



COUNCIL MINUTES

February 18, 2016

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 February 18, 2016 at 7:30 a.m.

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

1. Review items on the agenda for the February 22, 2016 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None.

Items removed from the consent agenda: None.

Vice Mayor Kavanaugh informed Council that agenda item 7-b **(Z16-002 (District 2) 1728 South Greenfield Road)** was only an introduction, but once it is scheduled for the public hearing he would request that it be removed from the consent agenda. He explained that his concern is related to the fact that freeway monument signs are not effective and cause visual pollution along the freeway.

Councilmember Finter voiced his opinion that freeway monument signs should be reserved for specific uses that are appropriate. He stated that there are many popular businesses around that intersection and he would hate to see one business stake a claim on the intersection with a freeway monument sign.

2-a. Hear a presentation and discuss proposed bond refundings and defeasance and bond program update.

Chief Financial Officer Mike Kennington and Office of Management and Budget Director Candace Cannistraro addressed the Council and displayed a Powerpoint presentation related to

the proposed bond refundings and defeasance update. **(See Attachment 1)**

Mr. Kennington reported that the favorable market conditions for debt issuers offers Mesa some great opportunities. He displayed a graph representing Mesa's debt service payments for General Obligation (GO) Bonds and pointed out a spike of \$23 million in 2017/2018, which is due to the 2004 refunding. He explained that the ongoing goal is to restructure those payments, however, per IRS guidelines, a tax-exempt bond can only be refunded once and it must now be restructured with taxable debt. He added that staff has identified \$20 million worth of bond savings and advised that with those two items, staff has estimated the savings at \$400,000, dependent on market conditions. (See Page 2 of Attachment 1)

Mr. Kennington advised that GO debt has two limitations according to the Arizona Constitution: (1) a 20% limitation of the net assessed valuation for specific purpose GO Bonds, and (2) a limitation of 6% for general purpose GO Bonds. He reported that Mesa is at 46% capacity used of that statutory debt limitation and displayed a comparison with other cities. (See Page 3 of Attachment 1)

Mr. Kennington discussed the Utility Systems Revenue Bond refunding activity and potential savings of up to \$4.5 million from refunds, bonds, and impact fee fund balances that can be paid off. He noted that the debt per capita is \$3389 and provided an estimated timeline for the 2016 bond refunding activity. He continued by saying that the New Money Bonds anticipated to be issued in 2016 total approximately \$130 million and provided that timeline as well. (See Pages 4 through 7 of Attachment 1)

Office of Management and Budget Director Candace Cannistraro explained the various GO Bond payment funding sources, where the bulk of the source is from the secondary property tax, followed by impact fee revenue and court construction fee revenue. (See Page 8 of Attachment 1)

In response to a question from Vice Mayor Kavanaugh, Ms. Cannistraro clarified that, due to the new statute, impact fees can only be used for existing and eligible debt and staff has estimated receipts each year to determine when that debt may be paid off.

Ms. Cannistraro continued with a brief synopsis of the Secondary Property Tax levy, which is relatively new to Mesa and is the major contributor to paying off GO Bonds. (See Page 9 of Attachment 1)

In response to a question from Mayor Giles, Ms. Cannistraro confirmed that the bonds being retired were anticipated when the operating budget was set at \$1.6 billion.

In response to a question from Councilmember Richins, Mr. Kennington explained that it is a general rule that the life of an existing bond is not extended out past its maturity schedule.

City Manager Christopher Brady commented that Mesa does not have \$23 million to cover the spike in 2017/2018 and it must be spread out over future years, however, staff is able to offset that cost by refunding \$20 million of existing debt.

Mayor Giles thanked staff for the presentation.

2-b. Hear a presentation, discuss and provide direction on the Gilbert Road light rail extension.

Transit Services Director Jodi Sorrell displayed a PowerPoint presentation as it relates to the Gilbert Road light rail extension. **(See Attachment 2)** She introduced Deputy Transportation Director Erik Guderian and Project Manager Trevor Collon who were present to answer any questions.

Ms. Sorrell reported that the project is in the final design stages, is under construction and scheduled to open for revenue service in late 2018. She explained that the Gilbert Road extension is the end of the line for that corridor for decades and a decision will need to be made as to how that intersection functions for Mesa since Valley Metro requires tail tracks to restore service in case something happens to the train.

Ms. Sorrell highlighted three options to accommodate the tail tracks. She displayed Scenario One, which places the station at the Gilbert Road and Main Street intersection with the tail tracks 400 ft west of the station, and informed the Council that Scenario One is in the current budget and included in the preliminary engineering plans. She explained that the trains would be stored on the outside of the tracks and such a configuration requires additional track work and switches. She emphasized that it should be considered due to the fact that the light rail Operations and Maintenance (O&M) is paid out of the General Fund. (See Page 3 of Attachment 2)

Ms. Sorrell indicated that Scenario Two was introduced as a result of a value engineering workshop with Valley Metro which reviewed the project and offered solutions. She stated that this scenario shifts the station 400 ft west of the intersection and places the tail tracks between the station and Gilbert Road with space to hold two 3-car trains, allowing for growth. She added that this scenario requires an additional traffic signal for pedestrian crossing. She advised that a great deal of riders come from the Gilbert Road bus transfer point and the increased walking distance could create a challenge. (See Page 4 of Attachment 2)

In response to a question from Councilmember Richins, Ms. Sorrell indicated that recirculating the bus route into the station adds transit time for the passengers, as well as additional cost to the bus budget, which is based on approximately \$6.70 per mile. She stated that, although it is typical for the transfer points to connect at intersections, staff can review the option of diverting the bus route.

City Manager Christopher Brady suggested that the added traffic signal for pedestrian crossing could cause traffic congestion.

Ms. Sorrell described Scenario Three that would extend the tail tracks across Gilbert Road and keep the station west of Gilbert Road, still maximizing the bus rail connection transfer points. She explained that this scenario would require reopening the Environmental Analysis (EA), which only went as far as Gilbert Road, and require additional Right-of-Way (ROW) work. She noted that this scenario would not impact the left hand turn from Main Street businesses.

In response to a question from Councilmember Richins, Ms. Sorrell confirmed that Scenario Three would need an amendment to the EA and would risk only a slight delay.

In response to a question from Councilmember Finter relating to Scenario Three committing the light rail to one direction, Mr. Brady replied that all scenarios would commit Mesa to spending dollars that would eventually be abandoned. He explained that it would be years before the next

phase is evaluated and that is when they would decide which direction to go, but now the focus is on which option is the most functional scenario for the Mesa transit station.

Mayor Giles advised that he met with Ms. Sorrell and reviewed the scenarios. He highlighted the following reasons that he favors Scenario Three:

- The scenario does not commit the City to move east and can easily turn south heading to Gilbert/Chandler.
- The scenario does not impact the left turn lane into the RV business.
- Although the scenario has potential for a slight delay and added costs, the project costs are wrapped into the whole project rather than increased O&M costs.
- The scenario avoids the cost of additional switching stations.
- The scenario allows the station to be front and center at the intersection, rather than off to the side.

(At 8:00 a.m., Mayor Giles was excused from the remainder of the meeting. Vice Mayor Kavanaugh presided over the remainder of the meeting.)

In response to a question from Councilmember Luna, Ms. Sorrell clarified that as a result of Proposition 104, Phoenix has a long-term light rail plan in place, whereas Mesa only has plans as far as Gilbert Road. She added that Mesa has the benefit of value engineering to look at future plans and emphasized that Scenario Three would add another \$1.8 million to the long-term cost of the project.

Councilmember Thompson stated that he favored Scenario Two due to the fact that it saves \$2 million and eliminates future O&M costs. He added that he also likes that the station sits back from the intersection, which would alleviate congestion.

Councilmember Glover concurred with Councilmember Thompson and added that he appreciates the fact that Scenario Two does not impact the schedule and anticipates savings.

Councilmember Finter supported Scenario Two and noted that he looks forward to saving money and likes the opportunity of improving shade structures.

In response to a question from Vice Mayor Kavanaugh, Ms. Sorrell explained that Valley Metro tries to locate stations directly at intersections as much as possible, in order to facilitate with the bus rail transfer stations.

Councilmember Glover commented that the Mesa Drive and Main Street station causes some traffic back-up, but he believes it would be less detrimental if the station was set back from the intersection.

Councilmember Richins announced that he was originally in favor of Scenario Three, due to the southbound route onto Gilbert Road. He commented that he can support Scenario Two if the bus routes can circulate in to help with transition to the train.

Vice Mayor Kavanaugh remarked that it was worthwhile to explore the bus circulation plan to make the transition as smooth as possible.

Councilmember Luna stated that he prefers Scenario Three, but can live with Scenario Two if the buses are able to reroute.

Vice Mayor Kavanaugh thanked staff for the presentation.

2-c. Hear a presentation, discuss and provide direction on Redevelopment Area Creation and Central Business District Expansion.

Economic Development Department Director William Jabjiniak displayed a Powerpoint presentation (**See Attachment 3**) and introduced Economic Development Project Manager Sara Sorensen and Office of Management and Budget Associate Jeff Robbins who was on special assignment for this project.

Mr. Robbins stated that part of the mission of the Office of Economic Development is to enhance Mesa's economy and create quality jobs. He added that one tool to help achieve those aims was the expansion of the Central Business District (CBD). He displayed a map showing the existing boundaries of the CBD and the Town Center Redevelopment Area. (See Pages 2 and 3 of Attachment 3).

Ms. Sorensen described a Redevelopment Area (RDA) as an area designated by the City Council to be in need of revitalization. She explained that prior to that happening, the City Council would have to determine that the area meets the statutory requirements. (See Page 4 of Attachment 3)

Ms. Sorensen stated that formally declaring an RDA is important as it allows the City and private developers to target federal, state and local funds to that specific area. She added that the original Town Center RDA was implemented in 1978 and has been modified several times over the years and displayed photos of some examples of the redevelopment. (See Pages 5 and 6 of Attachment 3)

Ms. Sorensen explained that a Central Business District (CBD) is a single and contiguous area within an RDA and does not exceed 5% of the total land area of the City, which for Mesa is seven square miles. She added that the current CBD for Mesa is approximately two square miles and the proposed expansion would add one additional square mile. She clarified that a CBD holds no other benefit besides the entitlement of the 8-year abatement. She added that when both an RDA and a CBD are in the same area it offers the maximum government benefit in the form of the Government Property Lease Excise Tax (GPLET). She defined a GPLET as a method by which the City leases City-owned property to a private party for use and reduces a project's operating costs by replacing property tax with an excise tax, based on the type of use and square footage. (See Pages 7 and 8 of Attachment 3)

Ms. Sorensen stated that a standard GPLET within an RDA replaces the property tax with an excise tax, however, a GPLET can be maximized when it is in both an RDA and a CBD. She added that having a GPLET in both areas allows Mesa to offer the full 8-year abatement of the excise tax and would be truly beneficial in the redevelopment efforts. (See Page 9 of Attachment 3)

City Attorney Jim Smith stated that generally, government property is not subject to property tax so the GPLET is an in-lieu type of tax or excise tax. He explained that the statute creates a process that if Mesa can meet certain criteria (RDA and CBD), then an 8-year abatement is offered that places Mesa back into the position of taking away that in-lieu tax. He added that it is subject to a number of limitations and requirements, which is what staff is working on currently to be able to afford this economic tool in certain circumstances.

