of the project is that they would incur the same level of cost, or less, than the other proposals, and still be able to build a high quality, creative, live-work conversion of this building. Mr. Solomon added that they expect that their costing will be somewhere between \$3 to \$3.5 million dollars. However, if it were to go higher and reflect similar costs as the other estimates (which are in the range of \$3.8 and \$6 million dollars) the project would still be successful.

Vice Chair Jordan asked if his estimate of \$3 to \$3.5 million is inclusive of development fees, architectural costs, and real estate commissions.

Mr. Solomon said his architect is a principal member of the team so the architectural fees are not an issue, however, in direct answer to the question Mr. Solomon said the estimate does include all such costs.

Vice Chair Jordan asked if Continental were selected for exclusive negotiation of the Redevelopment Agreement, would they at any point announce that a presale of the units is going to be a requirement before they would be willing to start construction of the project.

Mr. Solomon said absolutely not, because it is their expectation that these would be rental units. They intend, of course, to track the market and are open to the possibility that it may be more beneficial to sell the units rather than lease; however, it is their expectation that given the current situation in downtown Mesa, they would be rental live-work spaces. In addition, Mr. Solomon said he wanted to comment briefly on the comments made by staff regarding the parking. Mr. Solomon said they included the parking request in the proposals because they believe it will enhance the project. He said their design provides six additional parking spaces on the street, which they feel gives back some of the spaces that would be lost in the parking lot. He added that they are willing to look at the parking situation further and negotiate this issue with the City.

Vice Chair Jordan said he appreciated the large-scale presentation materials that were presented and said they were extremely helpful. He commended the architect for the detailing on the façade and said that it showed exemplary architecture. He said that if the execution of the project (if it is selected) would follow that level of quality that has been presented thus far, it would definitely be an attribute to the City.

Ms. Smith asked if the team knew what the rates would be for the rental units on a monthly basis.

Mr. Solomon said the scale of the units are between 850 s.f. to 1,800 s.f. and could be rented at a very competitive rate ranging between \$700-\$1,500 per month.

Vice Chair Jordan asked what type of restaurant or coffee shop establishment they thought would lease the ground floor.

Mr. Solomon said, given the residency of the building, they believe they would acquire a bistro type restaurant. It would probably have an indoor/outdoor café or a very high-end pub. They have also spoken about the possibility of an ice cream/retail store for the ground floor.

Chair Wier asked EQUUS Development Corporation to come forward and answer questions from the Board.

Mr. Riekema asked if EQUUS were selected as the exclusive developer for Site 21, how many days would it take before they would be in a position to have unconditional financing for the project (other than the execution of a development agreement).

Doug Edgelow, President of EQUUS, said they currently have unconditional financing subject to the loan documents being drawn up. He said their lender, Bank of Arizona, has been following the project through the process. Mr. Edgelow pointed out that EQUUS does most of their construction financing with Bank of Arizona.

Mr. Riekema asked, based on their timeline, when they would commence with construction and when they would obtain their Certificate of Occupancy.

Mr. Edgelow said they would begin construction immediately after the construction and building permits were approved. He said their Certificate of Occupancy would be acquired in stages because the restaurant would be finished before some of the upper floors were completed. He explained that the entire building would not be completed at the same time. For example, the condominiums are usually completed at the shell stage (which is the drywall), and then the individual owners are allowed to select their own finishes inside. He estimated that the entire building would be done within about 8 months.

Mr. Pomeroy asked Mr. Edgelow to describe what his intentions were for the 10-space parking garage on the surface parking lot.

Mr. Edgelow said it is currently in the conceptual stages. He said they have considered a number of different ideas but the one they are considering now is a freestanding garage, which would be complementary to the existing building. He suggested that it might have a flat roof and would be attached and look like part of the building as much as possible. He said it is his experience that people who buy condominiums don't like the idea of having to walk across an open parking lot. They would rather have direct access from the garage to the building and that buyers tend to look upon detached parking as a real negative.

Mr. Pomeroy asked what would happen with the existing alley.

Mr. Edgelow said the City is planning to abandon the alley and make it part of the surface parking lot. This means there would be no exit onto Macdonald

Street and the garages would be up against the building. He explained that originally they looked at providing parking underneath the building, however the City did not look favorably upon this idea.

