



COUNCIL MINUTES

June 21, 2012

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 June 21, 2012 at 7:30 a.m.

COUNCIL PRESENT

Alex Finter
Christopher Glover
Dina Higgins*
Dennis Kavanaugh
Dave Richins

COUNCIL ABSENT

Scott Smith
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Councilmember Kavanaugh excused Mayor Smith and Vice Mayor Somers from the entire meeting.

(*Councilwoman Higgins participated in the entire meeting through the use of telephonic equipment.)

1. Review items on the agenda for the June 25, 2012 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

Acting Assistant to the City Manager Scott Bouchie and Gary Levine, a representative of the Mesa Convention and Visitors Bureau, displayed a PowerPoint presentation (**See Attachment 1**) and discussed item 4l (Authorizing the City Manager to enter into an agreement with the Mesa Convention and Visitors Bureau to continue promoting tourism and convention business in Mesa) and 5a (Approving and authorizing the City Manager to enter into a Lease Agreement with the Mesa Convention and Visitors Bureau for the use of City-owned property at 120 North Center Street).

Energy Resources Department Director Frank McRae and Energy Resources Coordinator Anthony Cadorin displayed a PowerPoint presentation (**See Attachment 2**) and discussed item 5q (Approving the Electric Integrated Resource Plan (IRP) in conformance with Federal regulations (CFR 905.11) that qualifies the City of Mesa to receive electric power generated at Federally-owned hydroelectric plants. The IRP is a systematic approach to identify and select resources to meet our customers' electric needs. The IRP will be submitted to the Western Area Power Administration upon Council approval.).

2-a. Hear a presentation, discuss and provide direction on the Escobedo at Vista Verde Development.

Development and Sustainability Department Director Christine Zielonka displayed a PowerPoint presentation (**See Attachment 3**) and reported that staff, Gorman and Company (Gorman) and Save the Family have been working on the proposed "deal points" related to the Lease and Development Agreement for the Escobedo low-income housing tax credit program (Escobedo at Vista Verde). She explained that based on the Council's direction today, the parties will finalize the terms of the documents, which will be included on the July 9, 2012 Council meeting agenda for Council adoption.

Ms. Zielonka referred to a map of the Escobedo project area. (See Page 2 of Attachment 3)

Responding to a question from Councilmember Richins, Ms. Zielonka clarified that the development would be completed in two phases, with Phase 1 encompassing the area along Hibbert and University. She noted that the Council previously directed that the applicant be given exclusive development rights for two tax credit funding cycles after it received Phase 1 funding. Ms. Zielonka also commented that Gorman received notification that it was awarded 2012 tax credits for Phase 1 and briefly reviewed the elements of the development that would be completed at that time. (See Page 4 of Attachment 3) She added that based on the Council's prior direction, the City will give the applicant exclusive development rights for funding cycles 2013 and 2014 for the Phase 2 property, which is situated along University and both sides of Pasadena.

Ms. Zielonka emphasized the fact that the existing units along Pasadena will not be demolished as part of Phase 1 and said that Gorman has agreed to assume responsibility for the security and maintenance of those Phase 2 units. She pointed out that the structures have been vandalized on numerous occasions and added that Gorman anticipates placing a fence around the buildings to secure the area. She further remarked that Gorman would be obligated to maintain those units until and if the company is awarded Phase 2 tax credit funding. She also said that if Gorman fails to obtain such funding after two cycles, it would forfeit any right to develop the property and the City could entertain other development proposals.

Ms. Zielonka continued with the presentation and offered a short synopsis of the key elements of the development. (See Page 3 of Attachment 3) She said that as part of the tax credit program, the Arizona Department of Housing (ADOH) requires that the property remain residential for the low to moderate income group for 30 years.

Ms. Zielonka further discussed the Phase 2 development (See Page 5 of Attachment 3) and remarked that there was no guarantee Gorman would be successful in receiving tax credit funding for this phase of the project.

Discussion ensued relative to the financial structure for the development, which consists of a partnership of private investors (99.99%) and Gorman and Save the Family (.01%); that Gorman and Save the Family will serve as the managing partners; that a property manager will be located on site; the financing plan (See Page 7 of Attachment 3); that Gorman is requesting HOME funding for the development, which was not included in the original proposal (See Page 8 of Attachment 3); and that it will be necessary for Gorman to compete for such monies.

Ms. Zielonka, in addition, reported that separate Development Agreements and Leases will be drafted for Phase 1 and Phase 2 respectively and indicated that such documents would be included on the July 9th Council meeting agenda for Council adoption. She also stated that separate Limited Liability Corporations (LLCs) will be established for each phase.

Ms. Zielonka advised that the City is proposing a nominal 30-year lease, with an annual rate per phase of \$6,000/year with a 3% annual escalator to cover staff time associated with monitoring the property. She explained that at years 15 through 30, if Save the Family exercised the option to purchase the property, the sales price would be based on the fair market value of the land only. Ms. Zielonka added that if such an option is not exercised by year 30, Gorman would be obligated to purchase the property at fair market value of the land only.

Councilwoman Higgins inquired if staff considered a lease rate tied to Gorman's ability to meet performance requirements as opposed to a nominal rate.

