

GENERAL DEVELOPMENT COMMITTEE MINUTES

May 14, 2003

The General Development Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 14, 2003 at 8:00 a.m.

COMMITTEE PRESENT

Dennis Kavanaugh, Chairman
Kyle Jones
Claudia Walters

COUNCIL PRESENT

OFFICERS PRESENT

Paul Wenbert

1. Discuss and consider building permit fee increases to fund land redevelopment process improvements.

Development Services Manager Jack Friedline addressed the Committee and said that he and Deputy Building Safety Director Jeff Welker would speak to this issue. He stated that staff is recommending that the building permit fee increase and noted that at the Department's budget presentation last week, they showed over \$4 million in BARs, a little over \$2 million of which was directly related to the revenues this produces and directly related to the personnel and technology innovations that would come along with this BAR.

Mr. Welker advised that staff periodically reviews fees and, in view of the input received from the Council regarding impact fees, they have made a recommendation to review permit fees annually within the Building and Safety Division. He noted that the current review is the most comprehensive and pragmatic review they have ever had and added that staff from the Finance and Budget Departments assisted in the process. He commented that a significant amount of input was received from the development community and reported that in order to maintain consistency with the Budget Office, Building Safety staff monitors development projects in five general categories: residential, multi-family (including mostly apartments); mobile homes (including RVs); and commercial/retail, which encompasses industrial and miscellaneous permits (pools, residential room additions, patio covers, etc.).

Discussion ensued relative to changes that have occurred in the national and local economies over the last two years resulting in a slowdown in the State's development projects; impacts on Mesa and the fact that staff is projecting a half-million dollar deficit in revenue at the end of the current fiscal year; the fact the permit revenues in Building Safety have been declining over the past few years while permit activity remained stable; the fact that although there remains a substantial demand in the Division and at the City for various types of development and construction activities, revenue associated with issuing

those permits has decreased because of the types of permits being issued and the fees associated with those types of permits; staff's projection that approximately 12,000 building permits will be issued next fiscal year for all of the categories listed above; the lack of available revenue to fund operation costs; the fact that the City of Mesa is "lagging behind" the rest of the Valley when it comes to fees; and the importance of having a designated, restricted fee and charging the industry to assist the industry.

In response to a question from Committeemember Walters, Mr. Welker advised that staff has had discussions with Charlie Deaton (Chamber of Commerce) relative to this issue and advised that Mr. Deaton was reluctant to take the matter before the full Board since they have already participated in the process and are not prepared to take a formal position one way or the other. Mr. Welker added that several of the Boardmembers have approached him and indicated support. He stated the opinion that the Chamber would ultimately support this issue because it addresses the issues they raised when they were working on the impact fees; their desire to see the residential development carry a more equitable share of the costs.

Mr. Welker further stated that the department has begun several processes but because of budget constraints have not been able to finish them. He noted that their preliminary plan review/formal screening teams are not fully staffed and they are operating on a "shoestring." He also discussed the needs of the Project Coordination (commercial) staff and said that they were supposed to have four staff members in place by this time but they only have one and have just hired a second. He stated that they are going to be overwhelmed by the demands for their services. He reported that a portion of the automation inspections have been put into place but again, due to budget constraints, they have been unable to fully implement that process as well. He discussed the demand on the part of the residential industry (production builders) for automated on-line permitting but stated that there is no funding to accomplish that goal. He stated the opinion that the department is doing well considering the limited available resources and added that they have received positive input relative to the progress that has been made to date.

Chairman Kavanaugh thanked Mr. Welker for his comments and said that at this time he would like to open the meeting up to receive input from members of the audience.

Mr. Dave Fishbeck, Arizona West Contracting, 1853 S. Horne, stated that he had participated in the process and attended the Development Advisory Forums. He advised that approximately a year and a half ago, he met with Chamber representatives and told them that something had to be done to improve the City's permitting process and after about three meetings they told him "it's not going to happen." That is why he began attending the Development Advisory Forums and he expressed the opinion that although there is still much to be done, great strides have been made to date. He spoke in support of the fee increase and, speaking as an individual, added that this is what needs to be done to improve the entire process. He said that industry members are constantly battling with the Plan Examiners to move away from the minutia and just concentrate on building safety issues and added that there are Building Inspectors in the field who make changes. He spoke in support of speeding up the process and noted that "time is money." He also spoke highly of the role carried out by the Project Coordinators and stressed the importance of automation and more control over the Plans Examiners. He added that they also need the I-Codes not the NFPA. He said that what they are doing is a step in the right direction and he supports the increased fees.