In response to a question from Councilmember Richins, Ms. Sorensen replied that Mesa has had the GPLET in downtown since 1978 and has utilized that tool once for the One Macdonald building.

Vice Mayor Kavanaugh commented that the tool has been offered over the years and there were agreements made with potential developers that never moved forward for various reasons.

Councilmember Thompson inquired if the expansion included City owned properties within the Fiesta District that could utilize a GPLET. Mr. Brady replied that a property does not necessarily have to start out as a City property.

Mr. Smith described the traditional redevelopment GPLET deal where the developer owns the property and transfers it to the City for a nominal amount, then the City leases it back for the abatement period, after which it is transferred back to the developer. He stated that this was the process used for One Macdonald. He noted that there are many different types of leases that fall within the GPLET statute, but also many exceptions.

Mr. Brady said the Fiesta District has significantly large properties and developers have shared interest in having the tool available, which is part of the reasoning behind that revitalization.

In response to a question from Councilmember Richins, Mr. Smith explained that the tax structure was made more complex in 2010 by reducing the difference between the standard property tax and the in-lieu GPLET tax. He added that the largest enhancement applies when a property is in a RDA and CBD and qualifies for the GPLET.

Mr. Brady explained that the GPLET is the only tool that Arizona allows cities to use and, although not significant, it is an incentive in bringing large developments into downtown areas. He added that Tempe and Phoenix are the best examples of how this is utilized.

Vice Mayor Kavanaugh commented that the GPLET is one of the few things that Mesa can offer due to the fact that Arizona is the only state that does not have the tax-incrementing finance tool that is offered in other states.

Mr. Robbins discussed a property in Tempe called Hayden Ferry Lakeside that generated almost no property tax revenue prior to 2002. He explained that after utilizing a GPLET with an 8-year abatement, the property owner saved approximately \$6.3 million that was invested into the property, and as of 2010 now has a full cash value of \$78.9 million. He added that the total tax revenue from the property is \$1 million, of which Tempe collects approximately \$140k annually. (See Page 10 of Attachment 3)

Mr. Robbins displayed maps of the borders for the current and proposed CBD expansion. He explained that the borders are jagged to avoid inclusion of residential properties and encompass the most beneficial areas, which run along Country Club Drive and west to the Fiesta District. He emphasized that the Fiesta District was one of the most desirable areas for developers in west Mesa due to its proximity to the following:

- Banner Medical Center
- Mesa Community College
- The portion of the US 60 with the highest daily traffic densities.

Mr. Robbins displayed photos of various properties that lay within the RDA that are currently

abandoned properties or empty lots. (See Pages 13 through 17 of Attachment 3)

Ms. Sorensen explained that the process for creating an RDA and expanding the CBD begins with public outreach and verification that the area meets all of the state statute criteria. She continued by saying, that after the City Council designates the area an RDA and CBD, then a mandatory one year waiting period begins before the City can offer a GPLET, followed by the creation of a redevelopment plan with the assistance of a consultant. She provided a hypothetical timeline of the process that would last at least 14 months and anticipated to begin offering GPLETS in June 2017. (See Pages 18 and 19 of Attachment 3)

In response to a question from Councilmember Finter, Mr. Jabjiniak replied that expanding the redevelopment area along the light rail corridor on Main Street would be the next phase after the Fiesta District.

Mr. Brady informed the Council that the first area of focus is on the Fiesta District due to the interest of developers in that area. He stated that staff would support the idea of expanding to the light rail corridor and would discuss that after presenting the first report.

Councilmember Thompson supported the idea of revitalizing the Fiesta area. He recalled that Phoenix had a similar expansion that required the developers within the RDA to have a certain percentage of their employees be residents of their city. He inquired if Mesa could utilize the same requirement.

Mr. Brady stated that such a requirement is already included in the few incentives that Mesa has, but staff would address those specific requirements in the redevelopment plan itself.

In response to a question from Councilmember Richins related to new jobs in the Fiesta District, Mr. Jabjiniak stated that approximately 1500 jobs were created last November with a lot more opportunity in Fiesta Mall alone, as well as the other sites in that area.

Mr. Brady informed Councilmember Richins that the Macy's store is currently making improvements but no jobs have been added yet. He reminded the Council that Mesa has to compete with the incentives of Tempe and Phoenix and the GPLET is the only incentive that Mesa has to work with.

Councilmember Richins suggested that the City's focus should be on the Main Street light rail corridor first, due to the fact that it aligns with the Community Development Block Grant focus area and a large investment has already been made to the transportation system. He predicted that the Fiesta area will continue developing successfully on its own.

Councilmember Luna inquired if the redevelopment of the Grace property would be jeopardized if the GPLET was not offered as an incentive in that area.

Mr. Jabjiniak responded by saying that developers remain hesitant that the GPLET could assist them in saving money. He noted that he has spoken to developers that are very interested in this incentive, specifically in the Fiesta District.

Councilmember Glover concurred with Councilmember Richins and believes the Broadway corridor should be revitalized as well.

Vice Mayor Kavanaugh commented that he sees the value in expanding the CBD to cover the

Broadway and light rail corridors, but in addition to the Fiesta area that would also benefit. He stated that developers interested in the Fiesta District often ask if Mesa has a GPLET like Tempe and Phoenix, so he feels that the study is a worthwhile pursuit.

Councilmember Richins acknowledged that Mesa has the GPLET available, just not the 8-year abatement. He added that the developers are always going to ask if free money is available, but he believes the developers are going to come to the Fiesta area either way. He stated that Mesa has already invested a lot in the Fiesta area and would rather continue that than give money to a developer.

Vice Mayor Kavanaugh noted that the developer improving the Macy's building in Fiesta Mall is spending \$20 million to create a Class-A office building that could create up to 1,000 jobs. He added that the same developer has also acquired the Best Buy building, spending a significant amount of private funds into the area and is seeking help in presenting the strongest package to encourage companies to come to Mesa. He believes the expansion of the Fiesta area is also critical.

Councilmember Finter suggested that the project not be viewed as an either/or scenario. He stated that the cycle would take 14 months and it should coincide with the opening of the new light rail section. He emphasized that his "push-back" would be to ensure that 14 months from now the additional tool is available along the light rail line.

Discussion ensued relating to the three areas and the process involved in prioritizing them. Mr. Brady stated that the goal is to have all areas done, but staff has to look at the efforts of trying to manage all three areas simultaneously.

It was the consensus of the Council that staff include all three areas discussed with the goal of doing them concurrently as much as possible.

Mr. Brady agreed that staff would return with ideas of accomplishing all three areas simultaneously, as well as the benefits of each and maps of the amended expansion area.

Vice Mayor Kavanaugh thanked staff for the presentation.

3. Information pertaining to the current Job Order Contracting projects.

In response to a question from Councilmember Glover related to a last minute project added to the list, Director of Arts and Culture Cindy Ornstein explained that while Council has been aware of the project, it was not named until today. She explained that "Mesa Musical Shadows" is the name of the interactive artwork primarily funded by the grant received from Artplace America. It will be a pattern of tiles located in the north plaza with speakers embedded in it that make music exciting and interactive to attract visitors. She noted that this contract is for Talis Construction to do the site work so that artists can apply artwork into the cement overlay and affix the tiles above the technology.

Economic Director Beth Huning announced that the project must be complete by April 2, 2016 for the exhibit opening.

Councilmember Thompson requested that the cost and descriptions of all agenda items be provided in the future in an effort to maintain transparency.

Ms. Huning apologized that the Mesa Musical Shadows item was a very last minute item and the descriptions were left out. She informed Council that the awarded amount for the project is \$250,000 and the construction contract work is expected to be under \$200,000.

Vice Mayor Kavanaugh thanked staff for the presentation.

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

Councilmember Luna: Heart Your Health event

Vice Mayor Kavanaugh: Sixth Place Renaming

5. Scheduling of meetings and general information.

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

Monday, February 22, 2016 – Regular Council Meeting

6. Adjournment.

Without objection, the Study Session adjourned at 8:56 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 18th day of February, 2016. 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)



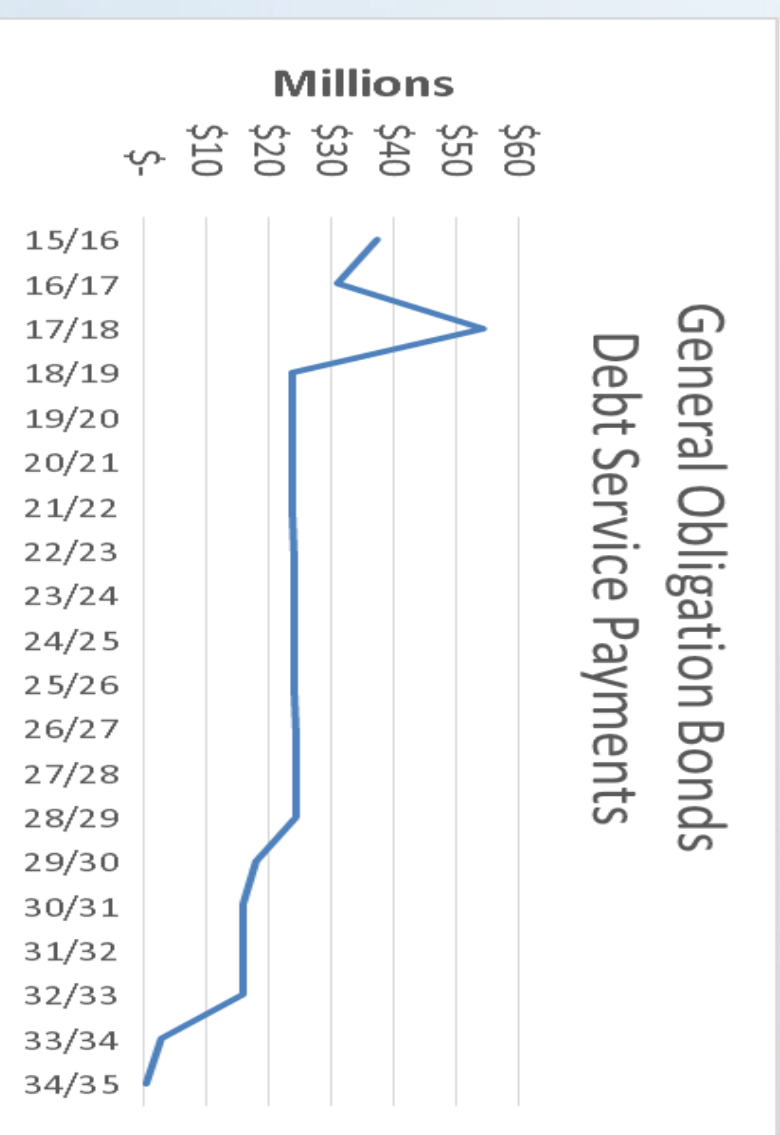
Bond Refundings and Defeasance

February 18, 2016

Anticipated 2016 General Obligation Bond Refunding Activity

- Global equity market turmoil has presented favorable market conditions for debt issuers
- Refund \$20 million (Tax-Exempt)
- Refund \$23 million (Taxable)