Ms. Zielonka responded that the performance metrics would be a component of the Development Agreement. She said that deed restrictions would be placed on the property for the north and south sides of University and noted that it would be necessary for Gorman to meet performance requirements with respect to maintaining the property, complying with Crime Prevention Through Environmental Design (CPTED) requirements, and the Tri-Star Multi-Housing Program.

City Manager Christopher Brady further clarified that the direction staff received from the Council was to pursue a nominal fee, with the idea that Gorman would provide the community benefit of offering affordable housing. He stated that staff did not consider some percentage of profit with regard to the lease rate. Mr. Brady also emphasized that staff's proposal obligates Gorman to maintain affordable housing for the term of the lease, after which time the developer could purchase the property at market rate.

Further discussion ensued relative to the manner in which the City's interests would be protected if Gorman or Save the Family were no longer involved in the development; that if a problem arose concerning the development, the private investors would be highly motivated to ensure that their investment was protected, including the replacement of the for-profit and/or non-profit entity; that for the full 30 years, ADOH would oversee compliance/monitoring of the project; that if Gorman converted the units to for-sale products, the developer would be required to sell such units to income-qualified homebuyers, at which time ADOH would cease to monitor activities on an annual basis; that if that were to occur, Save the Family would continue to monitor and manage the property; and that the awarding of HOME funds to Gorman would require a 20-year affordability period, which would be monitored by the City of Mesa on an annual basis.

Ms. Zielonka continued with her presentation and briefly highlighted the proposed deal points for which Gorman would be responsible (See Page 12 of Attachment 3) and those related to the Community Services Campus south of University. (See Page 13 of Attachment 3)

Councilmember Kavanaugh stated that the Council was in agreement with those provisions.

Ms. Zielonka, in addition, discussed the proposed deal points associated with Helen's Hope Chest. (See Page 14 of Attachment 3)

Councilmember Kavanaugh noted that the Council also concurred with the above-listed proposals.

Ms. Zielonka further reviewed the deal points associated with the residential units north of University. (See Page 15 of Attachment 3) She stated that deed restrictions would be imposed on the use of the property north of University so that it is maintained as affordable housing. She also noted that at year 30 when the property can be converted to fair market value, it would be necessary for the developer to ask that such deed restrictions be removed.

Councilmember Richins inquired if units were going to be available for sale in 15 years, whether it would be appropriate for the City to retain ownership of the property through a land trust and sell only the structures to help with their affordability.

Responding to Councilmember Richins' suggestion, Deputy City Attorney Donna Bronski clarified that the deal was not structured in such a manner. She reiterated that the proposal is as follows: that at the end of the ground lease, whether at 15 years or at some other year between 15 and 30, Gorman will guarantee to purchase the land at fair market value so that it can be converted to a for-profit or market-related product; and that the intent would be that when the developer paid the fair market value, the City would release the deed restrictions on the land.

Mr. Brady remarked that if Gorman intended on converting the development from a non-profit, incentivized low-income housing project to market rate units, it was important that the City be in a position to negotiate the value of the land. He stated that 15 years from now, the Council may be supportive of market rate housing and come up with an appropriate transaction for a land sale. Mr. Brady stressed, however, that staff wanted to reserve the City's position to engage in such discussions at that time.

Councilmember Richins said that the present Council cannot bind the hands of future Councils, but urged that the City preserve its options with respect to this issue.

Ms. Zielonka further reported that the City will subordinate its land interest to the investors with deed restrictions on the use of the property, which will place the City in second position relative to any default.

Councilmember Kavanaugh stated that the Council was in agreement with staff's recommendations concerning the residential units north of University.

Additional discussion ensued relative to the deal points related to the performance criteria that Gorman must adhere to (See Page 16 of Attachment 3); that the City will monitor construction milestones; that Gorman must begin construction of the project no later than November 1, 2012;

that by mid-November 2013, Phase 1 must be completed and the Certificate of Occupancy obtained; and initial renderings of the residential units and the Community Services Campus. (See Pages 18 and 19 respectively of Attachment 3)

In response to a question from Councilmember Finter, Ms. Zielonka clarified that staff would be happy to conduct an analysis of the projected City utility revenues (i.e., water, gas and electric) that would be generated at the site and provide such information to the Council for their review.

Councilmember Kavanaugh thanked everyone for the presentation. He stated that the Vista Verde development was an important step forward in the evolution of the Escobedo property, particularly with respect to restoring affordable housing, which was eliminated several years ago when the site was closed.

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

Councilmember Kavanaugh: Sirrine Adult Daycare Event

Councilmember Richins: District 1 Family Swim Night at Kino Pool

4. Scheduling of meetings and general information.

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

Thursday, June 21, 2012, 6:00 p.m. – Celebrate Mesa

Monday, June 25, 2012, TBA – Study Session

Monday, June 25, 2012, 5:45 p.m. – Regular Council Meeting

Tuesday, June 26, 2012, 9:00 a.m. – Fiesta Police Substation Groundbreaking

5. Items from citizens present.

Thomas Aulik, a Mesa resident, addressed the Council and stated that it was his understanding that the extension of the light rail line would be south on Mesa Drive, as opposed to east along Main Street. He expressed a series of concerns regarding the negative impact on business owners along Main Street and residents in east Mesa if this were to occur.

