



COUNCIL MINUTES

February 24, 2011

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 24, 2011 at 7:32 a.m.

COUNCIL PRESENT

Alex Finter
Christopher Glover
Dina Higgins
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

Scott Smith

OFFICERS PRESENT

Jack Friedline
Linda Crocker

Vice Mayor Somers excused Mayor Smith from the entire meeting.

1. Review items on the agenda for the February 29, 2011 Regular Council meeting.

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

Business License Administrator Tim Meyer stated that regarding item 3d (Brasco Water House), staff recommends that this item be placed on the consent agenda for denial due to non-payment of fees.

Conflict of interest: None

Items removed from the consent agenda: 5f

Transit Services Director Mike James and City Engineer Beth Huning displayed a PowerPoint presentation (**See Attachment 1**) and discussed items 5k (Country Club Drive Park and Ride), 5l (Red Mountain Freeway Park and Ride at Gilbert Road) and 5m (Red Mountain Freeway Park and Ride Facility at Power Road) on the Regular Council Meeting Agenda.

2-a. Hear a presentation, discuss and provide direction on a Memorandum of Understanding with Phoenix-Mesa Gateway Airport and Able Engineering.

Economic Development Project Manager Scot Rigby introduced Lee Benson, President and CEO of Able Engineering, who was prepared to address the Council.

Mr. Rigby stated that it was the recommendation of staff that the City of Mesa enter into a Memorandum of Understanding (MOU) with Phoenix-Mesa Gateway Airport and Able Engineering for the design, construction and leasing of an Airport-owned Maintenance, Repair and Overhaul (MRO) facility.

Mr. Rigby displayed a PowerPoint presentation (**See Attachment 2**) and reported that over the last ten years, the City of Mesa and Phoenix-Mesa Gateway Airport have worked to develop new infrastructure and business development at the airport. He stated that such efforts have attracted key businesses to the area, including Cessna and Allegiant Airlines; the development of Sossaman and Velocity Roads; upgrades to water and wastewater systems; the opening of a new Police and Fire station; and identifying key aerospace industries that would benefit strategically by locating to Gateway.

In response to a question from Councilmember Richins, Mr. Rigby clarified that one of the primary inducements that the City used to attract key businesses to Gateway was the ability to apply for a Military Reuse Zone, which provides employment tax credits and construction sales tax exemptions for new construction or tenant improvements. He said that in addition, the airport has long runways, unrestricted airspace, is situated near urban areas, and is in close proximity to California.

Mr. Rigby remarked that the Airport has struggled to attract larger companies to the site due to a lack of large, existing facilities and/or the inability to finance airport facilities. He explained that such companies typically require existing facilities, at very competitive pricing, due to intense recruitment domestically and internationally.

Mr. Rigby stated that in an effort to address such concerns, the City and the Airport have agreed to design, bid, construct and lease the MRO facility. He noted that the project would enable the Airport to accommodate a Federal Aviation Administration (FAA) MRO facility and also attract additional commercial, cargo, general and business aviation companies and military defense contractors to the Gateway area. Mr. Rigby added that the project would further enable the Airport to gain experience and credibility in the bond market.

Mr. Rigby briefly highlighted the various elements of the project structure. (See Pages 5 and 6 of Attachment 2) He explained that Able Engineering, who approached the City and the Airport with respect to relocating to Gateway, has agreed to lease the entire facility and provide the Airport all project design/engineering documents in order for the Airport to solicit public bids.

Mr. Rigby displayed a preliminary drawing of the MRO facility. (See Page 7 of Attachment 2) He also outlined the commitments of Able Engineering (See Page 8 of Attachment 2), the Airport (See Page 9 of Attachment 2) and the City of Mesa (See Page 10 of Attachment 2) relative to the MOU.

Responding to a question from Councilmember Richins, Mr. Rigby clarified that during the life of the lease, Able Engineering would be responsible for the operations and maintenance of the MRO facility.

Mr. Rigby further reviewed a number of financial protections that the City has included in the MOU. (See Pages 11 through 13 of Attachment 2) He noted that if Able Engineering was unable to fulfill its terms of the lease and the City or the Airport was unsuccessful in re-leasing the facility, the City and the Airport have agreed that the City would withhold the required bond debt amount from the City's annual Phoenix-Mesa Gateway Airport contribution.

Mr. Rigby said that if the Council concurs with the structure of the MOU, the matter would be included on the March 7, 2011 Council meeting agenda for Council consideration.

Vice Mayor Somers commended staff for the proposal which, in his opinion, was a creative way to bring high-wage jobs to the community. He said that the Airport continues to invest in itself and is and will be a tremendous asset to the region. Vice Mayor Somers also remarked that the City is taking its bonding capacity to support the Airport in its growth efforts and added that Mesa's financial future is tied to the Airport's success.

Mr. Benson offered a brief overview of Able Engineering, which in the past ten years has grown from a company of 50 employees to 230 employees with \$34 million in annual sales. He explained that Able Engineering employs a wide range of personnel, including aircraft mechanics, software developers, chemical engineers, and machinists. Mr. Benson stated that Able Engineering has over 750 helicopter-related customers worldwide and also has contracts with the U.S. government and foreign military operations. He added that with regard to the fixed-wing market, Able Engineering works with more than 400 commercial customers.

Mr. Benson further reported that the U.S. Air Force condemns approximately \$1 billion a year worth of parts that it deems cannot be repaired. He stated that Able Engineering recently presented a proposal to the Air Force that there was approximately \$100 million worth of components for which the company could develop repairs and/or manufacture, at half the cost for which the Air Force procures such parts. Mr. Benson announced that the Air Force agreed to enter into a contract with Able Engineering in this regard, which will be a "win win" for the taxpayers, the Air Force, Able Engineering and the City of Mesa.

Mr. Benson also noted that in the past four years, Able Engineering has dealt with more than 3,000 customers including United Airlines, FedEx, Virgin Atlantic, Korean Airlines, Army Fleet Support and the U.S. Coast Guard. He said that with a current monthly payroll of \$900,000, the average salary for Able employees is \$78,000, with hourly wages ranging from \$10.00 to \$31.20. Mr. Benson further remarked that in the next four to six years, it is anticipated that the company would employ 500 workers, with a monthly payroll of \$3 million, an average salary of \$100,000, and hourly wages ranging from \$15.00 to \$42.00.

Mr. Benson, in addition, explained that Able Engineering has developed over 8,000 repairs and manufactures more than 700 components when parts cannot be repaired. He said that when the company relocates to Mesa, it will begin refurbishing entire helicopters and will also work on business jets.

Vice Mayor Somers commented that the kind of jobs that Able Engineering will bring to Mesa is exactly what the Council had in mind when it talked about 100,000 high-paying jobs coming to this region as part of the Mesa Gateway Strategic Plan. He stated that Able Engineering was highly recruited across the country and commended City staff on their innovative and creative efforts which convinced the company to relocate to the community and specifically to Phoenix-Mesa Gateway Airport.

Councilmember Kavanaugh echoed Vice Mayor Somers' comments and stated that it was very evident that Able Engineering is a well run company, has "a great vision" for the future, and also has the ability to execute that vision. He expressed appreciation that Able Engineering is partnering with the City of Mesa and would offer a wide range of job opportunities that would benefit not only Mesa residents, but the community as a whole.

Vice Mayor Somers thanked everyone for the presentation.

2-b. Hear a presentation, discuss and provide direction regarding investment of City funds.

Controller Doug Yeskey and Manager of Technology and Innovation Alex Deshuk addressed the Council relative to this item.

Mr. Yeskey stated that the purpose of today's presentation was to provide a status update of the City of Mesa's investment portfolio and to seek authorization to transfer additional funds to the City's private investment manager.

Mr. Yeskey displayed a PowerPoint presentation (**See Attachment 3**) and reported that on April 1, 2010, the Audit & Finance Committee authorized staff to pursue an outside firm to maximize the City's investment return. He explained that in July 2010, the City hired PFM Asset Management (PFM) to provide professional management of those funds. Mr. Yeskey stated that over the course of approximately four months, staff transferred approximately \$70 million from the State Treasurer's Office Local Government Investment Pool (LGIP) to PFM.

Mr. Yeskey noted that as of November 2010, the City's investments were allocated as follows: 20% with PFM (\$68,245,000) and 80% (\$273,490,000) with LGIP. He stated that both the LGIP and PFM portfolios meet all State and local requirements and restrictions on investments and also follow policies established by the City and the Council with regard to investments. Mr. Yeskey added that PFM was restricted to invest the City's funds only in U.S. government-backed securities.