Mr. Craig Ulstrom, President of Farnsworth Development Company, 2233 S. Springer Boulevard, applauded the work of the Development Advisory Forums. He added that throughout his 25 years of dealing with the City on these issues, this step is one of the best ever taken. He discussed the open

communication that has occurred and noted that decisions were made jointly resulting in a very positive process. He advised that three years ago, when the fees were increased 17%, they felt the increase was justified and did not oppose it. He said that the industry also did not object to the recently enacted fees but when they saw the 50% increase, concerns were raised. He stated that they attended the focus groups, which were very informative, but they discussed "menu items important to the industry" with no fees attached to them at that particular time. He added that once the proposed costs were identified, he forwarded his concerns onto Mr. Welker. He noted that they are not here to oppose the increase; they believe there should be one, but said expressed the opinion that they are paying for the sins of not having reviews over the last ten to thirteen years and to experience a 67% increase within a period of two to three years (by the time they take into consideration the other increases they've had) is very difficult. He commented on the fact that residential permits have dropped 40%, commercial permits have remained fairly constant and the miscellaneous fees have gone up about 100%, from 3,600 permits to approximately 6,300 permits. He added the opinion that the residential plans require the most review time and justifiably so. He further stated, however, that the small little jobs, i.e. pools, patio covers, spas, room additions should not take as much time to review and perhaps this is an area that should be looked at. He said that perhaps they should consider phasing in the fees over a couple of years. He informed the Committee that some of their needs are critical now – maintaining/improving turnaround times, complete formal screenings, improve Internet presence, etc. and whatever fees need to be imposed in order to meet those needs should be looked at as soon as possible.

Mr. Ulstrom stated that they have conducted their own permit fee analysis and believe that the Gilbert fees that are being looked at include impact fees. He added that that is why they are seeing such a large disparity between the two (of the \$9,000 listed by Gilbert, \$3,000 is impact fees).

Additional discussion ensued relative to phasing impacts, the fact that the permit ration is approximately 70 residential/30commercial; the fact that of the 75% of annual demand for services attributed to the residential industry, 30% comes directly from permit applications for new homes while 39% is created by applications for miscellaneous residential permits (pools, room additions, patios, garages, etc.); the fact that the same type of fee increases are in place for both; the fact that fees are based on the cost per square foot; the fact that it would take the better part of the first year to get an automated permitting system up and running; the fact that the savings to both the production builders and the City would be huge; the importance of reviewing plans in a consistent timely manner in order for the builders to avoid scheduling conflicts; staff's opinion that in order to achieve the automation goal, the 20 unfilled positions in the division would need to be filled; and the need for supervisors to train staff.

Mr. Russ Brock, representing the Home Builders' Association of Central Arizona, 3200 E. Camelback, said he wished his organization had become more involved in the process earlier on. He complimented the Committee and staff on the rigorous work that has been expended but expressed concern regarding the numbers. He indicated his organizations willingness to work with Mr. Welker in an effort to arrive at a mutually agreeable fee structure. He added that he would like them to spend some time putting together a better reconciliation of the numbers so that decisions can be made based on where the fee structure will place Mesa compared to other municipalities.

Chairman Kavanaugh expressed the opinion that this would be helpful since individuals who compile statistics can do it in a way to support or oppose a particular position. He noted that that is one of the reasons why Valley communities tend to work through the Maricopa Association of Governments (MAG) – to obtain information in a standardized manner. He added that staff will be asked to review the assumptions that went into the preparation of the report to determine its validity.

