



COUNCIL MINUTES

December 10, 2015

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 December 10, 2015 at 11:48 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
John Giles Alex Finter Christopher Glover David Luna Dennis Kavanaugh Dave Richins* Kevin Thompson	None	Christopher Brady Jim Smith Dee Ann Mickelsen

(*Councilmember Richins participated in the meeting through the use of telephonic equipment.)

1-a. Hear a presentation, discuss, and provide direction on the acquisition of property located at 1240 East Main Street (previously Mervyn's).

City Manager Christopher Brady reported that Councilmembers had an opportunity to tour the building located at 1240 East Main Street (Mervyn's site) and explained that staff was present to answer any questions Council may have.

In response to a question from Councilmember Richins, City Engineer Beth Huning provided a comparison of two sites as follows:

- Southwest Ambulance Site – Purchased for \$13 million and is 14.53 acres, a total of 120,000 square feet with four existing buildings; the northeast corner of the site has a warehouse to be converted to a dispatch center; that the northwest corner of the site has a fleet maintenance building with a carbon monoxide system for vehicle exhaust; and that each building is over 50 thousand square feet each.
- Mervyn's Site – Just under 7.93 acres and includes one building that is 90,092 square feet.

Councilmember Finter commented that he was impressed by the tour of the Mervyn's site. He reported that this area of Mesa has an overabundance of vacant big box buildings and that the property has been an eye-sore and a challenge for the neighborhood. He stated that purchasing the Mervyn's site could offer an opportunity to use the back of the building for warehouse-like space and using the front space along Main Street as future development for the upcoming light

rail station. He hoped that staff would provide a plan for the property that he could support.

Mr. Brady highlighted various benefits related to acquiring the Mervyn's site as follows:

- Recent investment of HVAC systems in the building.
- The City has existing warehouses that need to be overhauled or abandoned due to age.
- Valley Metro will be looking to lease space along this portion of the light rail and they would fit in this location.
- There is a need for a public safety presence along the light rail.
- The warehouse space would provide rental savings to the City for storage of furniture and equipment.
- The roll-up doors and ceiling height of the building would be ideal for the Police Department evidence storage.
- The neighborhood could benefit from community space.

Councilmember Finter reported that a recent study showed that the Police Department would need an additional 45,000 square feet for evidence storage in the next 3 to 5 years and that building such a facility was estimated to cost \$11 million. He suggested that purchasing the warehouse space could save the City a small fortune down the road.

Mayor Giles commented that the Mervyn's site offers great interim uses and will have a useful life for many years to come. He stated that Mesa does not have an inventory of property along the light rail corridor and this property provides a great opportunity at an attractive price of \$2.7 million. He noted the following market comparables:

- The land value alone would be approximately \$2 to 2.4 million without a building.
- The construction costs of building a similar structure would be \$5 to 7.5 million.
- The current seller purchased the property seven years ago for \$11.5 million.

Vice Mayor Kavanaugh stated that a property adjacent to a light rail stop will attract beneficial development and is a good return on investment. He added that the structure of the building is good and would satisfy multiple purposes and meet many community needs. He stated that having a police presence in that area would be beneficial and it could be a home for police volunteers. He supported the purchase as a wise investment.

Councilmember Glover pointed out that the Mervyn's site is in his district and suggested that the City should not be competing with the market. He stated that he was not in support of the purchase due to the fact that the City lacks funds to complete the fire dispatch center and has no strategic long-term plans for the property.

Councilmember Thompson concurred with Councilmember Glover and reminded the Council that City Departments were recently asked to make budget cuts. He emphasized that the Council may be setting a bad example by leveraging money that is not available. He pointed out that he is not comfortable risking taxpayers' money on this purchase and does not support the purchase.

Councilmember Luna indicated support for the proposal and stated that it is in a strategic location and good for the neighborhood. He added that in terms of the light rail and future development, he feels the site is a key asset.

In response to a question from Councilmember Richins, Mr. Brady confirmed that the funds were not in the current budget and would be taken from the proceeds of the sale of the Pinal County lands. He explained that these funds are to be used to pay for the debt service on the Cubs Stadium, which is spread out over 15 to 20 years with the first payment due in 3 to 5 years. He advised that the risk could be the inability to replenish the \$2.7 million in time to make the debt service payment. He stated that the Council would need to decide how the \$2.7 would be restored, either by selling part of the property or setting aside money in the budget each year to meet that obligation, otherwise reductions would become necessary.

Councilmember Richins voiced concern that he is uncomfortable borrowing from another debt payment to make this purchase. He advised that his colleagues who are going to be on Council in the coming years will have to live with the decision and stated that 'robbing Peter to pay Paul' has seldom worked out positively for the City.

Councilmember Finter recognized the efforts of Councilmember Richins in implementing a clearly defined fund for the sale of properties to be drawn upon later for economic development. He added that he finds comfort in knowing that the City is a massive landholder in many areas and can find the resources if necessary.

Vice Mayor Kavanaugh recalled that the Council unanimously voted to create the revolving fund for economic development to be used to acquire property when the time was appropriate. He suggested that this is one of those opportunities and believes that the fund will be replenished.

Councilmember Richins reminded the Council that the fund was not intended to be revolving, but rather a fund for turning unproductive assets into productive assets.

Councilmember Thompson cautioned the Council that the purchase of the Mervyn's site is a want rather than a need. He voiced concern that it is not in the best interest of the City to purchase a piece of property that the City has no intention of keeping long-term.

Mayor Giles called for the motion.

It was moved by Councilmember Luna, seconded by Councilmember Finter, to direct the City Manager to acquire the property located at 1240 East Main Street, and provided further that if the City Manager determines that it is not in the best interest of the City to acquire the property based on the Phase II Environmental Report or for any other reasonable concern the City Manager has about the acquisition, then in such event the City Manager may terminate the purchase agreement and not acquire the property.

Upon tabulation of votes, it showed:

AYES – Giles-Finter-Kavanagh-Luna
NAYS – Glover-Thompson-Richins

Mayor Giles declared the motion carried by majority vote.

2. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

3. Scheduling of meetings and general information.

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

Thursday, January 7, 2016, 7:30 a.m. – Study Session

Saturday, December 12, 2015, 8:00 a.m. – Pancake Breakfast and Toy Drive

Saturday, December 12, 2015, 11:00 a.m. – Falcon Field Airport Terminal Building
Ribbon-Cutting Celebration

4. Adjournment.

Without objection, the Study Session adjourned at 12:21 p.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 10th day of December, 2015. 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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