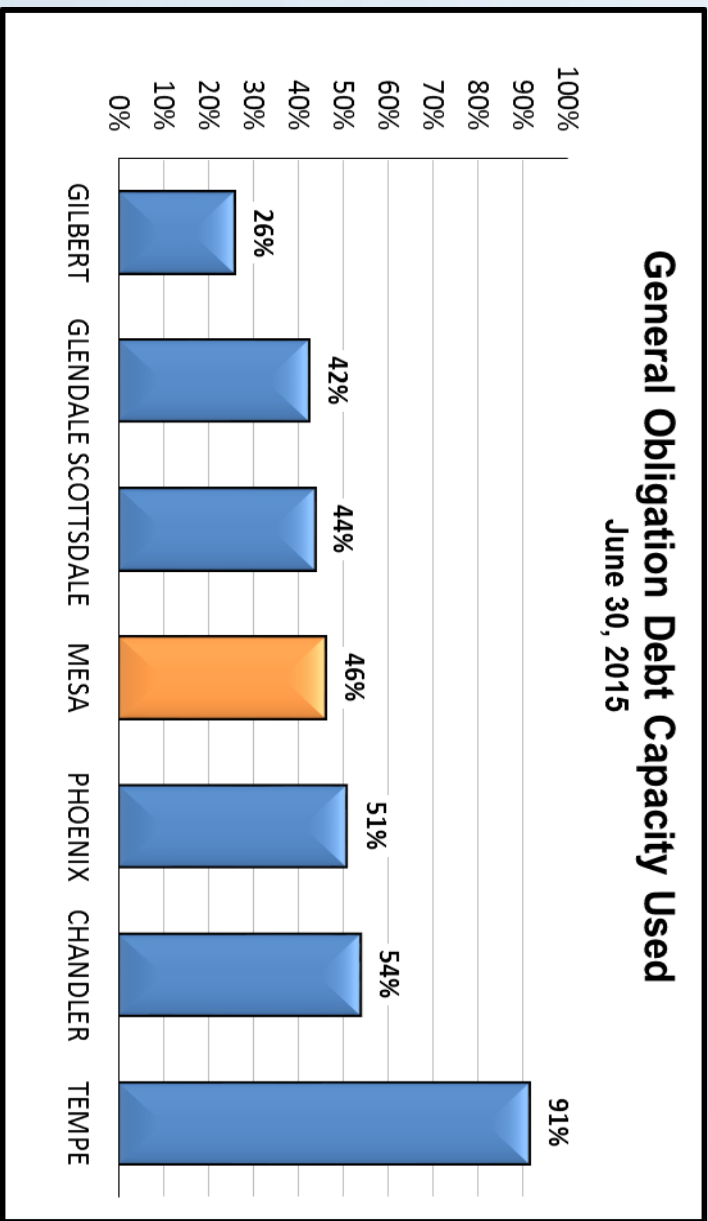
Type	Outstanding Principal	Moody's Rating	S&P's Rating
General Obligation	\$337,190,000	Aa2	AA-



Debt Limitation

- Per Arizona Constitution,
 - Outstanding GO debt for water, wastewater, artificial light, parks and recreational facilities, public safety, and transportation may not exceed **20%** of a city's net assessed valuation, and
 - Outstanding GO debt for general municipal purposes may not exceed an additional **6%** of a city's net assessed valuation.

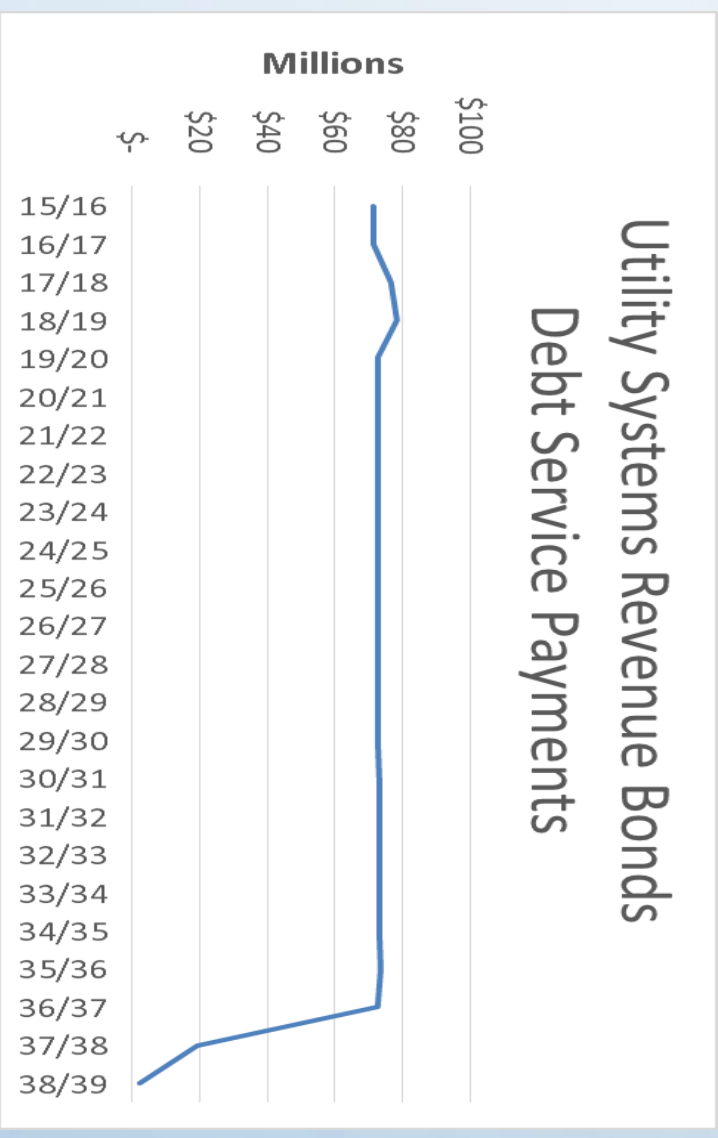
General Obligation Bonds – Debt Limit (as of June 30, 2015)			
Debt Category	20%	6%	Total
Constitutional Limitation	\$564,234,551	\$169,270,365	\$733,504,916
Bonds Outstanding	335,964,962	1,225,038	337,190,000
Borrowing Capacity	\$228,269,589	\$168,045,327	\$396,314,916



Anticipated 2016 Utility Systems Revenue Bond Refunding Activity

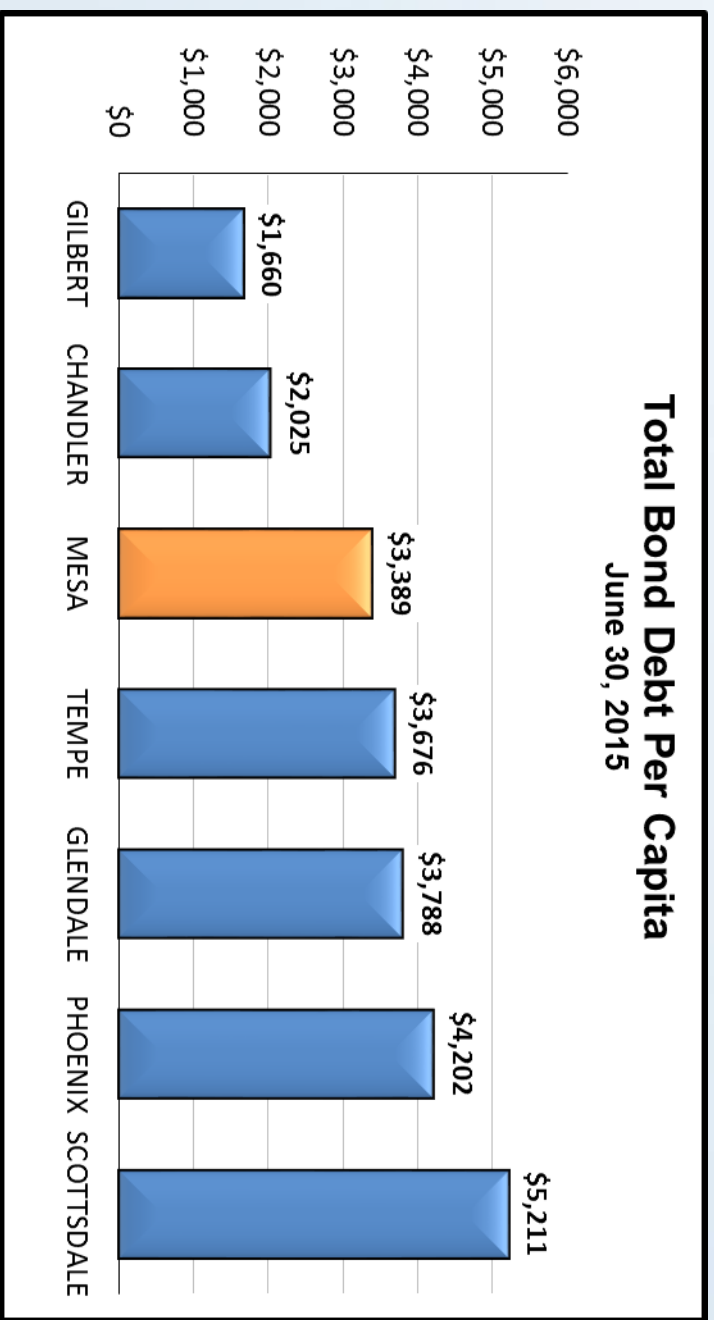
- Global equity market turmoil has presented favorable market conditions for debt issuers
- Refund \$93 million
- Retire \$9 million early with impact fee fund balance

Type	Outstanding Principal	Moody's Rating	S&P's Rating
Utility System	\$1,007,455,000	Aa2	AA-



Debt Burden

City of Mesa Debt per Capita	
Total Outstanding Debt (as of June 30, 2015)	\$1,543,935,961
Mesa Population (as of July 1, 2014)	455,573
Debt per Capita	\$3,389



Anticipated 2016 Bond Refunding Activity

Estimated Timeline

February 22nd – City Council considers resolution authorizing refunding issuances

Week of February 29th – Staff conducts ratings calls

Week of March 21st – Price refunding bonds

Week of April 11th – Close refunding bonds

Anticipated 2016 New Money Bond Activity

- General Obligation Bond New Money Issuance (\$38 million)
(Public Safety, Parks, Streets)
- Utility Revenue Bond New Money Issuance (\$91 million)
(Water, Wastewater, Natural Gas, Electric)