Mr. Welker commented that the Homeowners' Association of Central Arizona shared the information referred to by Mr. Brock with staff as did the individual developer who prepared it. He said that staff reviewed the data and determined in their cursory review is that plan review costs are not included in the other report but are included in staff's report. He agreed that an updated study is needed and reported that Jenny Shepard in the City Manager's Office recently spent two full months in an effort to accomplish this but unfortunately every city is "strapped for time and energy" and no one wanted to participate. He added that he is currently working with MAG in an effort to conduct a joint study.

There were no additional speakers wishing to address the Committee at this time and Chairman Kavanaugh thanked everyone who spoke for their input.

Committeemember Walters requested that Mr. Welker sit down with Mr. Ulstrom to discuss the phasing impacts. She stressed the importance of basing decisions on accurate, up to date information that reflects what the fees do and do not include as far as Mesa and other Valley communities. She spoke in support of protecting the industry and said that by not doing anything, they are harming everybody who wants to build in Mesa. She expressed the opinion that the fees should be adjusted and said in the period between this meeting and when the issue comes before Council, there should be an opportunity to adjust the numbers/decide upon phasing.

Committeemember Walters **MOVED** that the Committee send this issue forward to the Council with a recommendation that staff's directive be followed. She emphasized that they must first get the additional information back so they can determine whether or not to phase it, impacts of phasing, costs, etc.

Chairman Kavanaugh stated the opinion that Committeemember Walter's recommendation would be to provide a couple of other alternatives with the recommendation with respect to phasing and Committeemember Walters concurred.

Committeemember Jones **SECONDED** the motion with the added recommendation.

Committeemember Jones expressed the opinion that the biggest concern is that the builders get caught short of having to cover the cost. He said that they could consider a six-month transition – put the fees in place but let them graduate month to month so that builders are not left "holding the bag" for homes they pre-sold. He added that staff should consider this issue when developing options for review.

Chairman Kavanaugh stated that he would support the motion and said that from 1985 to 1997 very little was done in the way of fees/reviews and the City relied solely on growth to fuel and fund its operations. He added that other communities took a different approach and Mesa lags very far behind in many of the areas. He said that fee increases to implemented to try and "catch up" resulted in citizen opposition because the percentage increases look significant. He added, however, that if they look at what the fees have been over the last 15 years, for example, they would find big gaps in time where other communities raised fees and Mesa didn't even look at them. He further stated that what they have been seeing is really the result of a policy direction given to staff three or four years ago to come before the Council with fee adjustments/comparisons on a more regular and consistent basis.

The motion **CARRIED UNANIMOUSLY.**

2. Discuss and consider preparation of a Retail Revitalization Strategy for the Fiesta Mall “Super-Regional Retail District.”

Chairman Kavanaugh stated that the full Council reviewed this issue at a recent Study Session and requested that the General Development Committee take an additional look at some information with regard to the proposal. He added that staff’s report contains additional information obtained at a recent conference that was held, the Arizona Alliance Program, and said that he had the privilege of attending the conference and found the material to be extremely helpful. He stated the opinion that the information represents a good partnership between the retail business community, the economic development community and Arizona cities and towns.

Dick Mulligan addressed the Committee relative to this agenda item and indicated his intention to update the Committee on things that have developed since staff’s last presentation on this issue on April 17, 2003. He said that there are four characteristics of an effective economic development program – effective leadership, a good plan and vision, professional staff and the program has to be adequately funded. He stated that if any of those components are taken away, it would diminish the effectiveness of what it is they are trying to do and he believes that applies in this particular situation.

Mr. Mulligan said that the City took a proactive approach in reaching out to the stakeholders who are developing, the retailers and the property owners in the Fiesta Mall area and gathered them together for a meeting. He said that the attendees were grateful that the City had taken the initiative to bring them all together, an occurrence that does not happen as frequently as one would think. He added that although they are really competitors, when they got together at the meeting they found that they have common issues and there is a grave concern about the direction that Fiesta Mall and other areas in the vicinity are heading. He further stated that meetings have been held with Fiesta Mall management and other individual developers as well and they expressed the same type of concerns.