Elizabeth Parks, First USA Realty, said one of the assets to building the garage is that it would increase the total square footage of the building and the roof space of the garages could be used for outdoor dining.

Mr. Edgelow explained that the garages will not take up additional space in the parking lot. The parking space would still exist, it would just be enclosed.

Vice Chair Jordan asked if EQUUS plans to go back and incorporate value engineering to the development plans created by BPLW or if they have completely embraced the plans in their current format.

Mr. Edgelow said he favors the current designs created by BPLW; however, they will need to go back and finish the residential designs for the top floors of the building. These will need to be completed in order to perform the market studies and determine what size units to build. He added that there seems to be a significant demand for smaller units, specifically in the range of about 800 square feet. He mentioned there are a large number of students from ASU and E.V.I.T. that can't find housing and would probably be interested in buying a small unit in this building. He added that there would also be some larger units available around 1,500 to 1,800 square feet. Mr. Edgelow added that he is aware that the City's consultant, Hunter Interests, has favored the office project over the residential, but Mr. Edgelow emphasized that this was just one person's opinion. He pointed out that EQUUS has been building condominiums for over 10 years and has never had a problem selling units, even when the market was down. He further explained that there is high demand for residential loft housing in the inner city and most major cities in the U.S. have loft housing available for sale in the downtown area. He believes that these types of residential units are what bring people back to the downtown area, not office buildings.

Mr. Reeb asked what EQUUS anticipates the price per square foot would be for this project and the range of square footage for the condominium units.

Mr. Edgelow said he did not envision the condominium units to be super high-end units. He wants to make the building affordable and anticipates that the price per square foot will be somewhere in the vicinity of \$150 per square foot. He explained that most people are less concerned about the price per square foot and more concerned about the total price and the monthly payment. He added that the size of the units will range from 800 square feet to 1,800 square feet. Again he emphasized that these estimates are totally dependent upon the market study, which they still need to complete. He added that this market study will not hold up the construction of the building because they can begin the rest of the building while the market study is being completed.

Mr. Pomeroy asked what kind of restaurants they visualize for the ground floor.

Mr. Edgelow provided examples such as Earl's and Houston's as the type of restaurant that he would like to recruit. He explained that these restaurants tend to look expensive but are not. They attract a wide range of people, have a lot of life and activity, are open through both lunch and dinner, are affordable, and would appeal to both the young and old.

Vice Chair Jordan asked if there has been a common lender on the previous residential projects that EQUUS has built and, if so, would there be any problem providing an unconditional letter of credit within a 60-day exclusive negotiation period.

Mr. Edgelow said they have had a common lender, First Bank of Arizona, who has financed all but the project in Mexico. He said he did not see any problem providing the unconditional letter of credit within 60 days.

Ms. Parks added that they also have a private investor who has committed \$1 million dollars to the project as well as equity committed by EQUUS.

Chair Wier asked Lexington Capital Company to come forward and answer questions from the Board.

Mr. Riekema asked if Lexington Capital were selected as the exclusive developer for Site 21, how many days would it take before they would be in a position to have unconditional financing for the project (other than the execution of a development agreement).

Craig Prouty, partner of Lexington Capital Company, said they have the capability to avoid using financing on the project; however, they are going to use financing from Spectrum Financial Group and the conditions are in the submittal. He said if the Board were to ask him if he can commit to \$6 or \$7 million dollars, he does not have enough information yet to make that determination. He said there are issues that need to be taken care of and he said their team is very proactive. He said when they assess a project, they anticipate the risks, look at the elements that can get in the way, and address them in a proactive manner. He explained that they have researched the Redevelopment Agreement of the previous developer for Site 21 to help them get a head start and know what to anticipate if they were the selected developer. He explained that the commitment letter in the submittal states the conditions and they will look at the fiduciary responsibility to themselves and to the other partners. In short, Mr. Prouty stated that they have the capability of financing the project.

Mr. Riekema asked how long they anticipate it will take to obtain 80% occupancy of the building, it being an office project without any retail component.

Mr. Kienholtz, leasing broker with Lee and Associates, said it would take about 18 months, including the executive suite option as well as the shell space on the upper floors, to get 80% occupancy.