Mr. Yeskey advised that PFM acts on the City's behalf to purchase investment securities from brokers. He explained that once the securities are purchased, they are held by a custodial bank in the City's name, after which time PFM manages the City's portfolio. Mr. Yeskey said that if unforeseen circumstances occurred at PFM, the investments would still be in the City's name and held by a custodial bank.

Mr. Yeskey offered a short synopsis of the LGIP portfolio investment mix and PFM's portfolio investment mix. (See Page 3 of Attachment 3) He also provided a brief statistical analysis of the LGIP, PFM and one-year Treasury Notes yields and the respective interest earnings between July and November 2010. (See Page 4 of Attachment 3) He stated that the City received an estimated \$142,381 in interest earnings by transferring City funds from the LGIP to PFM.

Mr. Yeskey further remarked that in considering whether to increase the City's investment with PFM, staff determined that it would be necessary to leave \$40 million in the LGIP in order to meet the City's day-to-day operational requirements (i.e., payroll) and also to coordinate with PFM with respect to the City's debt service payments that occur in January and July.

Mr. Yeskey, in addition, stated that it was staff's recommendation to transfer an additional \$200 million from the LGIP to PFM, which would leave \$70 million in the LGIP. He stated that staff has already negotiated a decrease in the fees that PFM would charge the City from 9 basis points to 6 basis points once the City invested more than \$100 million with the firm. Mr. Yeskey added that based on the City's current mix of investments, if an additional \$200 million was transferred to PFM and such funds remained at the firm for one year, the City would realize an estimated net earnings benefit of \$1.19 million.

Responding to a question from Councilmember Richins, Mr. Yeskey clarified that when the City sells bonds, the bondholders receive a set interest rate on those bonds. He said the proceeds from such sales are invested with outside investments and noted that if the City receives a higher return than what it pays out to the bondholders, any dollar over what is paid out must be sent to the Internal Revenue Service (IRS).

City Manager Christopher Brady clarified that staff was not proposing to change the City's investment policy or what it invests in, but simply moving the yield out further, which makes a significant difference in the return to the City. He stated that the "opportunity cost per day" that the City is losing by not transferring the recommended funds to PFM is \$3,263.

In response to a question from Councilmember Richins, Mr. Yeskey explained that staff's proposal was not to transfer \$200 million to PFM overnight, but rather to do so gradually over time. He stated that staff would work closely with PFM to ladder out the maturity dates to meet the City's debt service payments. Mr. Yeskey added that there are certain restricted funds within the City's investments that cannot be used for debt service payments.

Mr. Yeskey continued with the presentation and said that staff proposes to do a phased in approach for additional investment with PFM, with an initial increase to \$100 million (\$30 million investment) in order to achieve the fee decrease from 9 basis points to 6 basis points. (See Page 6 of Attachment 3) He noted that in addition, every six months, staff will review the investment portfolio and strategy with the Audit, Finance & Enterprise Committee and also continue to meet monthly, if not more, with the investment brokers to review economic indicators and assess how well the portfolio is performing.

Councilmember Finter stated that for a cost of \$180,000 (annual fee costs assuming \$200 million investment at 6 basis points and \$60,000 annual fee costs at current \$70 million investment at 9 basis points), the City will receive \$1.19 million in estimated net earnings.

Mr. Yeskey confirmed Councilmember Finter's statement.

Councilmember Finter expressed support for the proposal and thanked staff for their efforts and hard work in endeavoring to make smart investments for the City of Mesa and its residents.

Vice Mayor Somers concurred with Councilmember Finter's comments and said that staff's proposal was an opportunity for the City to use its money more wisely, generate additional

revenues, and also maintain the City's fiduciary responsibility to remain conservative in its investments.

Vice Mayor Somers thanked staff for the presentation.

(Vice Mayor Somers declared a brief recess at 8:55 a.m. The Study Session reconvened at 9:05 a.m.)

2-c. Hear a presentation, discuss and provide direction on the Zoning Code Update.

(Vice Mayor Somers noted that City Manager Christopher Brady and City Attorney Debbie Spinner were excused from the Study Session to conduct other City business.)

Zoning/Civil Hearing Administrator Gordon Sheffield addressed the Council regarding the Zoning Update process. He displayed a PowerPoint presentation (**See Attachment 4**) and stated that he was seeking clarification of prior Council direction regarding the Zoning Code Update. Mr. Sheffield outlined the topics to be covered. (See Page 2 of Attachment 4)

Mr. Sheffield reported that on March 23 and April 20, staff will conduct public hearings before the Planning & Zoning Board (P&Z) to specifically solicit public comment regarding the final draft of the Zoning Code Update. He explained that in addition, staff will send out a two-page notice to 131,000 Mesa property owners that summarizes the draft Ordinance and includes a schedule of public hearings. Mr. Sheffield added that copies of the draft Ordinance are available for review at the City libraries, the Planning Division Office and the City Clerk's Office and can also be accessed on the City's website.

Responding to a question from Vice Mayor Somers, Mr. Sheffield clarified that if citizens have suggestions or recommendations with respect to the draft Ordinance, staff would present those issues as "change items" to P&Z, and said that based upon the Board's recommendation, the matter would be forwarded to the Council.

Mr. Sheffield stated that staff has tentatively scheduled the June 6, 2011 Regular Council meeting for introduction of the final Zoning Ordinance.

Mr. Sheffield explained that with regard to setbacks for cell towers, the Board of Adjustment recently heard a case involving a faux palm tree cell tower at Lindsay and Brown and said that several property owners expressed concern regarding the location of the tower. He explained that the tower met the City's requirement established in 1997, which is that in residential areas, the setback is twice the height of the pole. Mr. Sheffield noted that several property owners opposed the request and suggested that the setback be increased.

Responding to a question from Councilwoman Higgins, Mr. Sheffield clarified that the Board of Adjustment has the ability to modify the guidelines based on certain circumstances. He said that staff was comfortable with the current setbacks, but raised this issue because the property owners had brought the matter to the attention of the Mayor and several Councilmembers.

Councilwoman Higgins stated that she liked the process that the Board of Adjustment reviews each case and makes adjustments as necessary.

Mr. Sheffield indicated that in addition to the draft for the Technology Policy, staff proposes a Location Preference and would start, for example, by co-locating the antennas on existing buildings that are tall enough for the antennas to be used. He stated that regarding the second Location Preference, "On existing signal, power, light...Poles located 300 feet from residential..." Salt River Project (SRP) suggested that the 300-foot preference be removed. Mr. Sheffield explained that SRP has a significant number of poles that are less than 300 feet from residential properties and said that staff concurred with SRP's suggestion.

Vice Mayor Somers stated that the Council concurred with staff's recommendation.

Mr. Sheffield recounted prior Council direction relative to Residential Uses in Commercial Districts. (See Page 6 of Attachment 4) He stated that the direction was to eliminate the Council Use Permit (CUP) requirement when meeting certain "standards," but to retain site plan review through P&Z. Mr. Sheffield noted that staff was seeking further input as to whether the site plan review should extend to the Council as a mandatory step in all cases or as an appeal step only in disputed cases. He said that if the Council wanted to consider all of the cases, it would be necessary for staff to write an amendment to what had been proposed in the Zoning Code Update.

Responding to a question from Councilwoman Higgins, Mr. Sheffield clarified that the draft Zoning Code Update includes a new MX (Mixed Use) District and said that for a developer to use that designation, it would be necessary to rezone. He explained that what staff proposes is that in addition to the standard list of commercial uses that are already part of the C-2 (LC) and C-3 (GC) Districts, the Code would authorize multiple residence uses to be allowed "by right," thereby creating mixed-used opportunities in existing commercial districts. He explained that if the development meets the standards (as listed on Page 6 of Attachment 4), the use would be guaranteed, but the site plan review would come back through P&Z and the Council, if they so desired.

Councilmember Richins stated that he would prefer that the site plan review process extend to the Council only for controversial or disputed cases.

Councilmember Richins expressed concern that "locking into certain percentages," as reflected on Page 6 (i.e., 40% total floor area non-residential, 65% ground floor non-residential), does not reflect the market reality. He inquired if it was possible to set a standard that did not necessarily prescribe total floor area ratios.