6. Adjournment.

Without objection, the Study Session adjourned at 8:29 a.m.

DENNIS KAVANAUGH, COUNCILMEMBER

ATTEST

LINDA CROCKER, 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 21st day of June 2012. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

pag
(attachments – 3)

Mesa Convention and Visitors Bureau Lease Agreement & Transient Occupancy Tax



Transient Occupancy Tax

- “Bed Tax”
 - March 2004 increase to 3%
 - November 2010 increased to 5%
 - Used to promote tourism



Transient Occupancy Tax

- 3% - City of Mesa's share
 - \$25K – administration charge
 - \$100K – spring training facility improvements
 - \$200k – Capital needs at Mesa Convention Center
- 2% - Convention and Visitors Board share
 - \$350K maximum

Lease Agreement

- 10 year lease
- \$4,700/month
- Abatement of rent for 3 years
- ~\$355,000 in building improvements
 - Interior remodel
 - Exterior repair and repaint
 - Parking lot re-seal
 - Landscaping

Lobby - Today



Lobby Brochure Racks/Office Space-Today





Executive Board Room & Meeting Room - Today





NEW Board Room Design





NEW Board Room Design

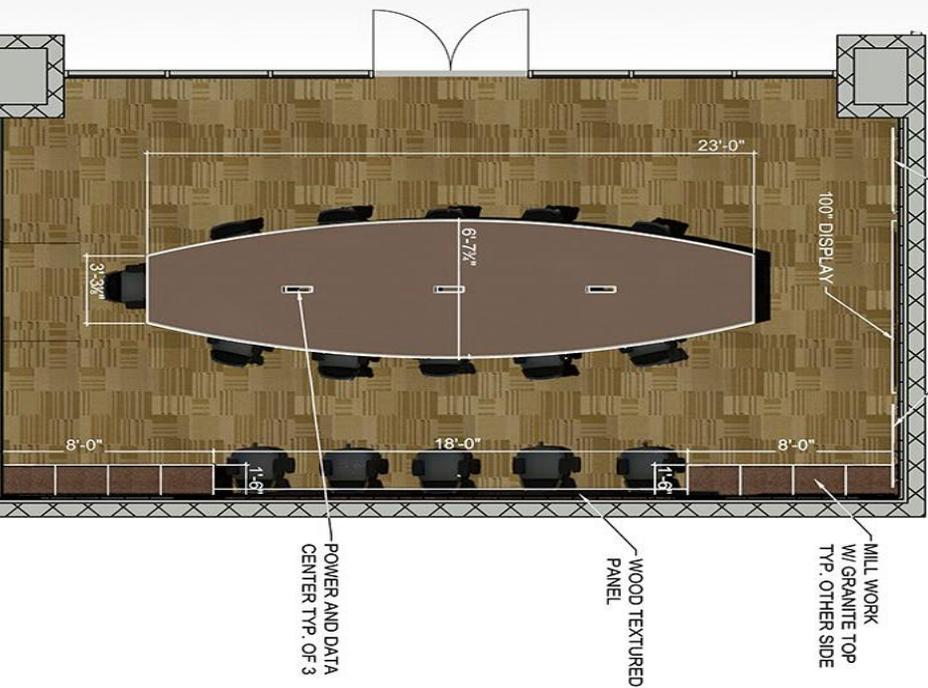


NEW Board Room

Wood Wall Panels/Board Room Table/Ceiling System



WALL SYSTEMS



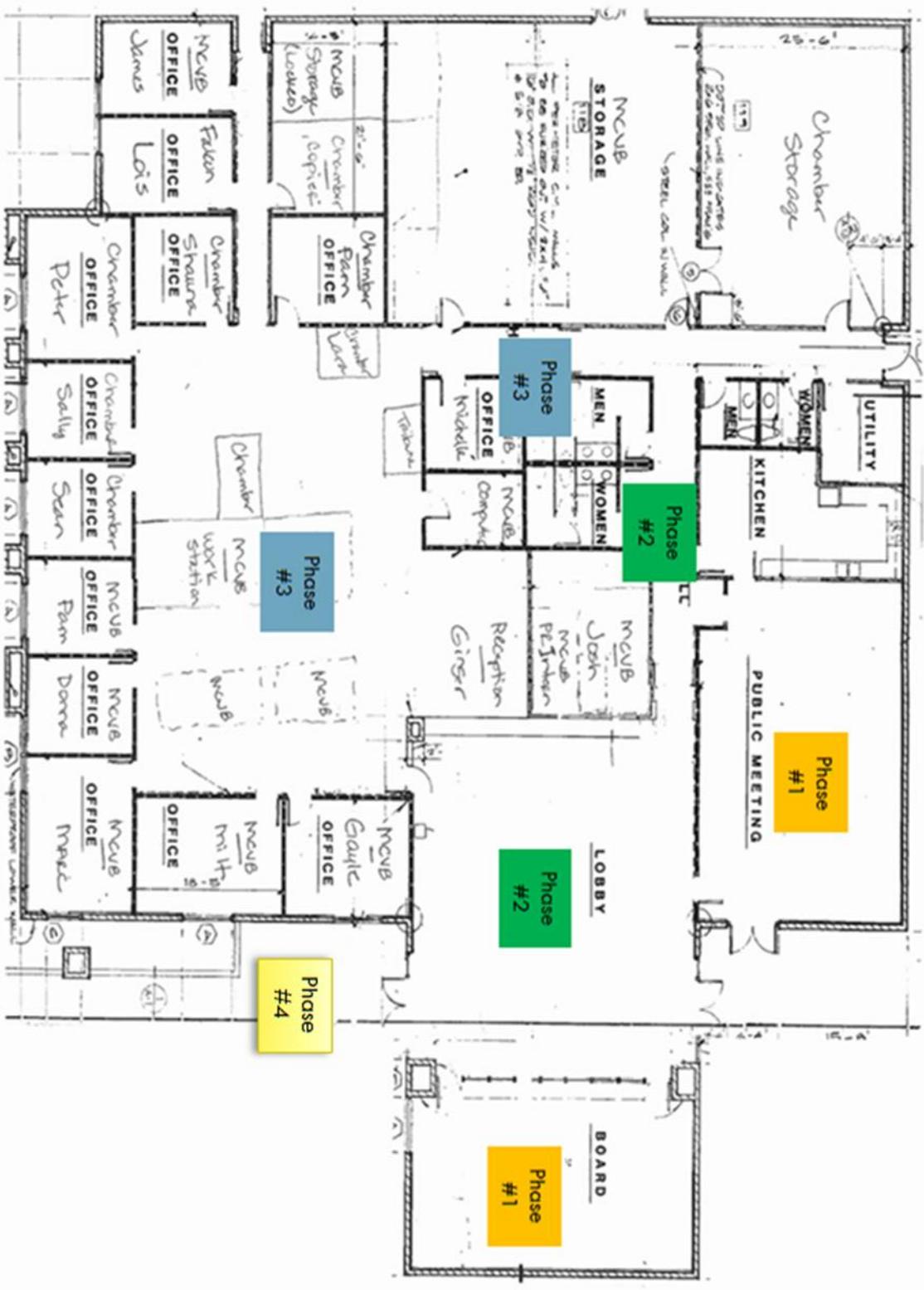
CEILING SYSTEMS

Complete Renovation Costs Estimated

Renovation-Interior	Estimate
PHASE #1 2-Boardrooms	\$161,046
PHASE #2 Lobby/Corridor/Bathrooms	\$90,000
PHASE #3 Office Area	\$60,000
Sub Total	\$311,046
PHASE #4 Exterior	\$44, 000
Total	\$355,046
Contingency 10%	35,000



Complete Renovation Plan



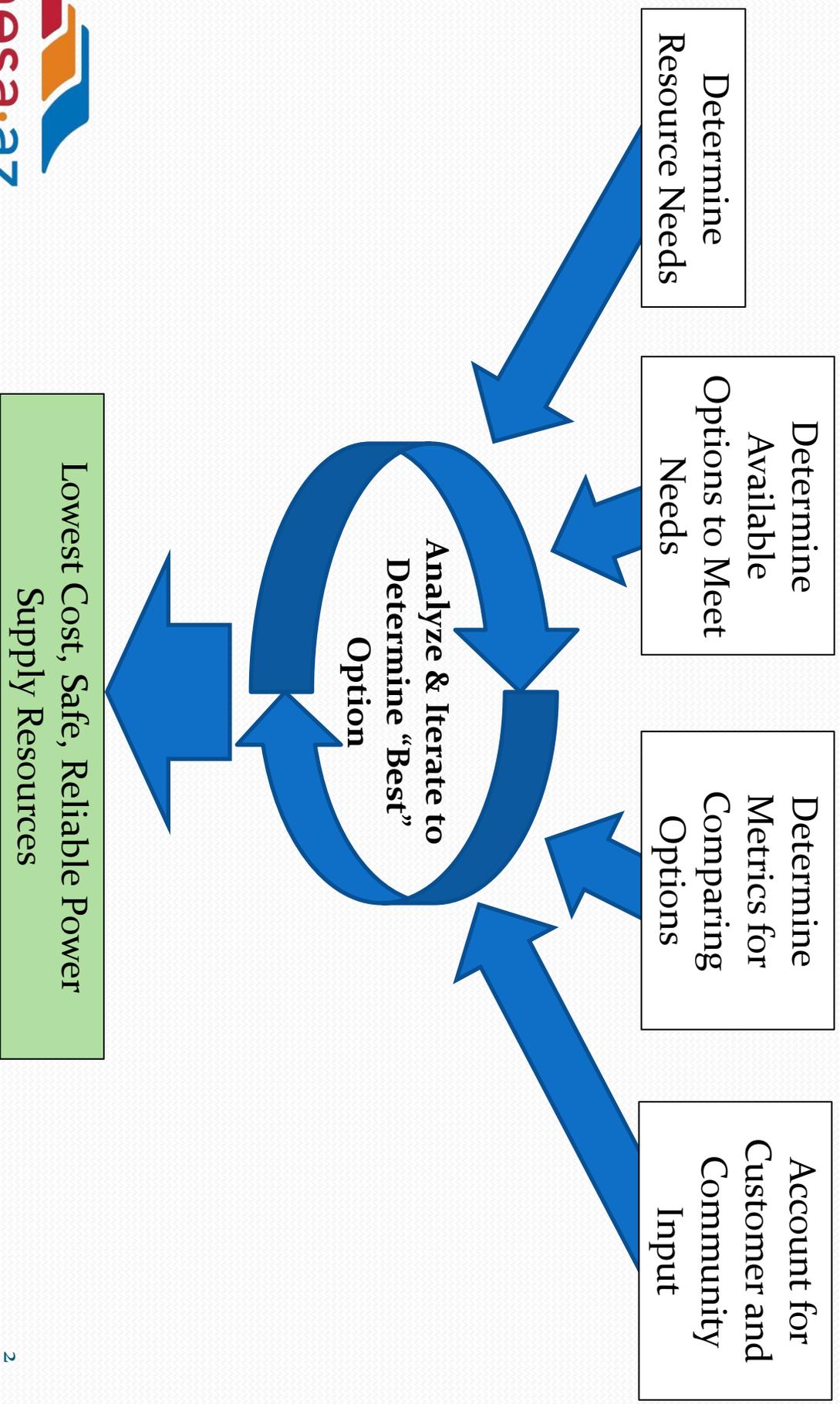
Questions?