Estimated Timeline

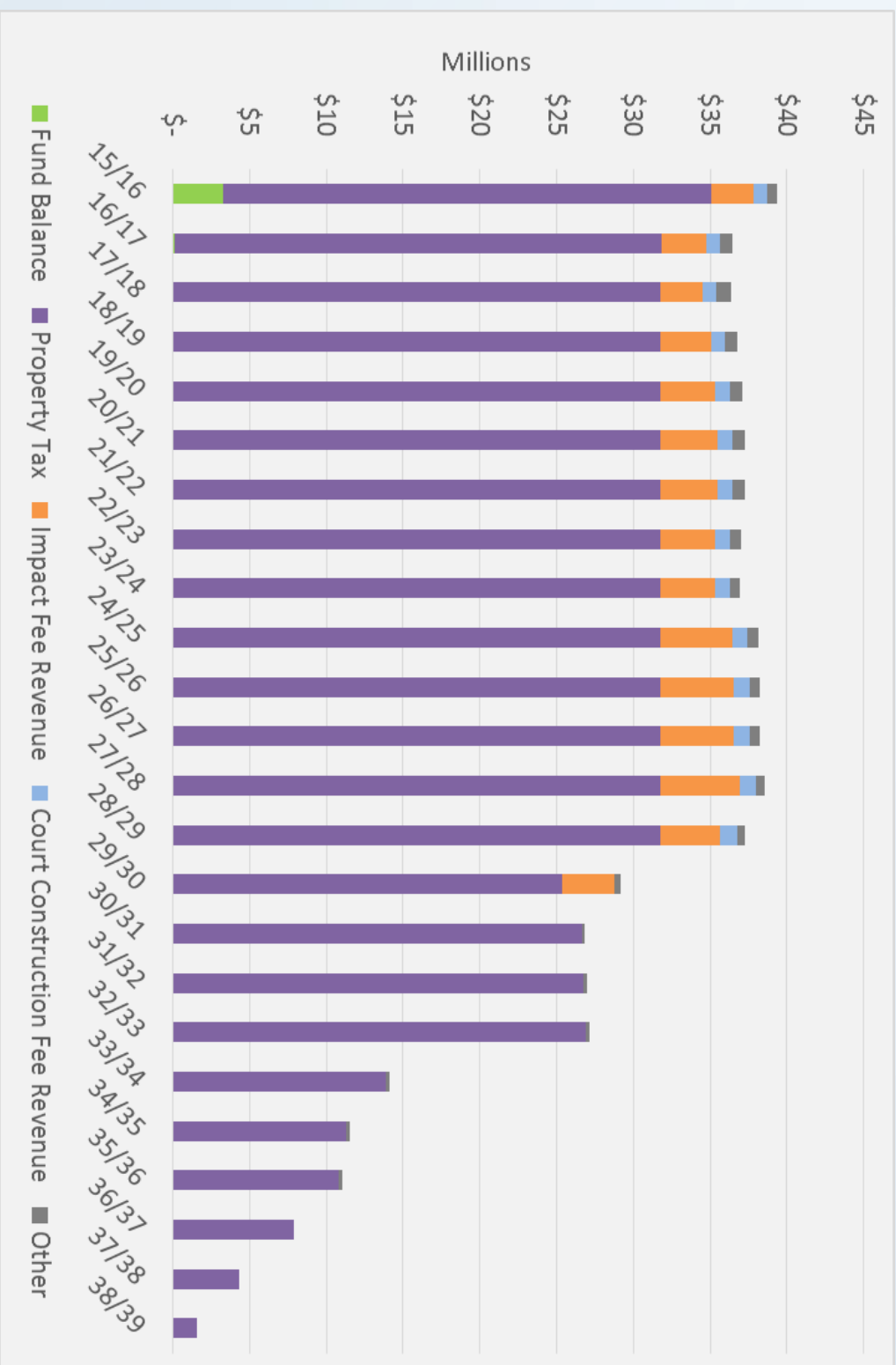
Week of February 29th – Staff conducts ratings calls

April 4th – City Council considers resolution authorizing new money bonds

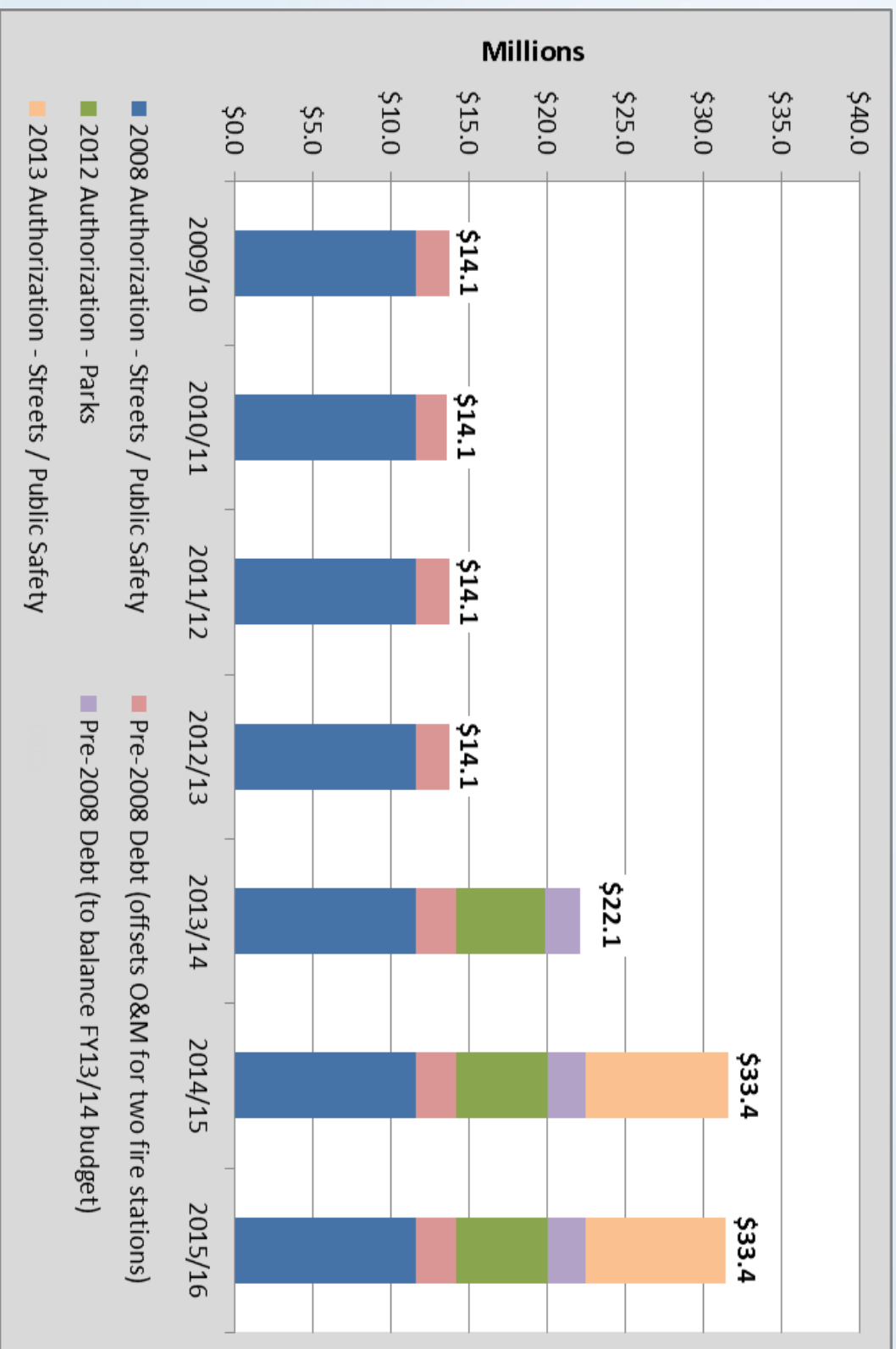
Early May – Price new money bonds

Late May/Early June – Close new money bonds

General Obligation Debt Payment Sources



Secondary Property Tax Levy By Purpose



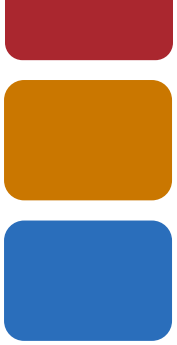


esa
and General Obligation Bond Debt and Payment Sources
Report Date: February 11, 2016
Prepared by the Office of Management and Budget

Current Debt Service		Refundings/New Issuances			Anticipated Payment Sources									
Fiscal Year	Total Debt Service	2016 Anticipated Refundings	Bonds Authorized But Not Yet Issued	Total Debt After Refundings and Authorized Debt is Issued	Build America Bonds Reimbursement	Court Construction Fee Revenue	Impact Fee Revenue	Enterprise Fund - Utility and Golf Course Debt	General Fund 2004 Authorization for Fire Dispatch Center Project	Property Tax Levy ⁽¹⁾	Allowance for Property Tax Delinquency ⁽²⁾	Fund Balance	Total Sources	
15/16	37,564,633	1,783,081	-	39,347,714	557,950	861,920	2,750,108	101,819		33,439,694	(1,671,985)	3,308,208	39,347,714	
16/17	30,980,510	1,707,342	3,800,680	36,488,532	558,699	879,159	2,882,558	83,398	210,000	33,439,694	(1,671,985)	107,009	36,488,532	
17/18	54,194,263	(23,589,758)	5,496,971	36,101,476	558,699	896,742	2,757,718	194,495	210,000	33,439,694	(1,671,985)	-	36,385,363	
18/19	23,774,100	3,016,192	9,425,806	36,216,098	558,699	914,677	3,289,817	38,587	210,000	33,439,694	(1,671,985)		36,779,489	
19/20	23,808,913	1,854,387	11,027,448	36,690,748	558,699	932,970	3,557,710	37,179	210,000	33,439,694	(1,671,985)		37,064,267	
20/21	23,871,025	1,705,759	11,027,448	36,604,232	541,423	951,630	3,749,809	39,868	210,000	33,439,694	(1,671,985)		37,260,439	
21/22	23,923,825	1,645,184	11,027,448	36,596,457	521,443	970,662	3,748,366	39,369	210,000	33,439,694	(1,671,985)		37,257,550	
22/23	24,008,481	1,469,924	11,027,448	36,505,854	499,017	990,076	3,523,965	-	210,000	33,439,694	(1,671,985)		36,990,767	
23/24	24,048,781	1,446,617	11,027,448	36,522,847	473,818	1,009,877	3,512,012		210,000	33,439,694	(1,671,985)		36,973,416	
24/25	24,177,556	1,148,561	12,027,448	37,353,566	444,859	1,030,075	4,658,843		210,000	33,439,694	(1,671,985)		38,114,486	
25/26	24,216,481	3,780,389	10,027,448	38,024,319	412,859	1,050,676	4,798,467		210,000	33,439,694	(1,671,985)		38,239,711	
26/27	24,319,869	3,643,453	10,027,448	37,990,770	377,104	1,071,690	4,779,514		210,000	33,439,694	(1,671,985)		38,206,016	
27/28	24,365,244	2,701,120	11,027,448	38,093,812	337,593	1,093,123	5,148,010		210,000	33,439,694	(1,671,985)		38,556,435	
28/29	24,457,775	1,401,840	11,027,448	36,887,063	293,604	1,114,986	3,895,408		210,000	33,439,694	(1,671,985)		37,281,708	
29/30	18,171,463	-	11,027,448	29,198,911	245,898	-	3,375,209		210,000	26,702,951	(1,335,148)		29,198,911	
30/31	15,816,950	-	11,027,448	26,844,398	-	-	-		210,000	28,036,209	(1,401,810)		26,844,398	
31/32	15,933,750	-	11,027,448	26,961,198	-	-	-		210,000	28,159,156	(1,407,958)		26,961,198	
32/33	16,082,250	-	11,027,448	27,109,698	-	-	-		210,000	28,315,472	(1,415,774)		27,109,698	
33/34	3,095,500	-	11,027,448	14,122,948	-	-	-		210,000	14,645,209	(732,260)		14,122,948	
34/35	510,000	-	11,027,448	11,537,448	-	-	-		210,000	11,923,630	(596,181)		11,537,448	
35/36	-	-	11,027,448	11,027,448	-	-	-		210,000	11,386,788	(569,339)		11,027,448	
36/37	-	-	7,917,135	7,917,135	-	-	-		-	8,333,826	(416,691)		7,917,135	
37/38	-	-	4,293,380	4,293,380	-	-	-		-	4,519,347	(225,967)		4,293,380	
38/39	-	-	1,601,642	1,601,642	-	-	-		-	1,685,939	(84,297)		1,601,642	
39/40	-	-	-	-	-	-	-		-	-	-		-	
Total	457,321,368	3,714,091	219,002,237	680,037,656	6,940,363	13,768,263	56,427,514	534,715	4,200,000	631,864,243	(31,593,212)	3,415,217	685,557,103	

(1) Property Tax Levy - When the city instituted a secondary property tax in FY09/10, a conscious decision was made to stabilize the impact to residents by setting the levy at the amount needed to pay the estimated debt service when all authorized bonds were sold. The city sells bonds annually as needed in order to minimize interest costs. This phased sales approach results in temporary levy capacity. All secondary property tax is restricted for use solely for the purpose of repaying bond debt. First priority for the temporary capacity is given to existing debt. This reduces the dependency on a general fund transfer. Second priority is given to the sale of new bond debt by structuring additional principal payments in the first year. This saves the city interest costs over the repayment period. Current temporary capacity is due to the phased sale of bonds authorized in 2012 and 2013.