Vice Mayor Somers clarified that the percentage of floor area or below is "by right" and anything above would require a CUP, which would provide flexibility.

Councilmember Richins noted that he was agreeable with the percentages for now, but would like the opportunity to modify them in the future depending on the market.

Mr. Sheffield stated that in terms of the standards, staff could solicit feedback from the commercial brokerages during the public hearing process relative to possible revisions to the percentages.

Councilwoman Higgins commented that since residential uses in commercial districts was a new concept, it might be appropriate that a CUP be required for such uses so that the Council could provide oversight for a period of time.

Councilmember Kavanaugh stated that he preferred staff's recommendation and noted that there may be the perception that a use that requires a CUP is a pejorative use, or one that the Council does not favor. He added that it was important for the City to encourage residential uses in commercial districts by providing a variety of options so that developers can be creative and innovative.

Councilmember Richins noted that he would like to see all site plan reviews come through the Council. He also remarked that the market would dictate the viability of the placement, for example, of a commercial center next to an industrial center and said he was not in favor of a CUP for any re-use in a commercial district.

Councilmember Kavanaugh indicated that if the site plan review comes to the Council, it would provide an opportunity for the Council and the community to be educated on "the flavor" of a specific project.

Vice Mayor Somers stated that it was the consensus of the Council that all site plan reviews would extend to the Council and that a CUP would be required when the percentages are higher than those outlined on Page 6 of Attachment 4.

Mr. Sheffield discussed Off-Track Betting (OTB) (See Page 7 of Attachment 4) and explained that staff researched the issue and determined that those communities in Maricopa County that have OTB, the activity does not cause an increase nor a decrease in criminal activity. He stated that it was staff's recommendation to allow OTB as an accessory use in LC, GC and PEP, conditioned upon maintaining an active State OTB License.

Councilmember Kavanaugh stated that the process staff is recommending works in other communities and noted that he sees no reason why the Council should not permit OTB. He thanked staff for their efforts and hard work with respect to this item and said that there would still be a process for the Council to review an individual case if issues arose.

Mr. Sheffield advised that OTB would be associated with sports bars and sports restaurants, but not as a stand-alone use. He stated that the use tends to be rather rare, and noted that he was aware of two OTB sites in Tempe, a few in Chandler and one in Goodyear.

Responding to a question from Councilwoman Higgins, Mr. Sheffield clarified that OTB is not currently an authorized use in the City of Mesa and said that if it was the direction of the Council to continue to not allow such a use, staff would not include this provision in the draft Zoning Code Update.

Councilwoman Higgins voiced concern with regard to OTB in the City of Mesa.

Vice Mayor Somers stated that a majority of the Council, excluding Councilwoman Higgins, had no objection to OTB and directed that staff move this item forward.

Mr. Sheffield continued with the presentation and displayed photographs of a manufactured housing project in Phoenix (See Page 8 of Attachment 4), which was used as an infill replacement in an aging neighborhood. He reported that currently, the City of Mesa allows manufactured housing to be limited to either a manufactured home park or a manufactured home subdivision, zoned R-4 or R1-6-PAD. Mr. Sheffield stated that staff proposes to authorize manufactured housing as infill replacement housing stock in RS-6 (currently R1-6) without a PAD. He noted that the replacement would meet stringent design standards, be "by right," and added that Phoenix recently adopted a similar proposal after extensive work with the industry.

Mr. Sheffield commented that staff had concerns that proceeding with this proposal would allow such a use in all R1-6 districts. He said that staff would prefer to research the item further, possibly consider such a use for the new Infill District, or continue to allow it only with PADs, and bring it back to the Council at a future Study Session.

Mr. Sheffield further remarked that the industry proposed that the City consider this use for areas currently designated for Community Development Block Grant (CDBG) funding or revitalization areas. He stated that since those areas do not have any zoning authority, it would be necessary for staff to develop an overlay district that would go along with those areas.

Vice Mayor Somers commented that he was in no way interested in "trailer parks by-right." He said that this issue was worth pursuing, although he had concerns with regard to the standards and where the manufactured homes would be allowed.

Councilmember Kavanaugh expressed support for staff conducting further research in this regard. He said the manufactured housing would be a useful option for infill and redevelopment in aging neighborhoods, particularly in west Mesa. He added that the industry "has come a long way" in terms of design standards.

Councilmember Richins stated that factory built housing has come a long way with respect to innovative design features. He said that the key with respect to this issue is the City's design standards and how much innovation would be allowed. Councilmember Richins noted, however, that he was not in favor of designating CDBG areas or revitalization areas as the only locations where the manufactured homes would be allowed.

Vice Mayor Somers commented that there was certain uniformity in some neighborhoods in Mesa where manufactured homes would not fit.

Councilmember Glover concurred with Councilmember Kavanaugh's remarks and said that allowing manufactured homes as infill replacement housing stock would be an improvement for District 4. He added that such a use would encourage other residents to take pride in their homes as well. Councilmember Glover urged staff to continue to research this issue, develop strict guidelines, work with the housing industry and follow Phoenix's example.

Vice Mayor Somers stated that it was the consensus of the Council that staff conduct additional research with regard to manufactured housing.

Mr. Sheffield briefly highlighted public notice requirements for P&Z and Board of Adjustment hearings. (See Pages 12 and 13 of Attachment 4) He said that at a recent P&Z meeting, staff received a comment from a resident to increase the mailed notice to a minimum distance of 500

feet for P&Z, and for the Board of Adjustment or Zoning Administrator/Hearing Officer (ZAHO), the notice would be equivalent to P&Z for the mailed notice.

Mr. Sheffield advised that in particular, the citizen raised a concern with respect to a request for a Special Use Permit (SUP), which was heard by the ZAHO, for an electronic message sign to increase the frequency of the sign greater than one hour to go to every 15 seconds. He said that the 300-foot radius for the mailed notice included all of the commercial properties in the area, but did not extend to the residential properties or the homeowners association.

Councilwoman Higgins expressed support for increasing the notice distance and stated that it was always beneficial to generate more public involvement in City issues.

Deputy City Attorney Donna Bronski explained that there was some flexibility under the citizen participation process, but stated that it was important to have consistent minimum standards. She suggested that if the Council had certain minimum standards that they determined were important, that they should be included in the draft Ordinance.

Discussion ensued relative to the notice policy for Freeway Landmark Monument signs.

Councilmember Richins commented that under the new regulatory framework, significant authority would shift to the Board of Adjustment and the ZAHO. He stated that due to the fact that they handle controversial cases, it might be appropriate to increase the posting requirement to a 4 foot by 4 foot sign as opposed to the current 17 inch by 11 inch paper poster.

Councilmember Finter stated that regarding the small cases that involve perhaps one property owner, he would like to request that staff ensure some "balance" in notifying as many of the surrounding neighbors as possible.

Responding to a question from Councilmember Finter, Mr. Sheffield stated that for the small cases, such as a resident wanting to build an addition on to his backyard, there is currently a 150-foot radius mailed notice requirement for single family residences and manufactured homes.

Councilmember Finter stated that he was comfortable with that requirement.

Councilwoman Higgins noted that the 11 inch by 17 inch paper poster is often flimsy and hard to see and suggested that instead of the 4 foot by 4 foot sign suggested by Councilmember Richins, perhaps staff could use a sign similar to the size of a campaign yard sign to display the notice.

Planning Director John Wesley clarified that the distinction would be that the single family/manufactured home notices are typically used, for instance, for a carport addition or the single property owner requesting horse privileges as opposed to commercial, multi-family use cases that would require a larger sign and notification.

Mr. Sheffield restated that the Council's direction was that the larger, more commercial sites would be required to implement a wider range of notice and more robust signage.

Councilwoman Higgins reiterated her request for some type of signage that was in between the 11 inch by 17 inch paper poster and a 4 foot by 4 foot sign.

Mr. Sheffield responded that staff would develop signage requirements to address Councilwoman Higgins' concerns.

Vice Mayor Somers clarified that with respect to the commercial sites, the Council concurred with staff's recommendation to increase the notification radius and also Councilmember Richins' proposal to increase the posting requirements for the Board of Adjustment and the ZAHO.