City of Mesa Energy Resources Department Integrated Resource Planning (IRP) Process



mesa·az

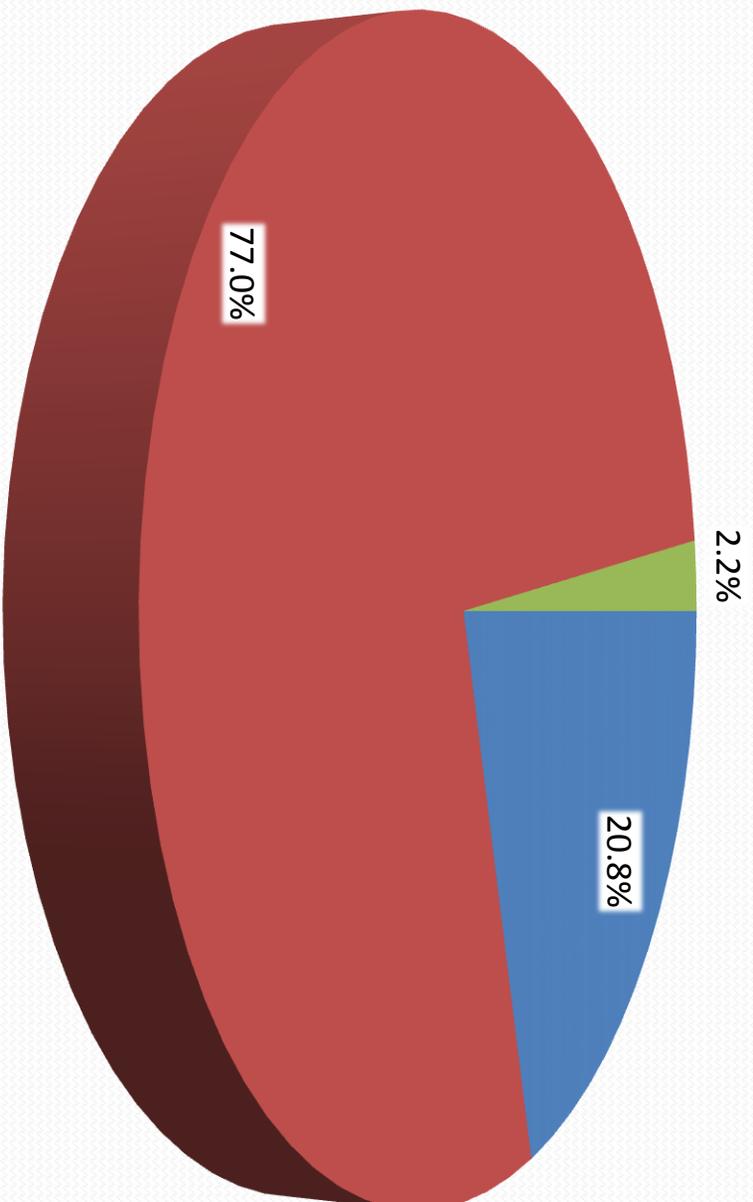
IRP Process



Customer Input

- iMesa
- Pancake Breakfasts
- Neighborhood Outreach Meetings
- IRP meetings
 - Solar and other renewables are desirable!
 - Net metering is desirable for customers with existing PV installations and going forward

City of Mesa, Supply Mix (MWh, CY2010)



Mesa's IRP Strategies

1. Continue with Long and Short-Term contractual arrangements
2. Stage Contractual Arrangements to Allow for Unconventional Opportunities in the Near Future
3. Position Mesa Energy Resources as a “Resource for Energy”
 - Create opportunities for customers to learn more about energy and make decisions about saving energy
4. 12 Month Solar PV Pilot Program



Questions, Comments, Suggestions?