(2) Savings - The secondary property tax levy is set based on standard financial assumptions. A 5% average interest rate is assumed for future bond sales. Rate experience below 5% creates expense savings. The secondary property tax levy includes a collection rate assumption of 95% (5% delinquency factor). Collection rates higher than 95% result in additional funds available. These types of items affect the resources available for the repayment of debt or to pay for additional principal on new bond sales.



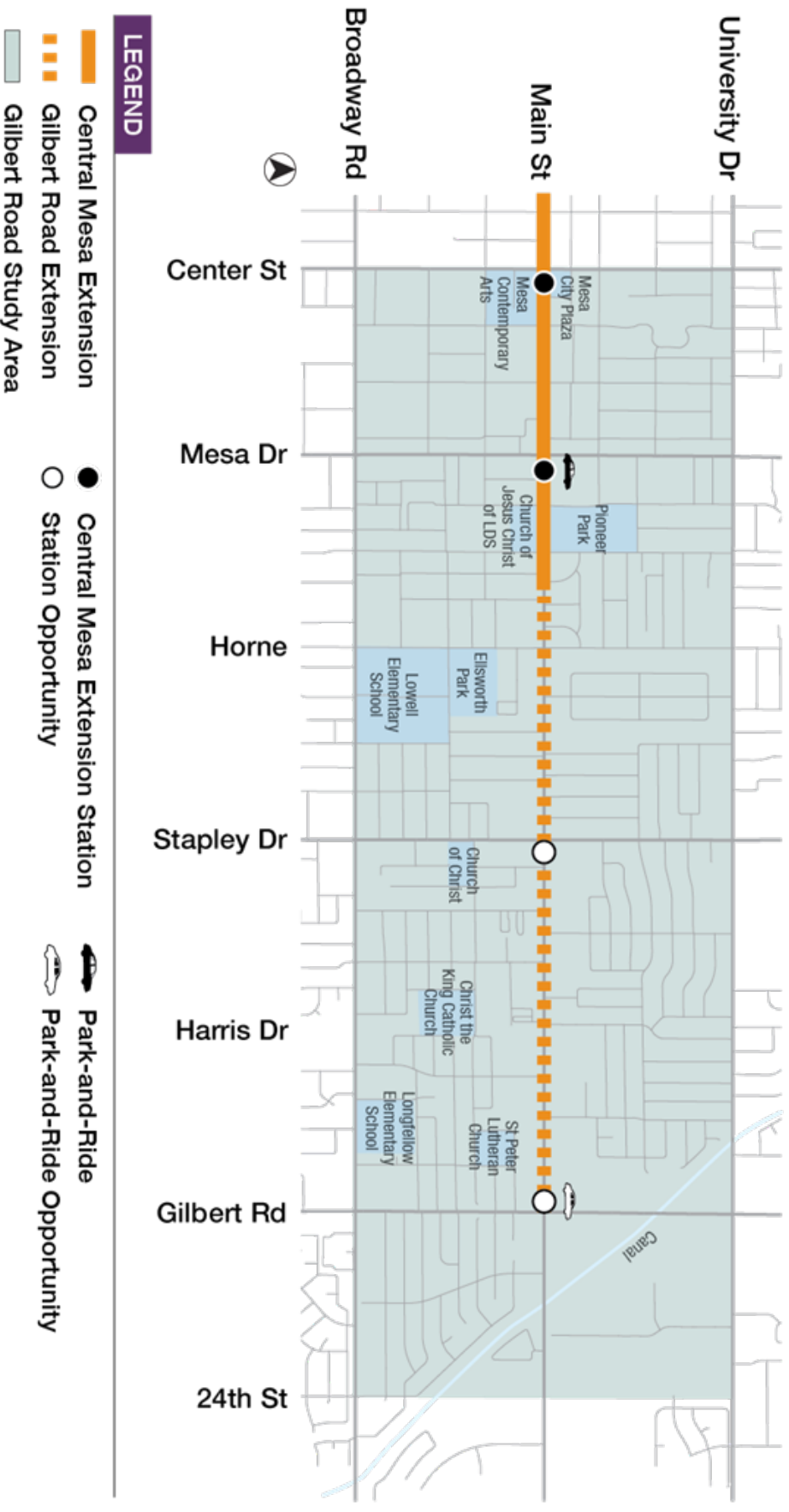
Gilbert Road Light Rail

Extension Update

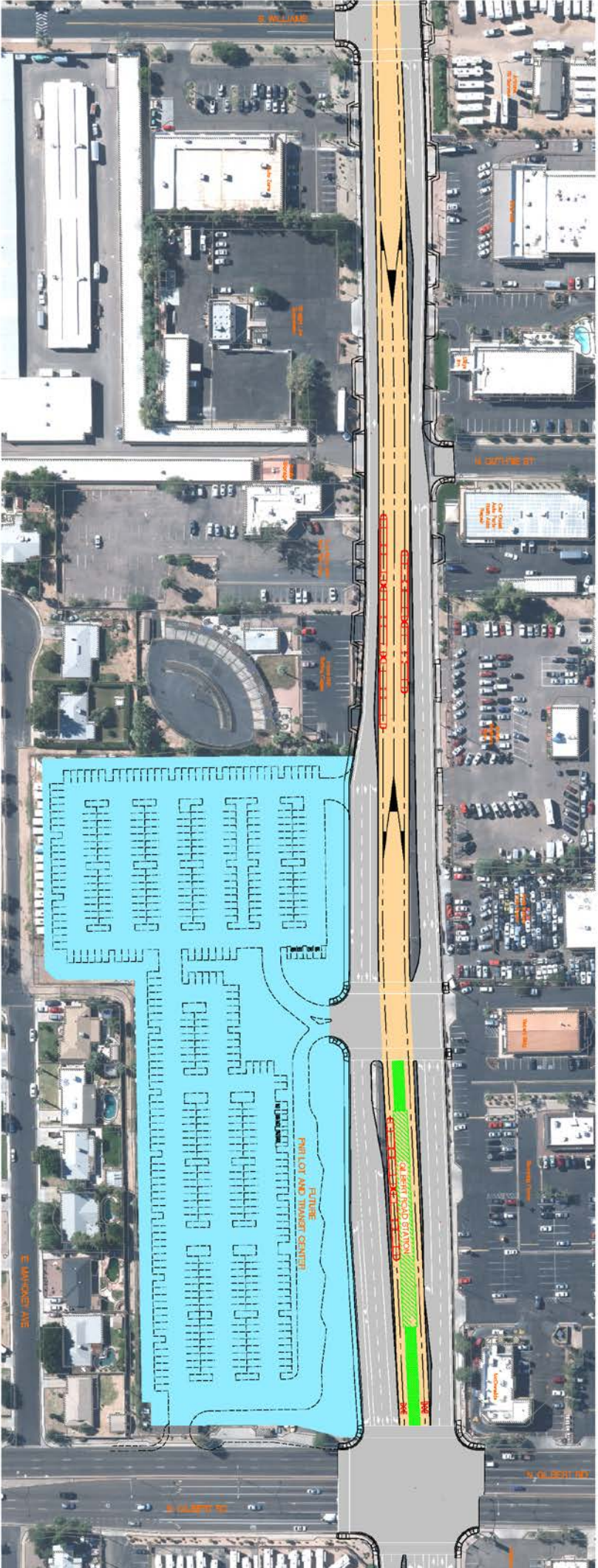
February 18, 2016



Gilbert Road Light Rail Extension (GRE) Status



GRE Tail Track Scenario 1



SCENARIO 1

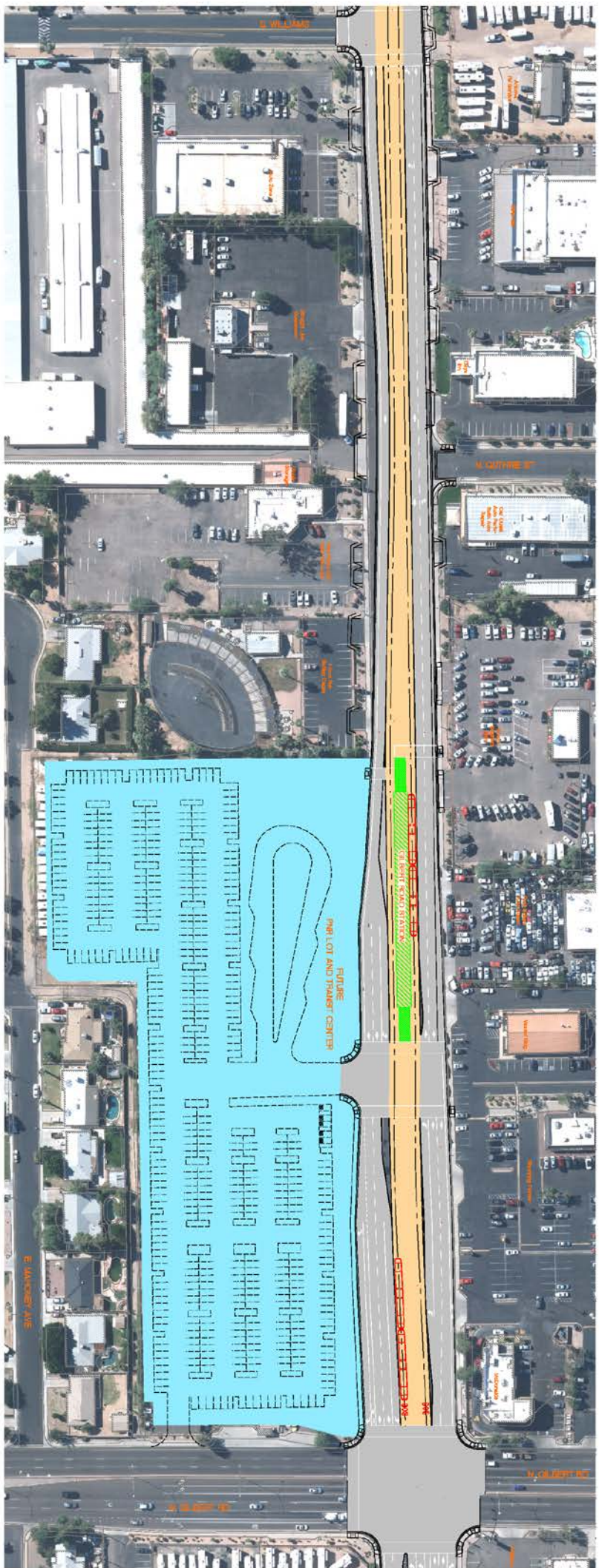
FEBRUARY 8, 2016

LRT GILBERT ROAD EXTENSION
CONTRACT NO. 1401-GRDS
GILBERT ROAD AND MAIN STREET





GRE Tail Track Scenario 2