Mr. Sheffield continued with the presentation and reviewed the CUPs related to tattoo parlors, pool/billiard halls, bars in the LC District and Public Comments to confirm prior Council direction. (See Page 14 of Attachment 4) He stated that staff was seeking direction relative to eliminating the CUP requirement for bars in the LC District (formerly C-2). He explained that commercial entertainment is a very broad range of land uses and noted that bars are technically classified as commercial entertainment under the current Code. Mr. Sheffield said that if staff eliminates the CUP for that broad classification, which includes pool/billiard halls, it would also eliminate the CUP for bars in the LC District.

Councilwoman Higgins stated that she would prefer to require a CUP for bars in the LC District.

Councilmember Finter commented that he would not support eliminating the CUP for bars in the LC District, but noted that he was always looking for new tools to streamline government bureaucracy.

Councilmember Kavanaugh said that his preference would be to lower the regulatory barriers and questioned whether it was really necessary to require a CUP for bars in the LC District, especially since there are other safeguards in place with codes, State law and liquor license requirements.

Councilmember Richins concurred with Councilmember Kavanaugh's comments and stated that he has advocated for a long time that there should be a business license process in the City. He noted that a business license would not only be a source of data for economic development opportunities, but would also provide another tool to deal with poorly operated businesses.

Councilmember Glover concurred with Councilmembers Kavanaugh and Richins' remarks.

Vice Mayor Somers restated that the Council was "leaning ever so slightly" toward eliminating CUPs for bars in the LC District, but suggested that staff also solicit feedback from Mayor Smith in this regard. He suggested that staff bring back this item for a final discussion when the entire Council is present.

Mr. Sheffield said that the final topic relates to separation requirements and explained that currently, several of the CUPs require 1,200-foot spacing between the same use. He explained that at a recent P&Z meeting, the suggestion was made that there should be a second separation requirement, so that in addition to there being a certain distance from a like use, there would also be a certain distance from another CUP-related use (i.e., tattoo parlor and blood plasma center).

Councilmember Richins concurred with staff's recommendation. He also suggested that the City conduct a background check on the individual applying for a CUP to determine whether the prospective business owner has been involved in criminal activity in the past.

Ms. Bronski responded that staff could look into Councilmember Richins' suggestions. She noted, however, that background checks are typically associated with licensure and said that the City does not inquire into "the personal characteristics of the operators" in a land use context.

Councilmember Kavanaugh remarked that the Council often approves a CUP based on the information obtained from the applicant and said that a background check would assist the Council in weighing the credibility of what the operator intends to do at the site.

Vice Mayor Somers concurred with Councilmember Kavanaugh's statement.

Councilwoman Higgins expressed concern that eliminating CUPs for bars in the C-2 District could result in a bar in an Albertson's, for instance, and a tattoo parlor on the other side. She said she liked the idea of the separation requirement, except in those instances where a CUP is eliminated for certain activities.

Mr. Sheffield clarified that the draft Ordinance would not include "from all CUPs" and said, for example, if a developer wanted to build a residential project in the C-2 District, the company would come to the Council to request a CUP. He said he did not necessarily think that the Council would want to create a second separation since that is fairly widespread. Mr. Sheffield also noted that CUPs are not always nefarious uses and said that certain hazardous materials in industrial districts require a CUP, as do schools in the C-2 District. He added that the thought would be to identify the traditionally nefarious uses that require CUPs, such as pawn shops and tattoo parlors.

Vice Mayor Somers commented that a tattoo parlor was not necessarily nefarious, but often "a reflection" of the business and the operator.

Vice Mayor Somers restated the Council's direction as follows: that staff continue to work on this issue and consider the implementation of a background check for individuals requesting a CUP; and that the separation between different CUP uses may be of concern to the Council.

Councilmember Finter also requested that staff bring back the issue of "for profit rentals" in residential neighborhoods.

In response to comments from Councilmember Finter, Mr. Wesley stated that if any of the Councilmembers have specific "deal breaker issues" with regard to the Zoning Code Update, to please advise staff so that those items can be addressed further.

Vice Mayor Somers noted that there would be ample opportunities through the public hearing process, as well as additional Study Sessions, to address and hopefully resolve any "deal breaker issues" that the Councilmembers may have in this regard.

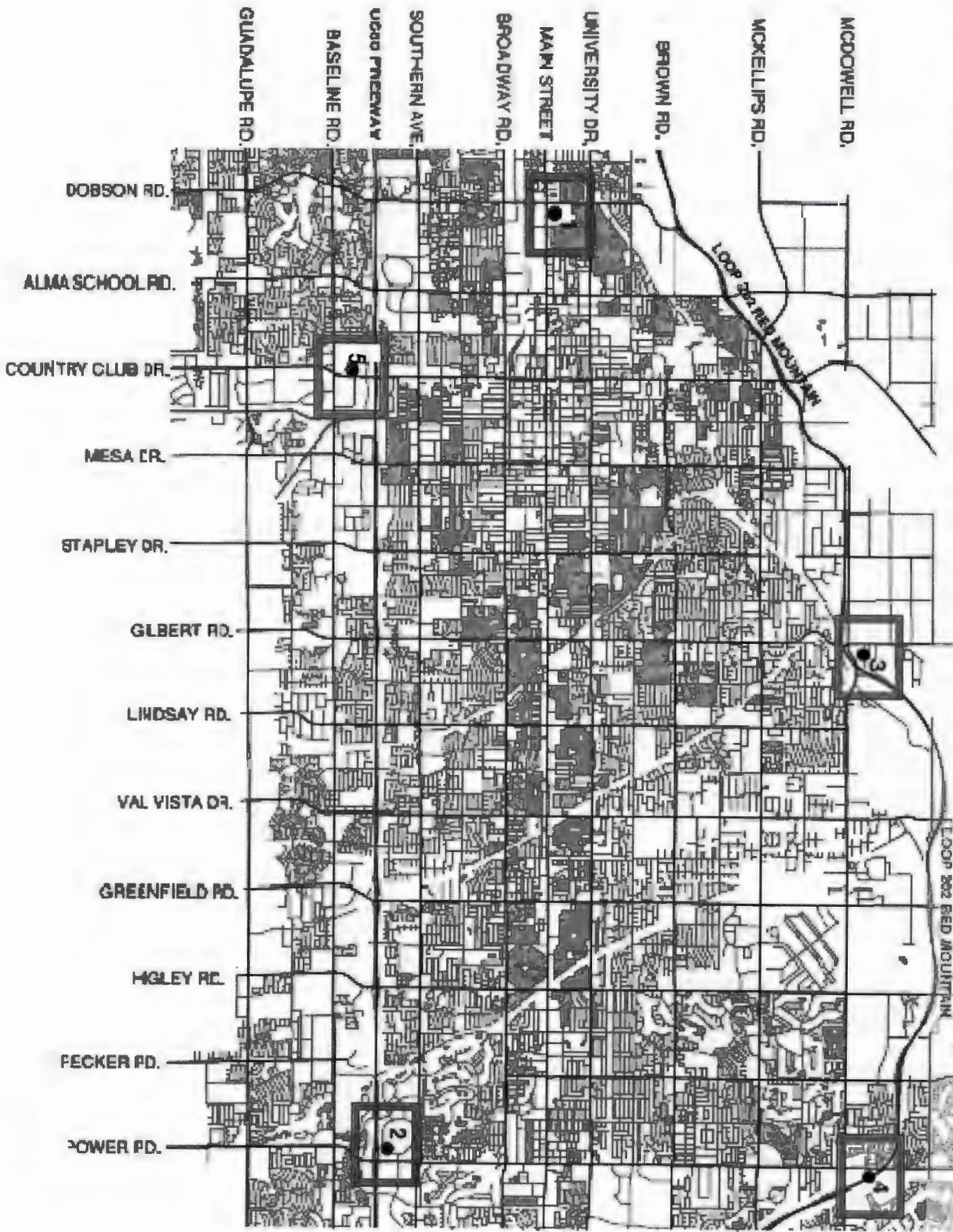
Vice Mayor Somers thanked Mr. Sheffield for the presentation.