Mr. Mulligan informed the Committee that staff previously presented the Retail Development Task Force Report and said that part of bringing that report to the full Council is getting people in the retail industry and some of the key retailers in the community as well as the developers, to talk about the issue. He reported that the super regional retail district concept caught their imagination. He added that staff then went before the Economic Development Advisory Board and brought them up to speed in terms of the fact that they had presented the full task report to the Council and the Fiesta Mall initiative and the Broadway Corridor. He referred to a letter from Board Chairman Gary Smith that he distributed to the Committee and stated that it speaks to the retail development issues raised by the Council a couple of weeks ago. He stated that during their deliberations they were very cognizant of the fact that there may be some other alternatives, such as working with a consulting team, but noted that they view that and other alternatives as being less desirable. He said that clearly the message they wanted to deliver is that there is an urgency and a need to move forward and if they don’t pay attention to the older areas of Mesa and focus on revitalization, all they will be doing is trading new development in exchange for what is being lost in some of the older areas.

He briefly reviewed the contents of the proposal and expressed the opinion that consulting services would bring in some specialized expertise for situations that the City has not been previously involved in. He pointed out that Mesa does not have a strong history of implementing such a major revitalization effort and said that the consultant’s expertise is something they believe they are leveraging at a very reasonable cost. He added that it also provides an important facilitation role and stressed the importance of credibility and consensus building.

Discussion ensued relative to creating a business friendly atmosphere in Mesa and becoming effective partners/stakeholders; the fact that the proposed retail revitalization plan for the Fiesta Mall area would cost approximately \$29,000; and the resulting demands on the City as a whole as a result of increasing growth.

Committeemember Jones said that he has read a lot of reports during his tenure but not seen any results. He agreed that a consultant would bring a higher level of expertise to the table but stressed the importance of achieving results. He stated that he would support the hiring of a consultant provided that the ultimate results do not “remain on the shelf.”

Mr. Mulligan agreed and noted that included in the scope of services is an item to “identify performance measures to access progress.” He stated the opinion that this is a critical component and said that the ultimate goal is to develop action plans and have performance measures in place to measure progress and ultimately, as they develop strategies and recommendations of what needs to be done, they will be able to link that with ultimate cost projections and revenue funding. He noted that the proposal would come before the Council to decide whether to move forward or not on the recommendations.

Committeemember Walters commented on a number of reports conducted by the consultant but said although she read the recommendations, she did not see any final results. She added that beyond hearing about “visions”, she is looking to obtain expert advice and wants to know whether the situation can be turned around.

Mr. Mulligan responded that they are not just taking about revitalizing Fiesta Mall, they envision taking a look at the surrounding area as well. He pointed out that there are a lot of different stakeholders with different agendas involved and that is why consensus building is critical. He stressed the importance of ensuring that members of the expert panel possess the technical expertise critical to the success of the process. He also discussed the importance of having proper representation from people in the retail industry and said that staff is pursuing representation from the International Council of Shopping Centers to participate on the panel as well.

Committeemember Jones **MOVED** that this issue be forwarded to the full Council. He said that he is doing this based on some assurances of what the results could be.

Mr. Mulligan emphasized that they will obtain the appropriate expertise but added that he could not guarantee that they are going to have exact answers and turn the situation entirely around with a five year period of time.

Committeemember Walters **SECONDED** the motion and added the recommendation that when the proposal is presented to the full Council that it contain information relative to results that have been achieved because of other consulting studies that were conducted (including performance measures, etc.) She said that she is supportive of moving ahead but still questions whether they should consider hiring a Revitalization Specialist.

Mr. Mulligan expressed the opinion that part of the reason adding another staff personal isn't always the answer is that they also have to create some support staff in depth if they want the office to grow. He said it's not just a matter of adding one more person to do another program area; there are some real administrative challenges.

Chairman Kavanaugh also spoke in support of the motion and said that the proposal is similar to the Opportunity Zone concept in approaching neighborhoods. He added that in effect they are looking at creating a type of Retail Opportunity Zone that might assist in providing a template that can be used for other retail areas within the community to ensure that their policies help to foster the proper mix of employment, residential and retail so that the right synergy exists.

The motion **CARRIED UNANIMOUSLY.**

Chairman Kavanaugh thanked everyone for their input.

3. Adjournment.

Without objection, the General Development Committee meeting adjourned at 9:43 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the General Development Committee of the City of Mesa, Arizona, held on the 14th day of May 2003. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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