FEBRUARY 8, 2016

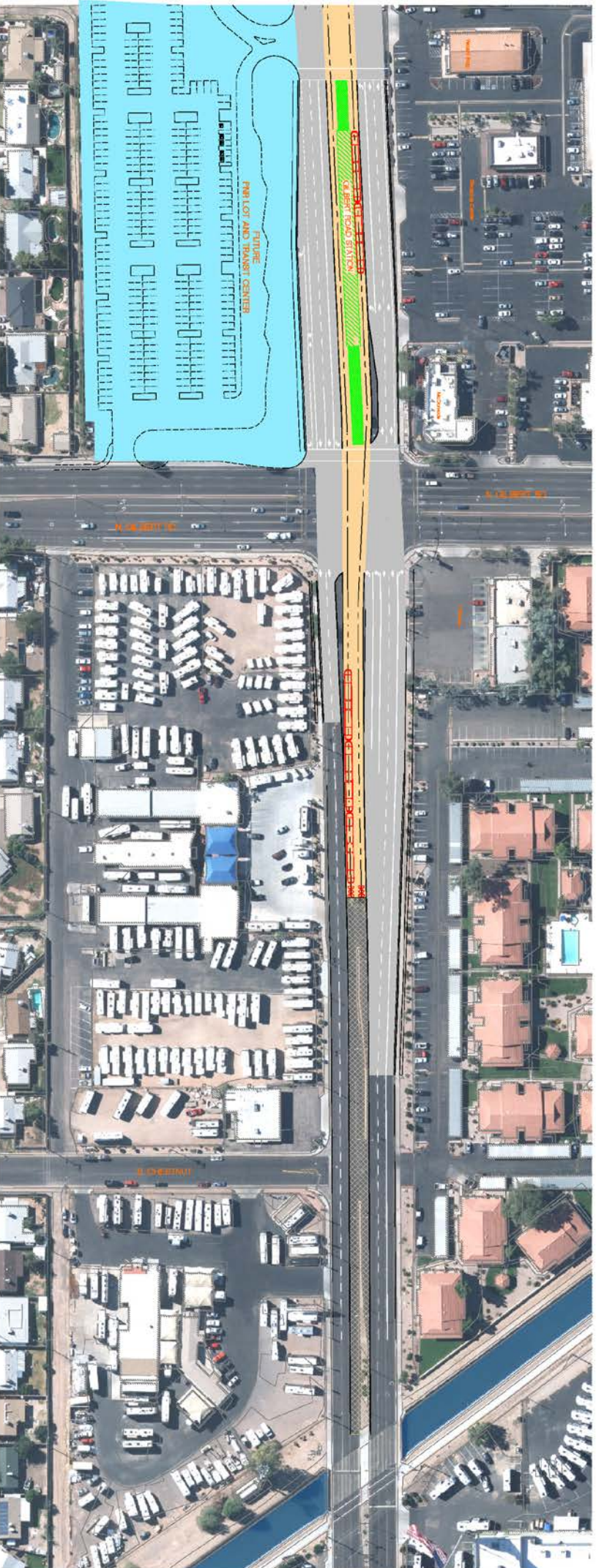
LRT GILBERT ROAD EXTENSION
CONTRACT NO. 140H-GRDS
GILBERT ROAD AND MAIN STREET



SCENARIO 2



GRE Tail Track Scenario 3



SCENARIO 3

FEBRUARY 8, 2016

LRT GILBERT ROAD EXTENSION
CONTRACT NO. 14011-GFDS
GILBERT ROAD AND MAIN STREET



Summary

Scenario 1	Scenario 2	Scenario 3
No impact to construction budget	Anticipated savings of \$2M	Estimated additional cost of \$1.83M
Additional switches and special track work could increase Mesa O&M costs in future	Eliminates additional switches and special track work	Eliminates additional switches and special track work
No schedule impacts	No schedule impacts	Potential for schedule impacts

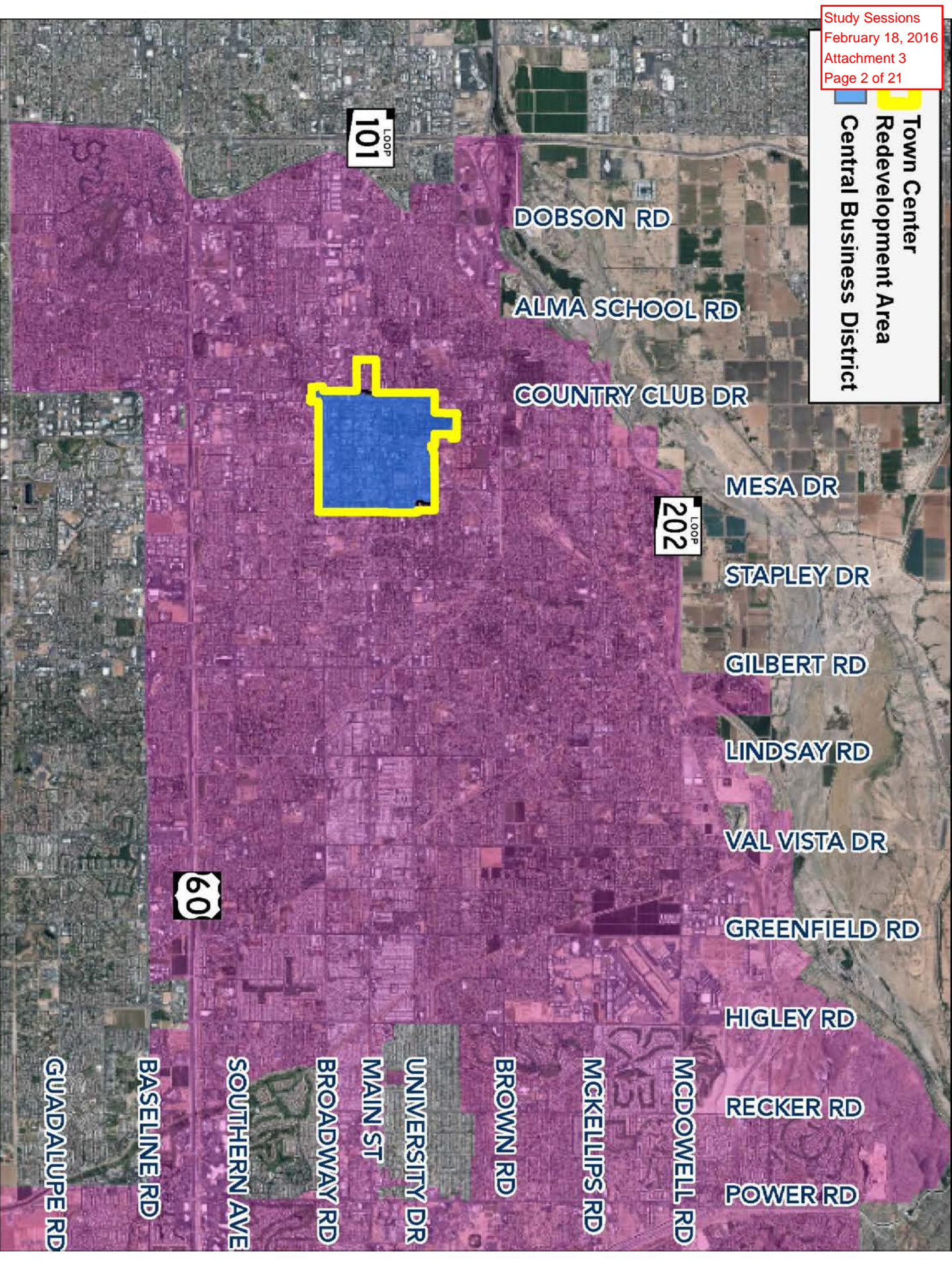
Redevelopment Area Creation & Central Business District Expansion

Redevelopment Area (RDA)
Central Business District (CBD)
Government Property Lease Excise Tax (GPLET)