Park and Ride Lots

Council Study Session
February 24, 2011



Mesa's Park and Ride Lots



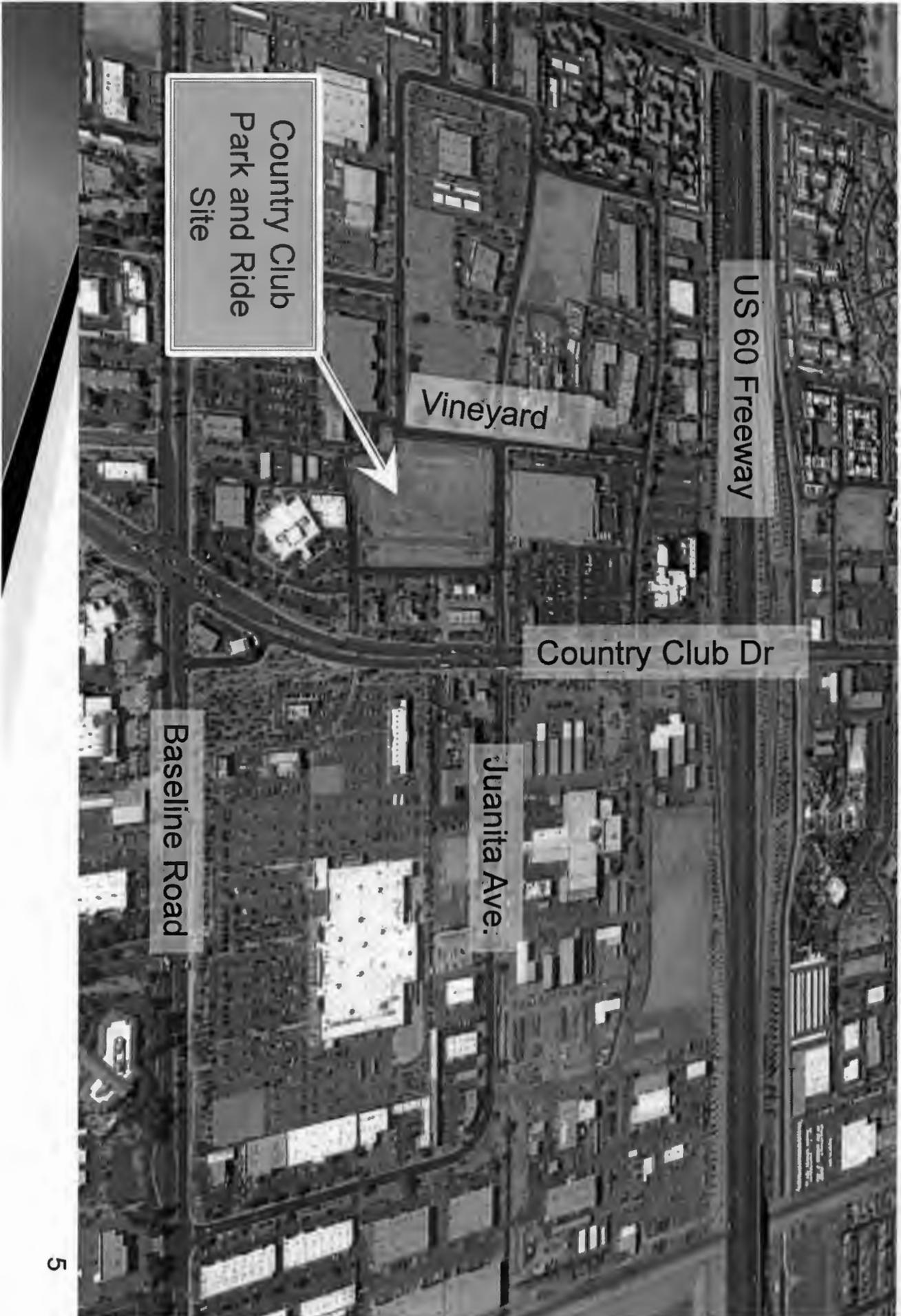
Country Club Park and Ride Lot

- ▶ Served by Express Route 531
- ▶ Originating in Downtown Gilbert
 - North on Gilbert Road
 - West on Baseline Road
 - North on Country Club Ave (serving the facility at Juanita)
 - North to the US 60 then west to Phoenix
- ▶ Also serves:
 - Country Club Route 112 & Country Club LINK

Power Road & Gilbert Road Park and Ride Lots

- ▶ Served by Express Route 535
- ▶ Originating at Decatur & Power
 - North to the Park and Ride at the Loop 202 & Power Road
 - West on Loop 202
 - Exiting at McDowell to serve the Gilbert Rd Park and Ride
 - West on Loop 202 to Phoenix
- ▶ Power Road PNR is also served by Power Rd Route 184
- ▶ Gilbert Road PNR is also served by Gilbert Rd Route 136

Country Club Park and Ride Lot



Country Club Park and Ride Site Layout



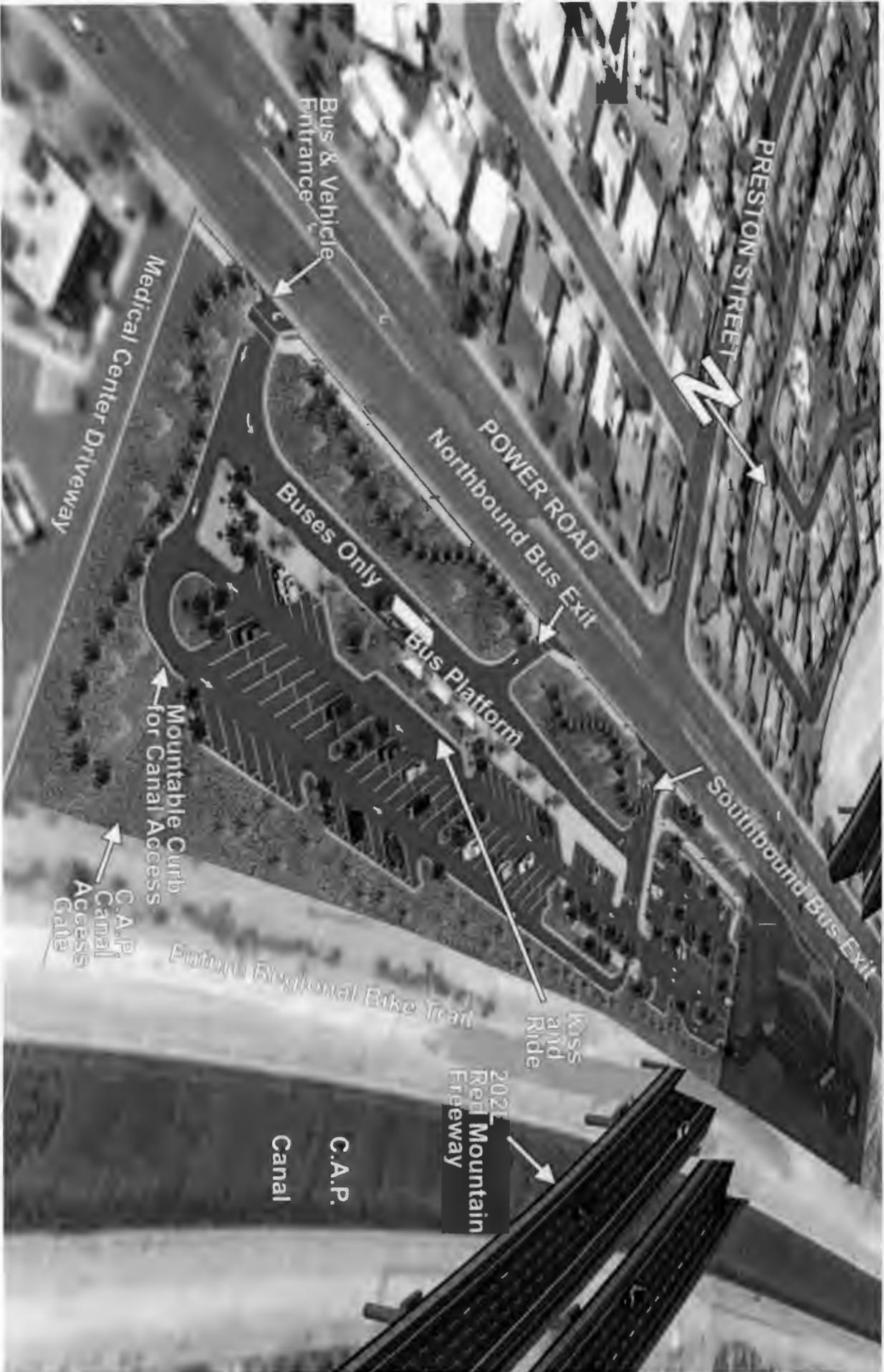
Country Club Park and Ride Passenger Platform