Vice Chair Jordan explained that one of the ongoing concerns that the Board is trying to understand is the level of commitment each developer has to produce a viable, sustainable redevelopment project. As a result, a lot of the questions are poised to try to uncover which developer is committed to actually obtaining a Redevelopment Agreement, commissioning an architect to complete the design development documents, pull a building permit by the middle of 2003, undergo a reasonable construction cycle, and have occupants in the building. Mr. Jordan noted that the proposal appears to have all of those requirements in place including 20,000 square feet of pre-leased office space, equity financing in the amount of 2 million dollars, an unqualified loan commitment, and a contractor on board. Mr. Jordan asked what were the unknown points that Mr. Prouty felt needed further negotiation with the City. He wanted to know if Mr. Prouty were given 45-60 days, would there be deal points that needed lengthy negotiation, or did they honestly feel that all the requirements could neatly fall out of a fairly quick negotiation period, and that BPLW could finish the documents by next April, and they'd be able to start construction by the middle of next year.

Mr. Prouty said from the developer's side they are very capable of completing the project, they just need a mechanism put into place to help facilitate this project. He said that if a mechanism is in place, then they can meet the requirements.

Mr. Reeb pointed out that two of the submittals to the RFP included a residential component and asked Mr. Prouty what his thoughts were on the residential component.

Mr. Prouty said he has analyzed the financial mechanisms of some very large development projects (some as large as 10,000 housing units). After studying the market, they felt that what they have proposed is more likely to be successful, and that they would have a greater return on their investment by going with an office-retail project.

Chair Wier asked Outsource International to come forward and answer questions from the Board.

Bill Stalnaker introduced Greg Bonderud, representative from McShane.

Mr. Riekema asked if Outsource International were selected as the exclusive developer for Site 21, how many days would it take before they would be in a position to have unconditional financing for the project (other than the execution of a development agreement).

Mr. Stalnaker said their bank has already sent that confirmation to the City. He said they have a \$10 million dollar commitment for working capital and an additional \$3 million dollar line of credit, which is unconditional.

Mr. Riekema asked how long it would take to lease the building at 80 to 85%.

Mr. Stalnaker said he guessed that with over one third of the building already committed, they could probably reach 80% within a year and a half from certificate of completion.

Mr. Pomeroy made the statement that BPLW is a partner with Outsource International and not just a tenant as they are with the others. Mr. Pomeroy asked if that was correct.

Mr. Stalnaker said that his statement is correct. He said that BPLW is an equity partner in their program.

Vice Chair Jordan asked when the tenant improvements would be complete for BPLW to occupy the building.

Mr. Bonderud said the package that was provided included the schedule which outlines the entitlement process, the construction process, and the development process. He stated that they have completed conceptual drawings and will move right into working drawings within the next 30-45 days. Once they are able to pull the permit on the project, they can complete tenant improvements within 5-6 months maximum. Ideally they would like to complete construction of both the interior and exterior improvements to the building within 8 months.

Vice Chair Jordan said one of the concerns he has about the project is that it remain a Class A building by reflection of the materials that are used and is averted to becoming a building which looks like something that could be found in a residential or suburban context. He asked that with BPLW being an equity partner, is the developer familiar enough with the proforma of the project and will they have significant say on the quality of the exterior materials such that they don't get value engineered out after they are approved.

Mr. Bonderud said it is paramount that they maintain a high quality design and there are partnerships with the contractor, developer, and architect to accomplish this. He said the first meeting they held with BPLW was to define the exact materials and work through cost budgeting analysis of the project. They want to maintain a high quality finish, especially at the pedestrian level, as well as all the way to the top of the building.

Mr. Reeb said they have a very impressive team put together and asked if there is one person who is the key person of the team that is going to be overseeing the entitlements, construction, etc.

Mr. Stalnaker said there are three. Gene Valentine will be the partner with respect to BPLW, Greg Bonderud will be responsible for the McShane contribution, and Donovan Ostrom will be the managing partner from Outsource in regards to the leasing and the building management.

Mr. Reeb asked Mr. Bonderud if he has other projects here in town that he has overseen.