Office of Economic
Development
February 2016



 Town Center
 Redevelopment Area
 Central Business District



101
LOOP

DOBSON RD

ALMA SCHOOL RD

COUNTRY CLUB DR

MESA DR

202
LOOP

STAPLEY DR

GILBERT RD

LINDSAY RD

VAL VISTA DR

60

GREENFIELD RD

HIGLEY RD

RECKER RD

POWER RD

GUADALUPE RD

BASELINE RD

SOUTHERN AVE

BROADWAY RD

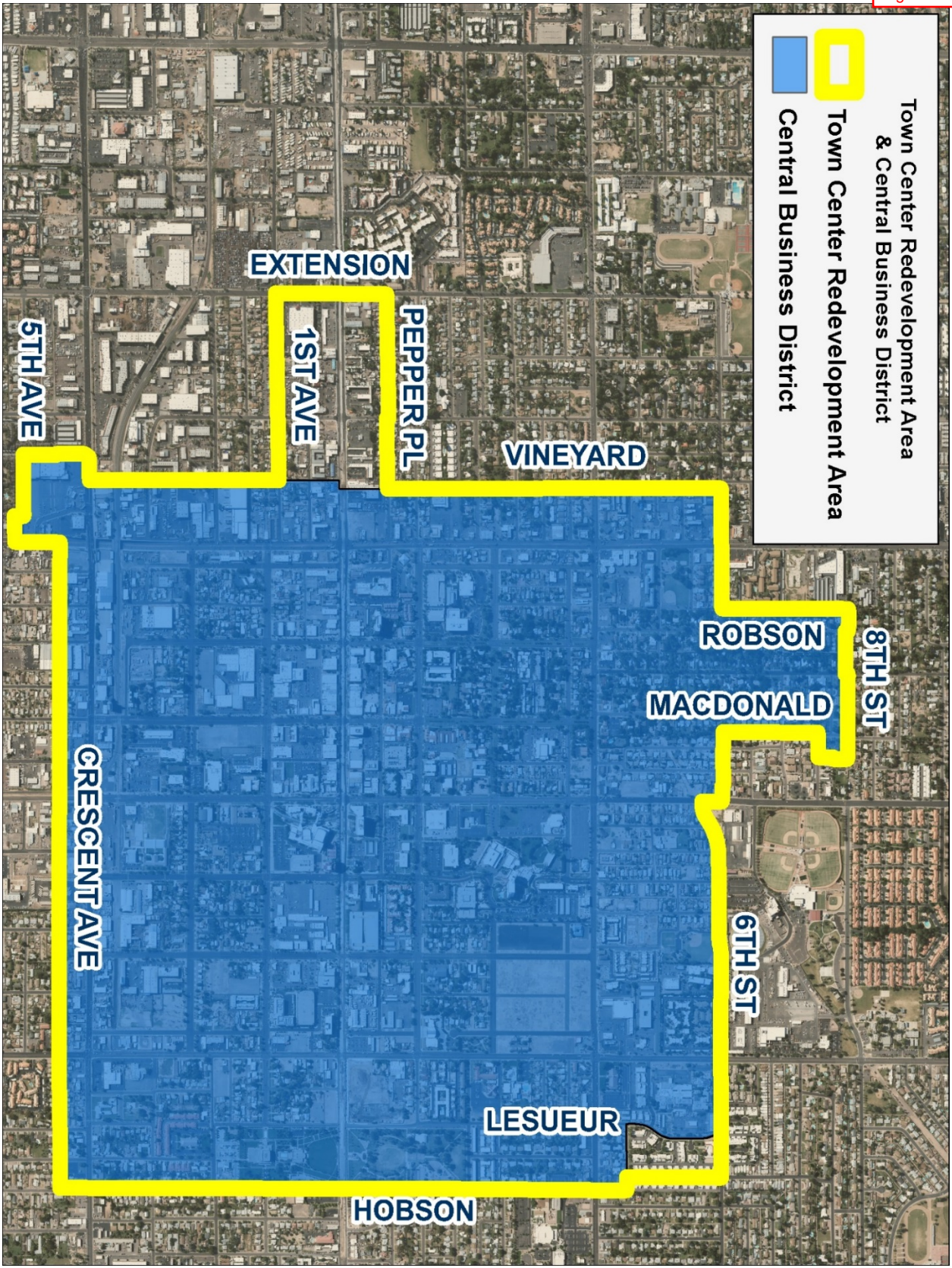
MAIN ST

UNIVERSITY DR

BROWN RD

MCKELLIPS RD

MCDOWELL RD



**Town Center Redevelopment Area
& Central Business District**

Town Center Redevelopment Area

Central Business District

EXTENSION

5TH AVE

1ST AVE

PEPPER PL

VINEYARD

ROBSON

8TH ST

MACDONALD

6TH ST

CRESCENT AVE

LESUEUR

HOBSON



Redevelopment Area

A **Redevelopment Area (RDA)** is an area designated by the City Council to be in need of revitalization.

The statutory criteria used to determine need include:

- A legislative finding of necessity
- The condition of the buildings or improvements
- An adequate layout of streets and lots
- Number of absentee ownership
- Number of properties that are non-compliance with Mesa's Zoning Code
- Presence of unsanitary or unsafe conditions
- Eliminating conditions and preventing reoccurrence of these conditions
- Situations that cannot be dealt with effectively by ordinary operations



RDA Benefits & History

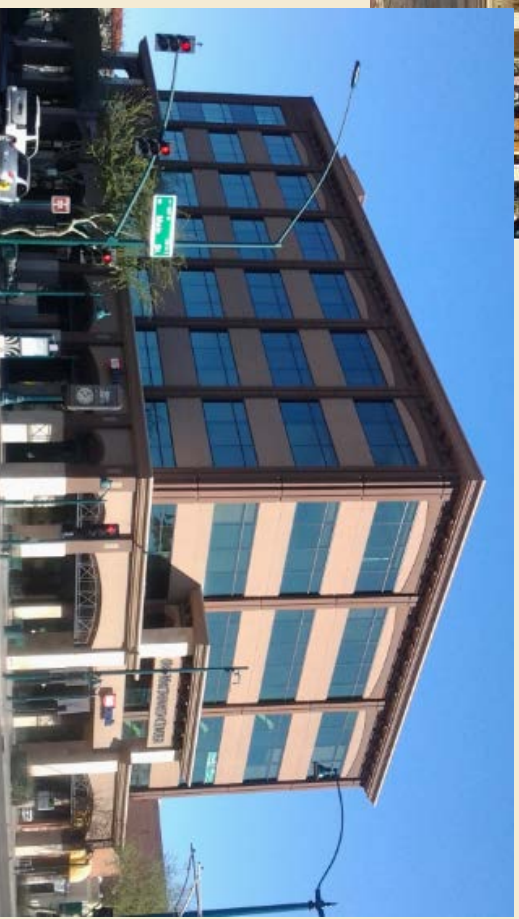
- A redevelopment area is a necessary step for adding additional economic tools
- Makes available certain federal funds and city general funds to be used for enhancements
- Original Town Center Redevelopment Area – 1978
 - Plan has been modified several times
 - Still active



One Macdonald



BEFORE



AFTER



Central Business District

A Central Business District (CBD) is a single and contiguous area within an RDA and does not exceed 5% of the total land area of the City.

The existence of BOTH an RDA and CBD offer the maximum benefit of the Government Property Lease Excise Tax (GPLET).



GPLET (Government Property Excise Lease Tax)

A **GPLET** is a method by which the City can lease City-owned property to a private party.

- Replaces property tax with an excise tax
- GPLET encourages development by reducing a project's operating costs



GPLET in RDA/CBD

A GPLET project within BOTH an RDA and CBD area allows for an 8-year full abatement of the excise tax if the following requirements are met:

- The tenant's improvement to the property results in an increase in property value of at least 100%
- 1 year waiting period after extension of CBD
- Must exist within a single Central Business District



Tempe Case Study

Hayden Ferry Lakeside



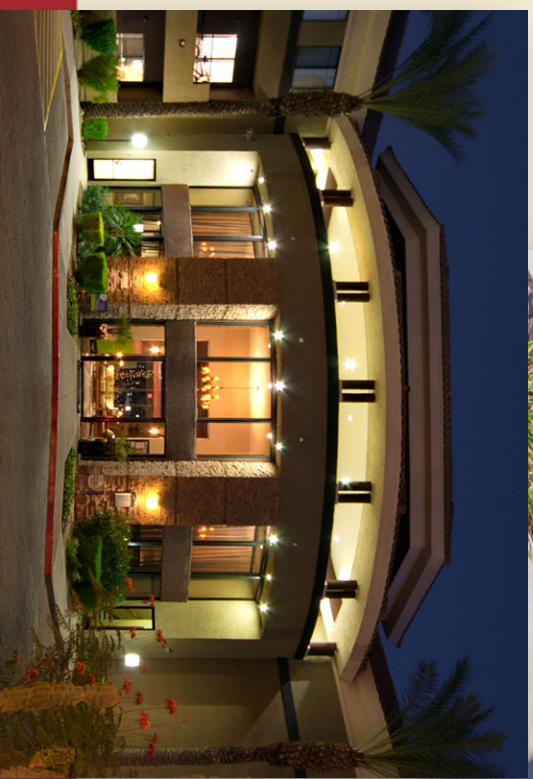
- City collected almost no property tax revenue before 2002
- GPLET with 8-year abatement
- Estimated \$6.3 M in savings for property owner
- \$78.9M 2010 FCV
- \$1M in total property taxes annually
- Tempe gets +/- \$140k annually

Phoenix Case Study

Camden Copper Square Residential

- Van Buren and 7th Street
- Originally a mix of light development and vacant land
- GPLET in 2001 - Assessed value of \$697K
- Assessed value of \$33M in 2015