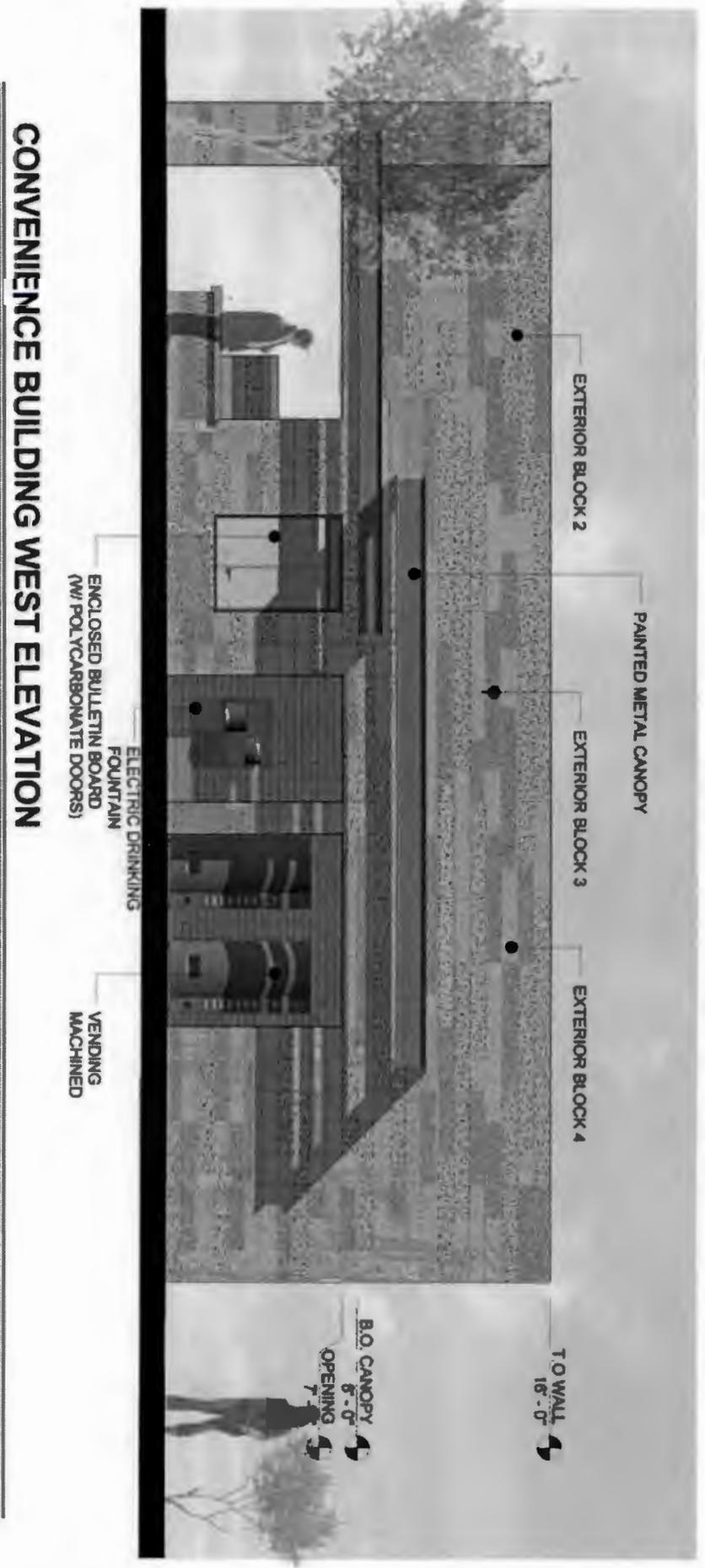
Power Road Park and Ride Lot



Power Road Site Layout



Power Road Convenience Building



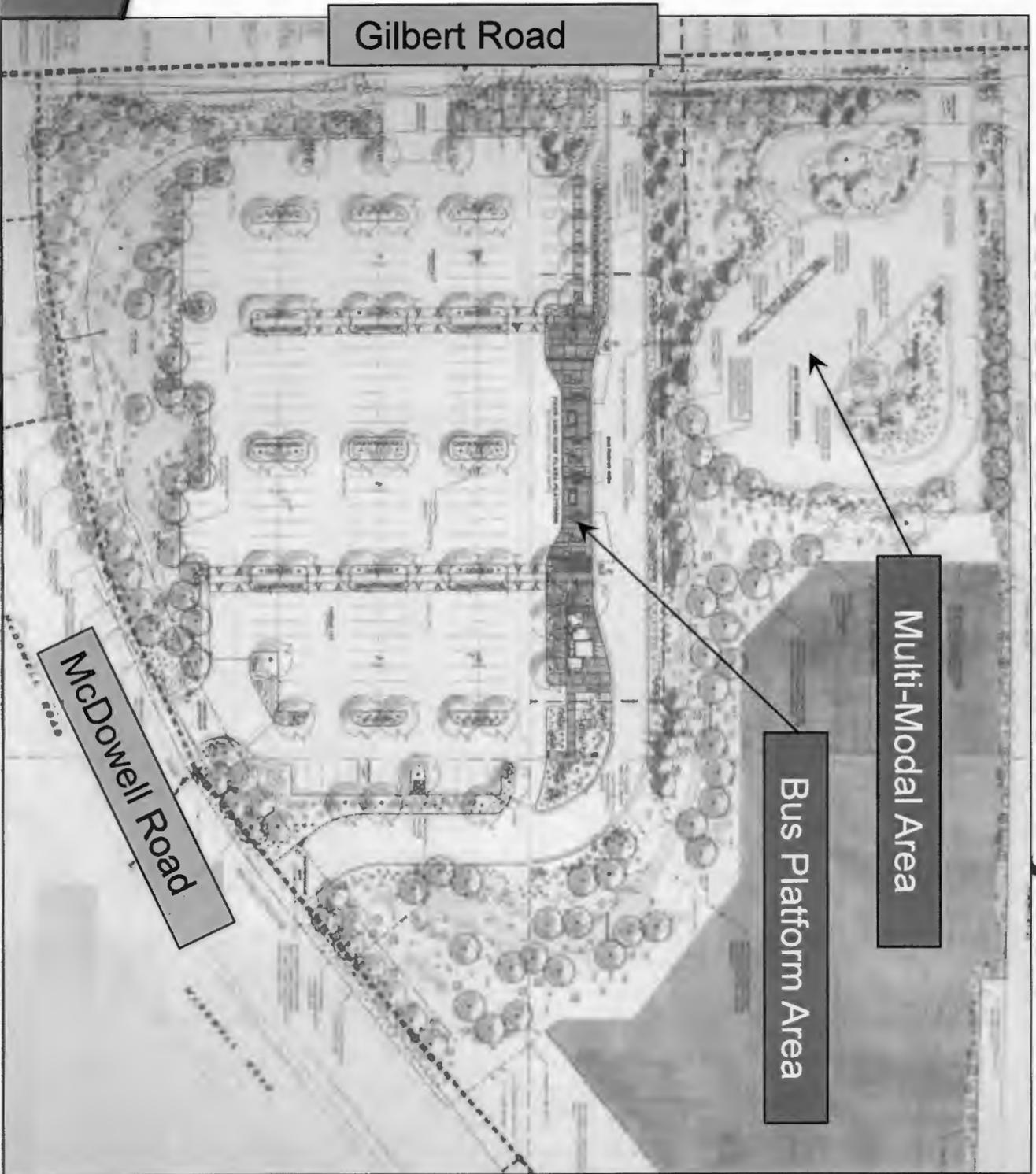
Power Road Bus Shelter



Gilbert Road Park and Ride Site



Gilbert Road Site Layout



Gilbert Road

McDowell Road

Multi-Modal Area

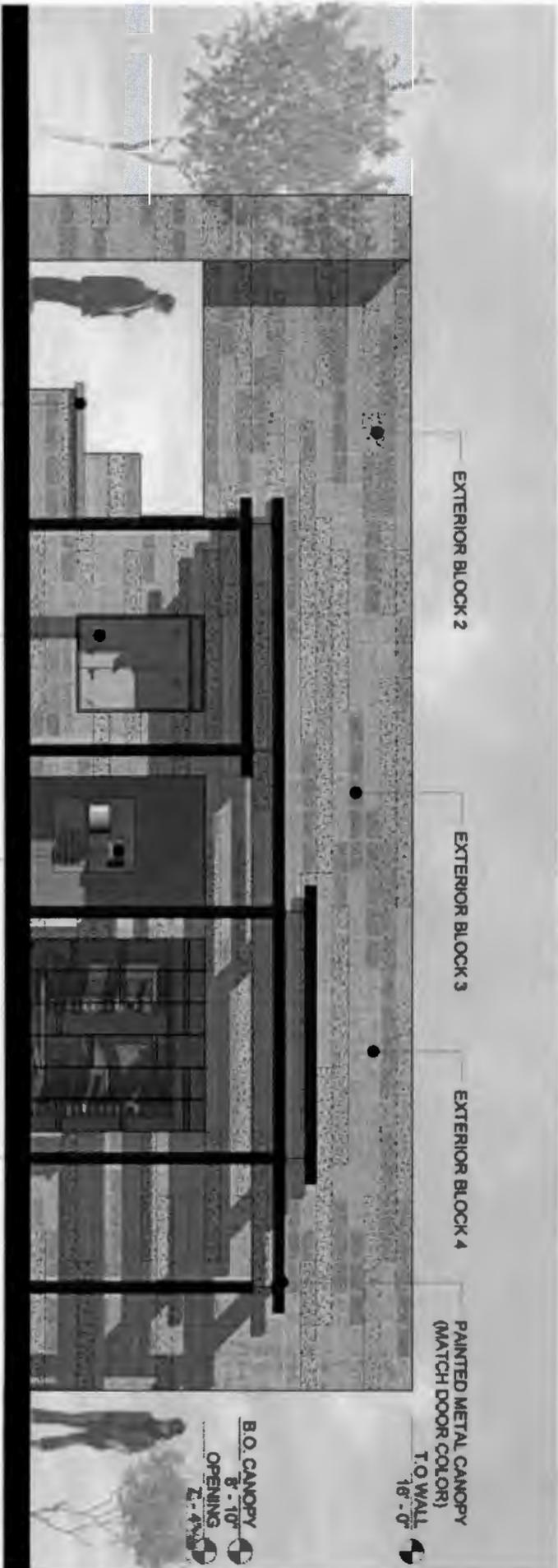
Bus Platform Area



Gilbert Road Passenger Platform



Gilbert Road Convenience Building



CONVENIENCE BUILDING SOUTH ELEVATION

Gilbert Road Northern Property Line Wall & Landscaping



Funding Summary

- ▶ Country Club construction award \$1.831 million
- ▶ Power Rd construction award \$1.805 million
- ▶ Gilbert Rd construction award \$ 2.180 million
- Total \$5.816 million

- ▶ Available ARRA funding \$6.161 million



Questions?

Council Presentation

February 24, 2011

**Phoenix-Mesa Gateway Airport
Maintenance, Repair and Overhaul
(MRO) Facility**





- **Phoenix-Mesa Gateway Airport and City have worked closely to develop new infrastructure and business development**
- **Infrastructure successes include Sossaman and Velocity Roads, water/wastewater/fire suppression systems, and recently opened fire & police station**
- **Business attraction successes include Cessna, HB, Embraer, L3, Lockheed, Allegiant and others**
- **Airport and City have identified key aerospace industries that have a strategic benefit to locating to Gateway**



- **Largest facility and employer on the airport is Cessna with just over 100,000 square feet and 100 employees**
- **Airport has struggled to locate larger companies due to lack of large, existing facilities and or inability to finance airport facilities**
- **These larger companies typically require existing facilities, at very competitive pricing, due to intense recruitment domestically and internationally**



- Airport and City have agreed to design, bid, construct and lease a large airport maintenance, repair and overhaul (MRO) facility
- The purpose of the project is to:
 - Enable the Airport to attract a large MRO center that will help attract commercial, cargo, freight and defense industries and operations to Gateway
 - Enable the Airport to gain experience and creditability in the bonds markets



Project Structure

- 1. Airport will design, bid and build facility (180K sq.ft.) for a cost not to exceed \$16M**
- 2. City will serve as guarantor of the Airport bond through agreeing to lease the facility for 40 years**
- 3. City will sublease to a tenant or tenants for a lease amount equal to or greater than the annual bond debt**



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Project Structure-cont.

- 4. Tenant (Able Engineering) will be responsible for providing to the airport, at their sole cost, all project design and engineering documents, in order to enable the airport to solicit public bids**
- 5. Target Opening Date: Mid 2012**



Preliminary Design

180,000 sq. ft.-will be largest airport facility





mesa·az Able Engineering Commitments

- 1. Pay the costs of the design and engineering of the Project**
- 2. Invest not less than six million dollars (\$6,000,000) in equipment to be located on the Project Site**
- 3. Locate two hundred fifty (250) jobs at the Project within twelve (12) months of occupancy of the Project**
- 4. Cease negotiations with any other party for the location of an Able operated MRO facility**



Airport Commitments

- **Issue Tax Exempt Airport Bonds not to exceed \$16 million**