Mr. Bonderud said yes. They are currently working on a job at 44th Street and VanBuren called the Gateway Center. He said it is a two building concept with 220,000 square feet of Class A office space. One of the buildings is already complete and is about 75% occupied. They plan to break ground on phase two of the project in March 2003. He said they are also working on two office/condo projects: one in Chandler at Queen Creek and Price Road, and another 18 building office/condominium project at Bell Road and 102nd Street. Mr. Bonderud mentioned several other projects that they are working on including a 110-acre employment center and several multifamily projects around the Valley.

Vice Chair Jordan asked if Outsource International feels optimistic that, by building a true Class A office building, they could consider leasing the space at a level of around \$25 per square foot that would not only attract high quality tenants but also allow them to spend more money on the front end. He said the \$18 per square foot level that was spoken of earlier seems to be a rate that is being gained down on Baseline Road for construction projects and is not the kind of cash flow that would allow them to do a real high end project.

Mr. Stalnaker said their proposal envisions a \$20 per square foot rental rate. It could possibly increase over the next year and a half, but initially that is what they determined as their preliminary estimate.

Vice Chair Jordan asked if they have chosen a broker.

Mr. Stalnaker said Eric Jones, with Commercial Properties, is their broker.

Ms. Smith asked if they could discuss their reasons for excluding a residential component from their submittal.

Mr. Bonderud said it was primarily based on the economy and scale of the building. He said they are not opposed to residential and very much believe in mixed use projects. Their decision was based on the size the building, its functionality, and the ability to separate the commercial component from the residential component.

Mr. Marek said he wanted to clarify the question on unconditional financing that was asked by Mr. Riekema. He explained that the letter that they received from Outsource International did have some conditions that the final commitment was still subject to the underwriting criteria of LaSalle, the approval by their credit committee, and their customary due diligence in legal documentation satisfaction to the bank.

Chair Wier announced the Committee would adjourn for a five-minute break and would resume at 9:15 a.m.

After the break Mr. Prouty asked if he could make a clarification.

Mr. Prouty said when they look at the proforma of these projects, they take a very conservative position. As a result, they don't assume that they can get \$24 or \$26 per square foot but feel very comfortable starting at \$18 because it works; however, they are more than willing to get it higher.

Mr. Marek also said he wanted to make a clarification on the rates. He said that the Class A buildings that are currently in Mesa average around \$21 to \$22 per square foot. He said to his knowledge, there aren't any office rates in Mesa that are getting \$25 per square foot.

Chair Wier said he would like to give each Board member a chance to give their comments and feedback and asked Mr. Reeb to begin.

Mr. Reeb said there are points from each of the applicant's proposals that he really liked. He said that personally, he favors a residential component because it is a step towards creating a more urban community in downtown. He also said that although the building is considered an eyesore, he would like to see the 1960's design enhanced, because the City may look back and wish that it had preserved the 1960's era of architecture in that building. As far as his stand on which proposal he favors, he said that he really likes Lexington Capital's proposal because he liked that Mr. Prouty has already invested in downtown and has a personal interest in downtown Mesa. He also felt that Mr. Prouty had the ability to get the job done.

Mr. Pomeroy said he also liked all of the proposals and was excited to see four high quality proposals received for this project. He said he favors the proposal from Outsource International because it is a simpler project that will be easier for the City to work with. In addition, he noted they have requested fewer incentives from the City than the other proposals. He also felt that the executive suites will do well and that the team was strong and dedicated to the project. Mr. Pomeroy said he would like to see the Board recommend the top two proposals to City Council so that if the first one is unsuccessful in completing a Redevelopment Agreement within the 60-90 days, then the second one could be given the chance. With this in mind, his second choice would be to recommend the Lexington Capital proposal.

Ms. Carmichael said she felt all four proposals were very good and included some very exciting concepts. She said she favors the commercial-office use for the building and agreed with Mr. Reeb's comments that Lexington Capital has the ability to get the job done.