Information courtesy of Phoenix
Department of Community and
Economic Development



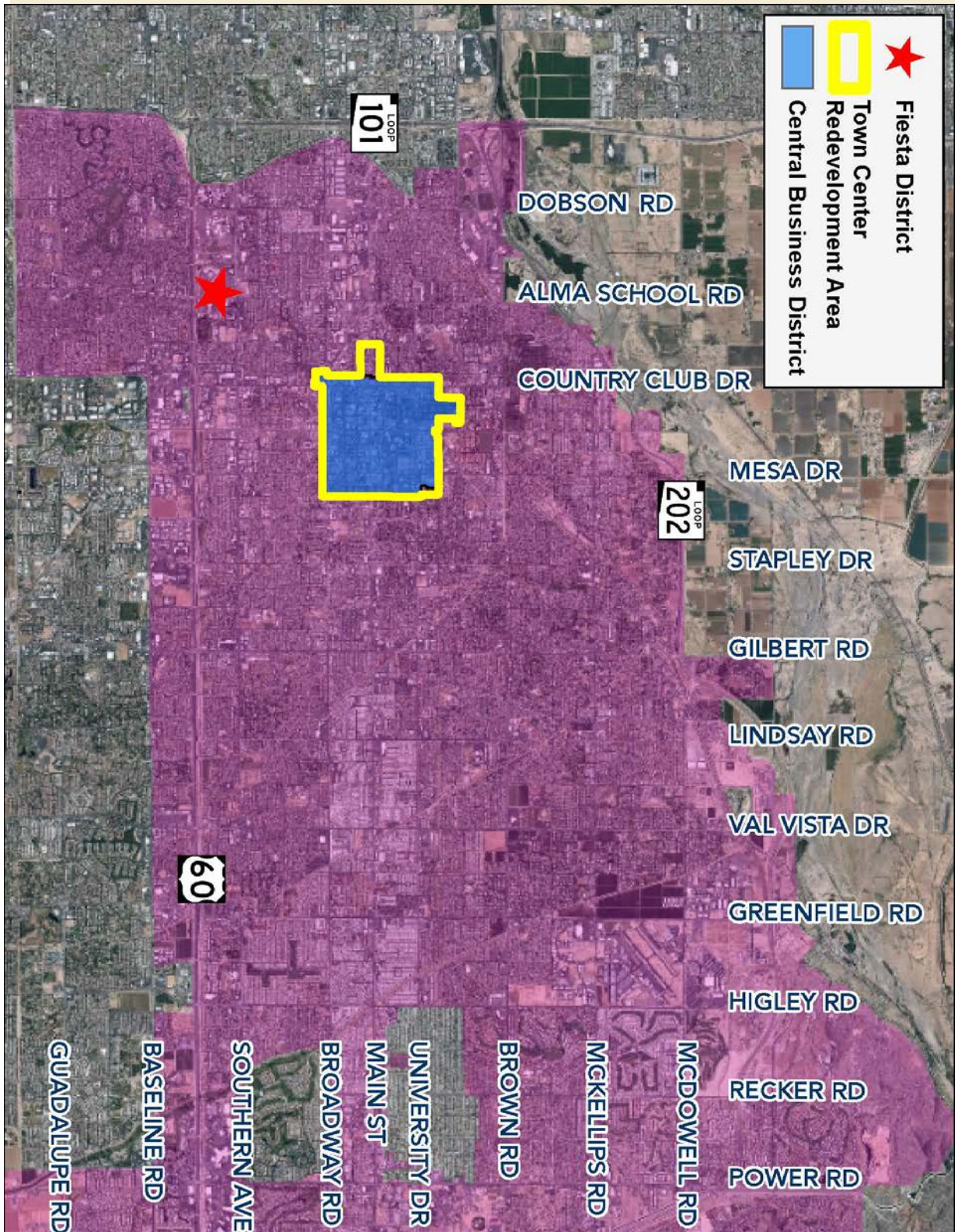


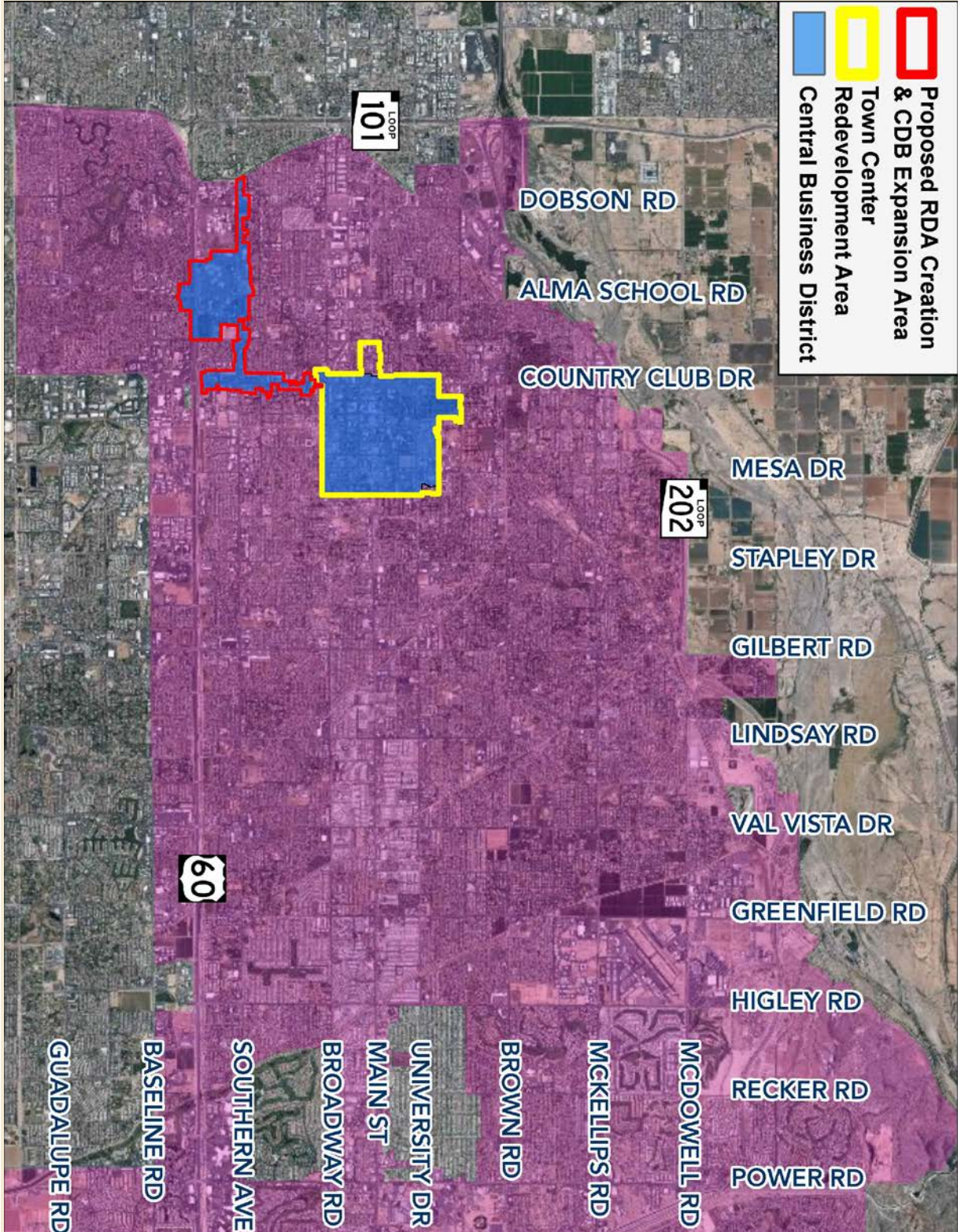
Implementation

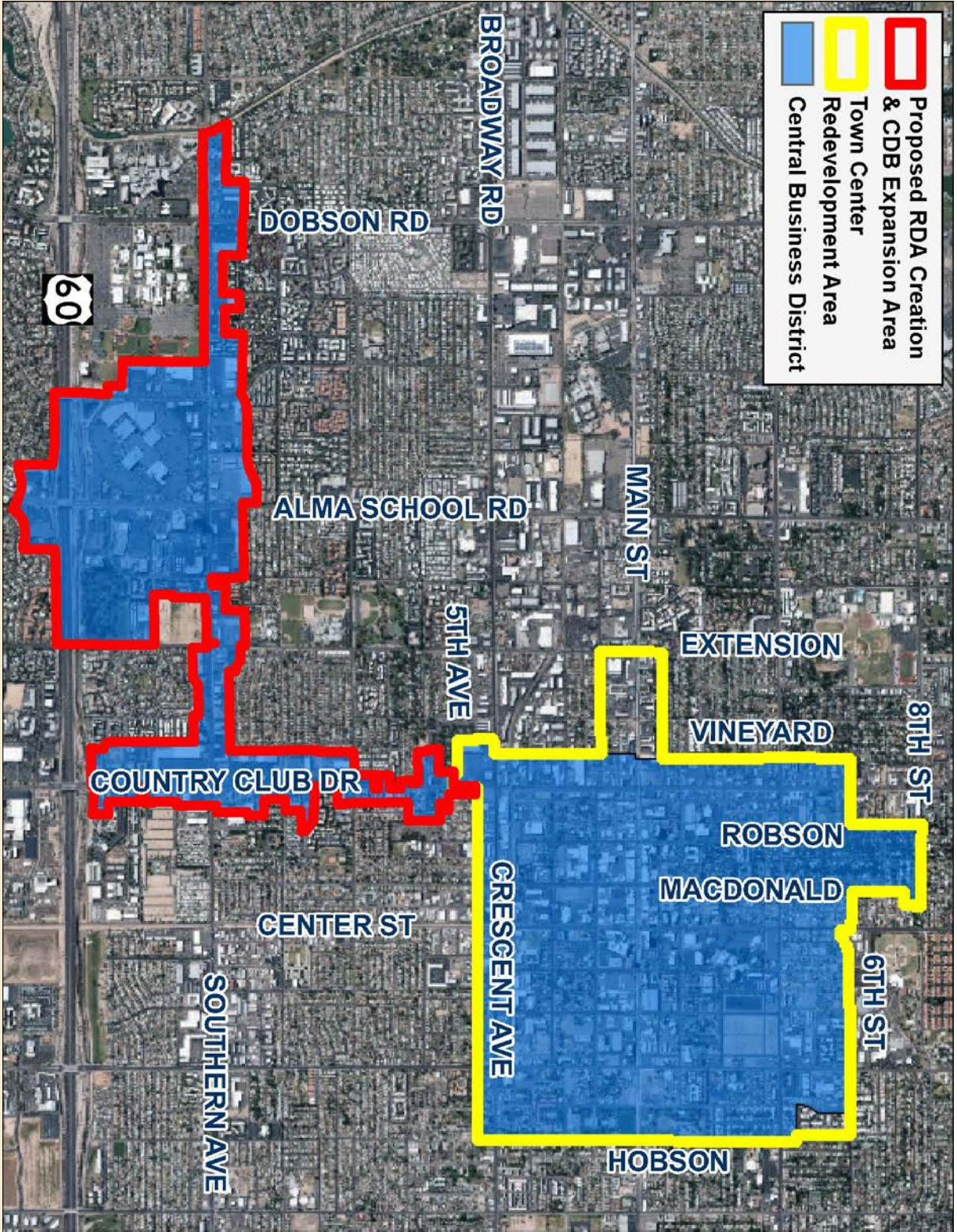
To further encourage development and revitalization, the Office of Economic Development (OED) is seeking to create an additional RDA and expand the current CBD boundaries.

This will allow the City to offer the maximum benefit of the GPLET as an economic development tool to help attract and promote business expansion.

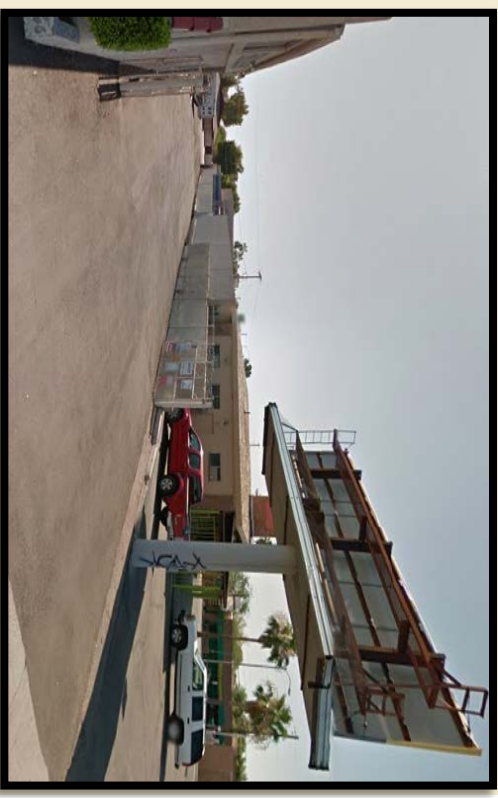
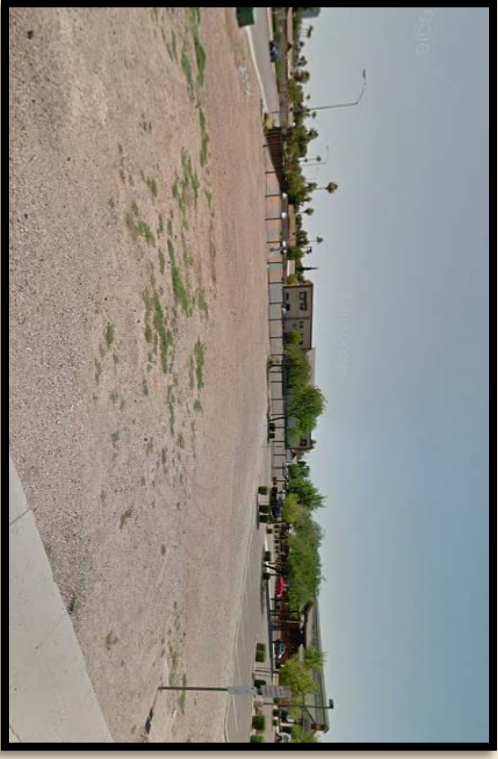








Various Locations along Country Club, south of Broadway





W.M. Grace Property



Three Fountains Plaza



Mesa Fiesta Center



West Southern Ave Shopping Center



mesa·az

Scope of Work

- **Public Outreach Efforts & Finding of Necessity**
 - Objective, third-party review
- **Creation of Redevelopment Plan**
 - Requires professional/technical expertise
- **A lengthy and complex project**
 - Resources needed in order to expedite the process



Timeline



Public outreach/
finding of
necessity



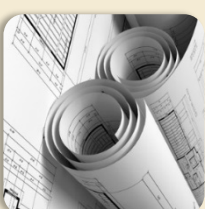
Council
Resolution
creates
RDA



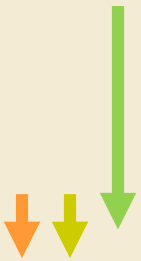
Council
Resolution
extends
CBD



One year
waiting
period
begins



Create re-
development
plan



**GPLETS
Available**

Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun
2016 2017





Next Steps

1. Proceed with consultant assistance
2. Begin public outreach
3. Begin data collection
4. Return to Council with findings





Questions?

Sara Sorensen

Economic Development Project Manager

Jeffrey Robbins

Management Associate I

www.mesaaz.gov/economic