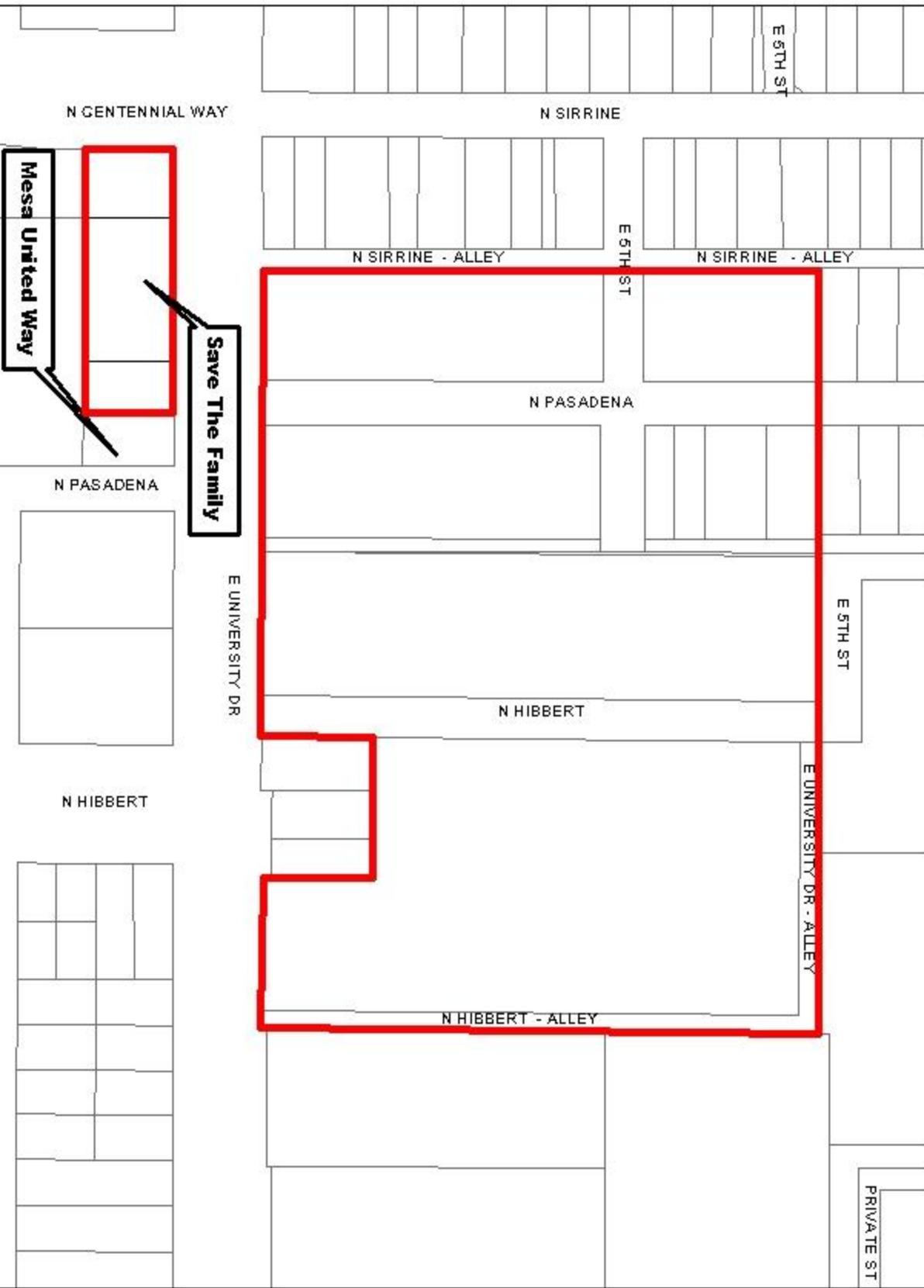


ESCOBEDO AT VISTA VERDE APARTMENTS

DEVELOPMENT AGREEMENT AND LEASE AGREEMENT PROPOSED DEAL POINTS

6/21/12

N



ESCOBEDO PROJECT



DEVELOPMENT OVERVIEW

- City Owned Land (\$1.7 Mil Appraised Value):
 - 11 Acres between Hibbert alley and Sirrine alley
University North to 5th Place
 - North of University: Residential low-mod. income
 - 30 yr. ADOH requirement
 - Possible 8,000 sq. ft. reserved for Helen's Hope Chest
 - Area South of University, West of United Way
 - Save the Family building
 - Community Services Campus



Phase 1 Development

- Phase 1: 6.3 acres North of University
 - Developer demolishes and removes all existing structures
 - 70 residential low-moderate income rental units
 - Renovation of 4 “legacy” units as community amenities
- Phase 1: .5 acres South of University
 - 15,000 sq. ft. Save the Family building and non-profit incubator space
- Developer installs all off-site and on-site improvements
- Built to LEEDs Gold Standard

Phase 2 Development

- Phase 2: 3.95 acres N. of University
 - 54 Residential Units
 - Possible 8,000 sq. ft. Helen’s Hope Chest
 - Developer demolishes and removes all existing structures
- Phase 2: .19 acres S. of University
 - 1,900 sq. ft. additional non-profit building
 - Shared conference center between STF and UW



Organizational Structure

- Partnership of:
 - Private Investor – 99.99%
 - Gorman and Save the Family – .01%.
- LLC formed as a subsidiary of Gorman and Co.