Vice Chair Jordan thanked all four applicants for their hard work and study in submitting their proposals. He said he was very impressed by the presentation given by Continental Commercial Group and the inclusion of an architect as an equity partner in the project. He also felt that the experience level of the applicant in doing similar projects bestows confidence in their knowledge of the market and their ability to successfully complete the project that they have proposed. Mr. Jordan emphasized the importance of selecting a developer who was committed to completing the project reflected in their proposal, who

maintains the incentives that they brought to the table, has the ability to finance the project, and maintains a project schedule that ensures the drawings will be completed and the building will be leased as stated by the developer. In addition, Mr. Jordan said he is concerned that BPLW be retained as a downtown tenant. He felt that they have been the singular most important element that has kept this project moving forward over the last 3 years by involving themselves in previous redevelopment attempts and their willingness to become a tenant of over 10,000 square feet of office space in the building. He expressed interest in hearing some feedback from Continental Commercial Group about the possibility of BPLW becoming a tenant on the ground floor or basement of the building and if their program requirements could be accommodated in the design. Mr. Jordan said he also supports the proposal from Outsource International. After today's presentation, he said they have convinced him that they have the ability to move the project forward and build and lease the project. He said he would like to keep both projects dynamically involved and recommend them to City Council. He felt it was important that the City Council focus on both an office and residential component and make a determination after reviewing both proposals.

Ms. Smith said she is predisposed to be partial to a residential component to the project. She felt that the residential component is the key to providing the synergy to downtown Mesa.

Mr. Riekema said it is important to him that the City choose a developer who can provide a "home run" for the City and the success of this project. He said that from what he has heard, he is convinced that there is potential for a home run in the Continental project. With that said, Mr. Riekema felt that there was greater potential to bring higher numbers of people to the downtown area by selecting an office-retail proposal. He also agreed with Mr. Jordan that it is important to maintain BPLW as a downtown tenant and the office-retail projects have the ability to do that. In comparison of the two office proposals, Mr. Riekema said he was impressed by the McShane Company's financial capability to finance the project. Mr. Riekema said he would also like to recommend both Outsource International and Continental Commercial for consideration by the City Council, and if Outsource International cannot complete a Redevelopment Agreement within 60 days, then he would like to see Continental Commercial have the chance to succeed at this project.

Chair Wier said he felt that these were four outstanding proposals that have been submitted. He said he felt it was important to consider residential for downtown in the near future; however, he is leaning towards the two office project proposals and would like to recommend both Outsource International and Lexington Capital to the City Council for consideration.

It was moved by Chuck Riekema, seconded by Wayne Pomeroy, to recommend that the City enter into a 60-day exclusive negotiating period with Outsource International and, if after the expiration of the 60 days the City and the developer have not entered into a Redevelopment

Agreement, that staff be directed to immediately commence exclusive negotiations with Continental Commercial Group.

**Vote: 3 in favor (Wayne Pomeroy, Chuck Riekema, Robert Fletcher)
5 opposed (Art Jordan, Terry Smith, Mark Reeb, Theresa Carmichael,
Dave Wier)
1 abstained (Vince DiBella)**

Motion fails 3-5

Mr. Jordan said he would like to make a motion that would facilitate discussion by the General Development Committee and City Council because whomever this Committee recommends for exclusive negotiation, the City Council will probably consider all four proposals on an equal level when they hear the presentations.

It was moved by Art Jordan, seconded by Wayne Pomeroy, to recommend that both the Outsource International and Continental Commercial Group's proposals be actively studied by the General Development Committee and City Council to determine the importance and relevancy of the housing component to the City of Mesa and direct staff to enter into a 60-day exclusive negotiation with one of those entities based on the outcome of their conclusions regarding the residential component.

Mr. Marek summarized the motion for clarification and stated that the motion is to actively consider both Outsource International and Continental Commercial so that the City Council can determine whether they want an office or residential project and, based on that decision, City Council will select one of the two developers to enter into a 60-day exclusive negotiation period.

Vice Chair Jordan confirmed Mr. Marek's summary and added that he would like to see the City Council enlightened upon the possibility of BPLW's ability to be an occupant in the Continental Commercial Group's project.

Mr. Pomeroy asked how Vice Chair Jordan's motion is different than Mr. Riekema's previous motion.

Vice Chair Jordan said it is not that different other than in the execution of it because if Continental Commercial Group leaves this meeting today without the further endorsement by this Board and the lateral support of both developers then City Council may not realize that this Board would like them to sincerely address the issue of housing in downtown Mesa prior to directing staff to enter into an exclusive negotiating period.