- **Work closely with Able in the design and engineering of facility**
- **Publically bid facility**
- **Apply for Military Reuse Zone, exempts facility from State and County construction TPT**
- **Responsible for the construction of facility**
- **Enter into 40 year facility lease with City**
- **Ensure runway and taxiway access to facility**
- **Assist and support Able's application for Military Reuse Zone designation (reclass/employee tax credits)**



City Commitments

- **Work closely with Able and Airport in the design and engineering of facility**
- **Enter into 40 year facility lease with the Airport**
- **Enter into 20 year facility sublease with Able Engineering**
- **Assist Able in seeking job training or workforce development grants**
- **Assist Airport in providing construction project management oversight**



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City Protections

- 1. Able sublease with the City must be equal to the term of the bonds and be equal to or greater than the annual bond debt**
- 2. In the event Able breaks the lease, Able will be legally responsible to pay the outstanding balance of the lease**



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City Protections

- 3. In the event Able is unable to fulfill their terms of the lease, and the City or airport is unsuccessful in re-leasing the facility for any substantial period of time, the City and Airport have agreed that the City will withhold the required bond debt amount from the City's annual Phoenix-Mesa Gateway Airport contribution. The annual allocation to the Airport is currently \$1.7 million.**



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City Protections

- 4. No additional City funding is required for project. This Airport CIP project utilizes and prioritizes existing and future City of Mesa member contributions to the airport.**



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Next Steps

**Council Consideration of the Memorandum Of
Understanding at the March 7, 2011
City Council Meeting should City Council give
direction today to move forward**



Discussion/Questions





City of Mesa Investment Portfolio Review

Study Session
February 24, 2011



City of Mesa Investment Portfolio Review

- Current Investment Strategy
 - On April 1, 2010, Audit & Finance Committee authorized staff to pursue an outside private firm to maximize investment returns
 - Selection of The PFM (Public Financial Management) Group
 - Peer review with neighboring Cities/Towns
 - Currently 6 Cities/Towns plus ASU Using The PFM Group
 - Mesa’s Contract Modeled After Scottsdale RFP and Tempe Contract
 - Pilot Asset Management Placement - 11/2010

• \$ 68,245,000	20%	PFM Management
• \$273,490,000	80%	Local Government Investment Pool (LGIP)



Investment Strategy - Minimize Risk then Increase Return

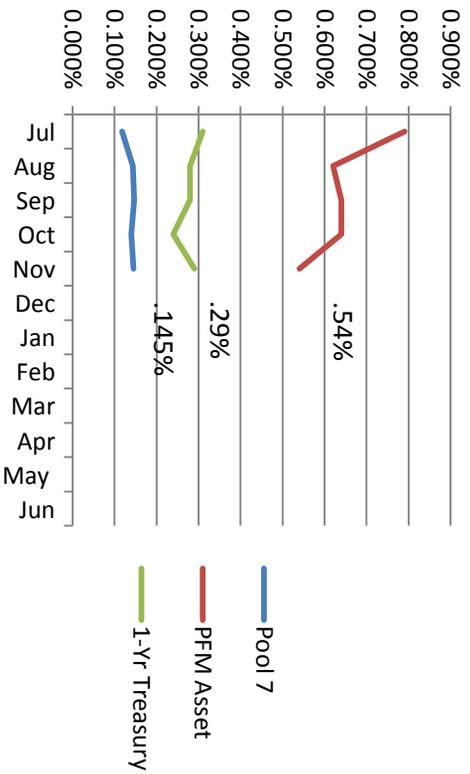
- Risk Management
 - Both LGIP and PFM Portfolios meet all state and local requirements and restrictions on investments. Follows all Policies set by City and Council. High Quality investments.
- LGIP Portfolio Investment Mix
 - Short term, usually over-night, low risk investments
 - November earnings rate 0.15% (net of 6 basis point fees)
- PFM Portfolio Investment Mix
 - US Treasury Notes, Federal Agency Bonds, low risk investments with maturity from under 6 months, 6 – 12 months, 1 -2 years and 2 – 3 years.
 - November earnings rate 0.54% (net of 9 basis point fees for under \$200M invested)