Financing Plan

- Financing from sale of low income housing tax credits
- Gorman must accept ADOH award by July 16, 2012
- Control of Land (lease) must be submitted to ADOH by July 16, 2012
- Approx. \$23mil total improvements
- Gorman provide Performance Guarantee



HOME Funding Request

- HOME Funding: STF re-allocation
 - Original proposal did not include HOME funds
- Request based on addition of STF campus
 - \$342k in fy 12/13
 - \$150k in fy 13/14 (assuming award)
- Additional request for \$200k set aside



Phasing

- Phase 1 has received ADOH 2012 tax credits
- Phase 2: Prior Council Direction
 - Exclusive development rights for two additional funding cycles: 2013 and 2014

Deal Points

- Separate Development Agreements (DAs) and Leases for Phase 1 and Phase 2
- Will be separate LLCs for each Phase
 - Both LLCs to be established now
 - DAs and Leases executed now

Proposed Deal Points

- Proposal: nominal 30 year lease with option for STF to purchase at year 15 - 30
 - N. of University: Sale based on fair market value of land only
 - If option to purchase is not exercised by yr. 30, Gorman will purchase at fair market value of land (not improvements)
 - Proposed annual rate per Phase: \$6,000/year with 3% annual escalator
 - Due by Nov. 15 of each year beginning in 2012.

Basic Deal Points

- Gorman upgrades utilities including water, sewer, electric, gas lines, side walks
- Gorman pays all permit and impact fees
 - \$55k Building Permit Fees
 - \$78k Impact Fees (\$402k - \$325k credits)
 - \$8k Water Meters
- Gorman to maintain security and basic landscaping of Phase 2 property with lease execution at Phase 1
 - Maintenance by Gorman continues until 2014

Basic Deal Points

- Community Services Campus S. of University
 - Deed Restrict Land in perpetuity
 - Community Services; certain uses will be excluded
 - At year 15, in consideration of Community Services (past and future) land will be deeded to STF (deed restrictions continue)
 - Proposal: Include all of land in one conveyance

Basic Deal Points

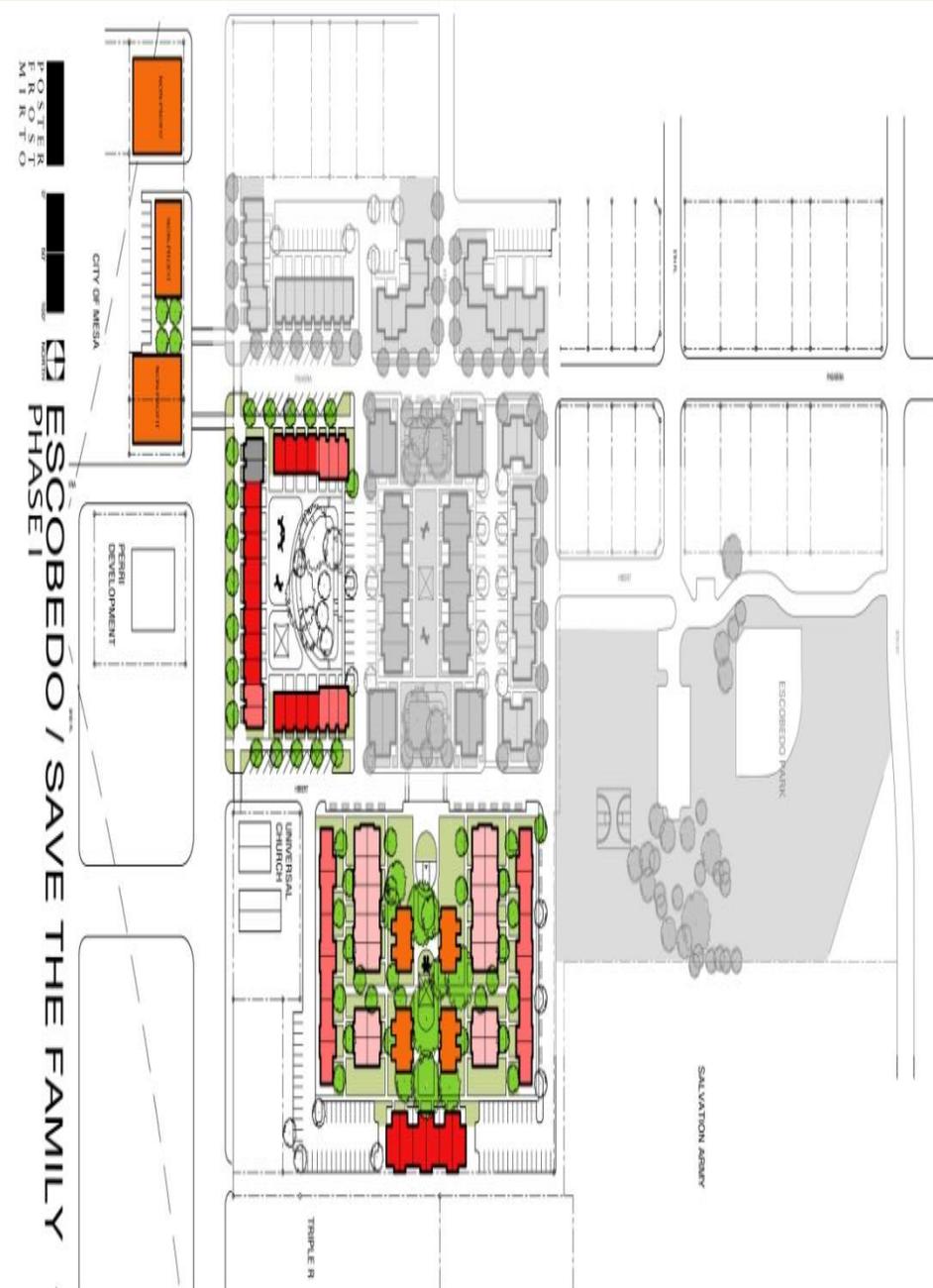
- Helen's Hope Chest
 - Gorman to provide \$10k to fund two relocations
 - Option for 8,000 sq. ft. of space in Phase 2 at option of Mesa UW no later than Oct. 2012
 - Deed restriction on use
 - At yr. 15 HHC land will be conveyed to Mesa UW in consideration for the community services provided (past and future)