Ms. Carmichael said she strongly agrees that Continental Commercial Group should be further supported in the recommendation to City Council; however, she would not support the motion because she preferred to see the Lexington Capital Company's proposal recommended along with it rather than Outsource.

Mr. Riekema asked if it would be acceptable to amend the motion to include Lexington Capital.

Vice Chair Jordan said Ms. Carmichael could request that the motion be amended to include Lexington Capital as a third party to the promotion of the office component.

Mr. Marek said Mr. Jordan, as the one making the motion, can either add or replace Lexington Capital with Outsource International in the motion, or vote on the motion as it stands and, if it does not carry, then a new motion can be considered.

Mr. Pomeroy pointed out that the City paid quite a bit of money to hire Hunter Interests as a consulting company for several sites in the downtown area and, although they felt all four candidates were strong, they seemed to lean towards the proposal from Outsource International.

Ms. Smith felt that maybe the motion should be more specific about who the Board would like to recommend and asked if the purpose of this motion is to obtain a reading from the City Council regarding whether they would favor a residential component over a commercial or vice versa.

Mr. Jordan said it is, and also to register their interest in this topic such that the City Council will take the issue of the residential component seriously and decide whether it should be included in a downtown redevelopment project.

Chair Wier asked if either of the two previous proposals that were considered for this site contained a residential component.

Mr. Marek said neither one did.

Vote: 5 in favor (Wayne Pomeroy, Art Jordan, Chuck Riekema, Robert Fletcher, Terry Smith)

3 opposed (Dave Wier, Theresa Carmichael, Mark Reeb)

1 abstained (Vince DiBella)

Motion carries 5-3

Ms. Smith asked if the opposing members could explain their reasons for their opposition to the motion.

Mr. Reeb said he liked the residential component and Continental Commercial's design, however he said he felt uncomfortable with the amount of live-work space that they have proposed and would've liked them to be more flexible rather than trying to combine both. Mr. Reeb said he also preferred to recommend Lexington Capital as the office-retail proposal rather than Outsource International.

Ms. Carmichael said she liked Continental Commercial's proposal; however, she favored the office-retail component and preferred Lexington Capital as the developer for that.

Chair Wier said he opposed the motion because he did not like Continental Commercial's design and did not like the colors that they had proposed. He also preferred to see BPLW as part of the proposal and wanted them to stay in downtown. In addition, he was more in favor of the Lexington proposal than Outsource.

6. Director's Report, Greg Marek

RFPs for Mitten and Pomeroy Houses and 146 W. Main – The Downtown Development Committee will review the responses to the Request for Proposals at the next meeting in November. There were 2 responses for the Mitten House, 1 for the Pomeroy House, and 3 for 146 W. Main Street.

Redevelopment Committee Ordinance – The General Development Committee will consider the Redevelopment Committee Ordinance at their meeting this Monday.

Citizen Participation Ordinance – The Ordinance will be introduced to the City Council this Monday night at the City Council meeting.

Arts and Cultural District – The Downtown Development Committee will consider a resolution to form an Arts and Cultural District at their next meeting in November.

Rehabilitation Code – The Redevelopment Office has proposed to become the project manager and form a project team to help expedite the process and keep it moving forward. The Redevelopment Office is still waiting to see if that has been approved.

Education Monument – Ms. Allen said a team has been formed by Mesa Public School employees, Wayne Pomeroy, and Debbie Dollar to relocate the monument from the old E.V.I.T. location to the front of the Mesa Bank building since this is the administrative offices of Mesa Public Schools. In addition they propose to construct a short wall for the plaques that pertain to education. Ms. Allen said they would like to have the monument moved in time for the sculpture-in-the-streets event that is being planned by Mesa Town Center Corporation. The funding of the relocation has been approved by the Permanent Sculpture Panel and will be funded from the money that has been raised for that program.

8. Report from Mesa Town Center, Tom Verploegen – Executive Director

There was no report from Mesa Town Center Corporation.

9. Board Member Comments

None.

10. Adjournment

With there being no further business, this meeting of the Downtown Development Committee was adjourned at 9:51 a.m.

Respectfully Submitted,

Mr. Gregory J. Marek, Director of Redevelopment
Minutes prepared by Katrina Bradshaw

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