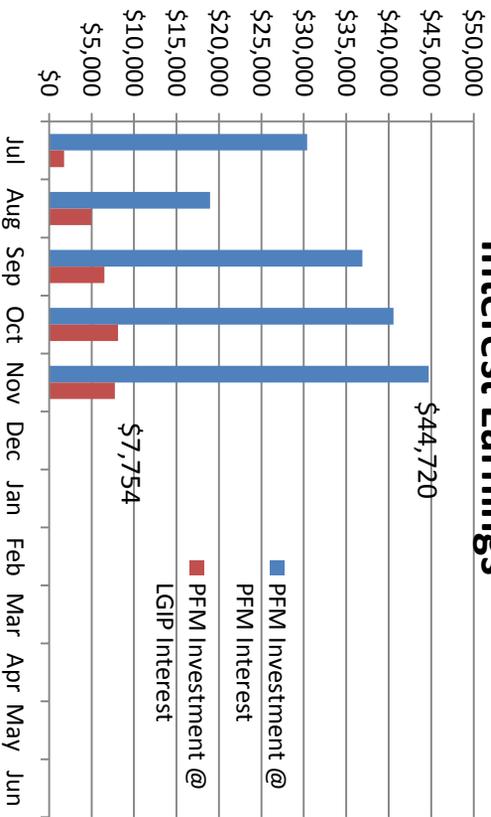
City of Mesa Investment Portfolio Review

- Portfolio Comparisons to date

Pool 7, PFM, 1-Yr. Treasury Yields



Interest Earnings



Increase Return to City
Cumulative PFM vs Pool 7 Earnings \$142,381



City of Mesa Investment Portfolio Review

- Historical Cash Flow Operating Requirements
 - Day to Day Requirements \$ 40,000,000
 - Coordinate with PFM on Debt Service Payment January & July
- Recommendation
 - Current PFM Portfolio Investment \$ 68,245,000
 - Increase PFM Portfolio Investment total \$ 270,000,000
 - Remaining LGIP Investment \$ 70,000,000
 - Realize a drop in fees from 9 to 6 basis points 0.09% to 0.06%
- Projected Earnings On Additional \$200 million
 - Portfolio annual earnings on \$200 million \$ 1,451,000
 - LGIP Pool 7 annual earnings on \$200 million \$ 260,000
 - **Estimated Annual net earnings benefit to City** \$ **1,191,000**
 - Opportunity cost per day \$ **3,263**



City of Mesa Investment Portfolio Review

- Phase In Approach For Additional Investment
 - Initial increase to \$100 million (\$30 million investment) to achieve fee decrease from 9 basis points to 6 basis points
 - Annual fee cost assuming \$200 million investment at 6 basis points = \$120,000
 - Annual fee costs at current \$70 million investment at 9 basis points = \$60,000
 - Additional increments of \$20 to \$25 million quarterly
 - If market conditions warrant, additional increments can be added
 - Balance risk and return and liquidity to meet cash flow needs
- Review Investment Portfolio and Strategy every 6 months with Audit, Finance and Enterprise Committee
- Continued Monthly Portfolio and Economic Indicator Reviews with PFM



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Development & Sustainability Department
Planning Division

Zoning Ordinance Update

Housekeeping and Clarification

CITY COUNCIL

STUDY SESSION

FEBRUARY 24, 2011

Presentation Outline

- Revised Calendar & Notice
- Telecommunications: Cell Tower Setbacks
- Residential Uses in Commercial Dist: Process
- Off-Track Betting
- Manufactured Housing: By-right Infill Option
- Public Notice: Increase Radius for Mailed Notice?
- Council Use Permits:
 - Tattoo Parlors
 - Bars in C-2

Calendar

Planning and Zoning Board

- March 23 and April 20

City Council

- Tentatively: June 6 Introduction
- Possibility for May Study Sessions

Telecommunications

Setbacks for Cell Towers

- Current Setbacks
 - From Residential : Twice Height
 - From Street ROW: Same as Height
- Request Council Direction

Telecommunications

- SRP Comment on Current Draft
Location Preference
 - “2. On existing signal, power, light.... Poles located 300-feet from residential”
 - Request: Remove “300-feet” preference
 - Current Std: No setback from residential
 - Staff Recommendation:
Agree with Revision

Residential Uses in Commercial

- No Council Use Permit when meeting “standards”:
 - 40% Total Floor Area Non-residential
 - 65% Ground Floor of Each Building: Non-res
 - Density capped at 15 du/ac in NC, 25 in LC & GC
- Retain Site Plan Review (SPR) through P&Z Bd
- Should SPR extend to Council:
 - As a Mandatory Step: All Cases?
 - As an Appeal Step: Only Disputed Cases?

Off-track Betting

- Staff Research: Benign Statistics
- State Law:
 - License issued through State Racing Commission
 - Process Starts with Local City Council
 - If Council Denies, License is denied
 - If Council Approves, Request goes to State
- Staff Recommendation:
Allow as *Accessory Use* in LC, GC and PEP,
conditioned upon Maintaining an Active State
OTB License

Manufactured Housing



Manufactured Housing

Current Requirement:

- Location in Approved Man. Home Park or Subdivision, zoned R-4 or R1-6-PAD

Proposal:

- Authorize as Infill Replacement Housing Stock in RS-6 (currently R1-6) without PAD
- Replacement would meet rather stringent design standards, by right (no hearings)
- Proposal would be modeled after recent Phoenix zoning code amendment

Staff Recommendation:

Additional Study & Rec Before Final Adopt

Manufactured Housing

Proposed Design Criteria:

- **Housing Units:** New multi-sectional only, with a minimum of 1,000 sq. ft.
- **Foundation:** Permanent foundation that meets manufacturer and local code requirements including a recessed pit (“Ground set”) and a masonry perimeter for added support, or on a basement. Exposed foundation materials must be treated to match home color.
- **Exterior:** Building exteriors including wood, hardboard, brick veneer, stucco, or horizontal vinyl siding.

Manufactured Housing

Design Criteria, continued:

- **Roof:** Pitched at a nominal 4/12. Roof material must be architectural shingles, tile or steel ribbed roofing. Parapet roof is acceptable.
- **Garage:** House-matching attached or detached garage, in accordance with existing City of Mesa residential guidelines.
- **Porch/Entry:** Covered porch with masonry steps and landing, or recessed entry, must have a minimum area of 72 square feet. A combination of porch and covered entry that equals or exceeds 72 square feet would be acceptable.
- **Energy:** Home shall be 2006 International Energy Code compliant.

Public Notice Requirements

Current Requirements - P&Z

- Mailed Notice to Minimum 300-foot Radius
- Larger Cases: Radius increases 500-ft to 1000-ft
- Mailed Notice to HOAs and registered neighborhoods w/in 1000-ft or 1-mile (d.o.r.)
- Posting a 4-ft x 4-ft sign on case site
- Newspaper legal notice
- Citizen Participation (Neighborhood Meetings)
Notice : Radius - d.o.r.

Public Notice Requirements

- **Board of Adjustment/Zoning Adm. Hear. Off.**
 - Newspaper Notice, Paper 11” x 17” Poster on site
 - Mailed Notice:
 - 150-ft : Single Res. and RV/Manufactured Homes
 - 300-ft : Multiple Res, Commercial, Industrial
 - Notice to HOA or Registered Neighborhood when request is located within boundaries
- **Comment:**
 - Increase Minimum Distance to 500-ft for P&Z
 - BOA /ZAHO: Equivalent Mailed Notice as P&Z

Council Use Permits

- Tattoo Parlors:
 - Maintain Council Use Permit, for now
 - Add Management/Operational Plan to Submittal
- Pool/Billiard Halls
 - Drop Council Use Permit Requirement for LC
- Bars in LC (formerly C-2) District
 - Also drop Council Use Permit Requirement?
- Public Comment:
 - Separation Requirements apply to Same Use
 - Propose Separation to Differing CUP uses: 500-ft