Basic Deal Points

- Residential Units N. of University
 - Deed restrictions on use in perpetuity
 - Must remain low-mod housing for 30 yrs
 - Option to purchase at yr. 15 with STF
- City will subordinate our land interest to the investors with deed restrictions on use
- Gorman obligated to purchase at yr. 30

Basic Deal Points

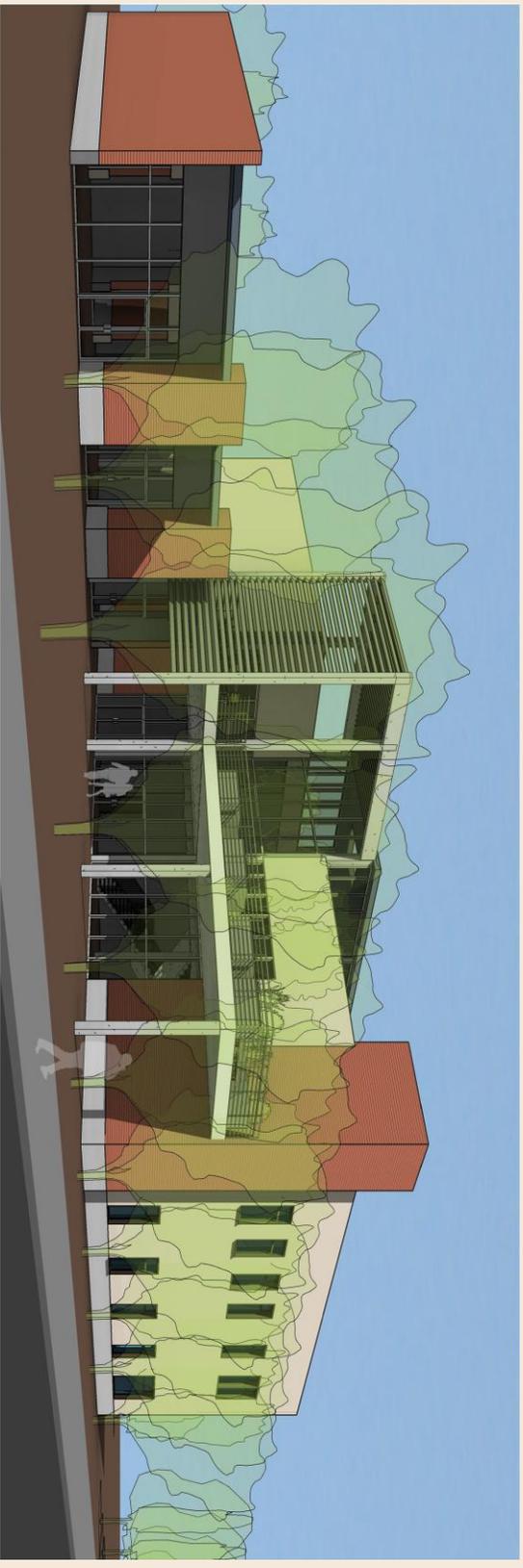
- Performance Criteria
 - Monitoring of Construction Milestones (60 day cure period)
 - CPTED, Tri-Star Multi-housing
 - Capitalize and fund operating, rent-up and replacement reserves
 - Reserve Fund for upkeep and replacement
 - Annual meeting/reporting to monitor



N. Of University Residential



S. Of University Community Services Campus



VIEW FROM UNIVERSITY



GREEN ROOF VIEW



ENTRY AND MPR VIEW