

LOCAL REDEVELOPMENT AUTHORITY

MINUTES

June 23, 2011

The Local Redevelopment Authority of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 23, 2011 at 8:40 a.m.

MEMBERS PRESENT

Chairperson Scott Smith
Dina Higgins
Dennis Kavanaugh
Dave Richins

MEMBERS ABSENT

Alex Finter
Christopher Glover
Scott Somers

STAFF PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Chairperson Smith excused Vice Chairperson Somers, Committeemember Finter and Committeemember Glover from the entire meeting.)

1-a. Hear a presentation and make a recommendation on the Interim Lease between the Secretary of the Air Force and the City of Mesa for the use and possession of the property known as the Air Force Research Lab (AFRL).

Chairperson Smith advised that the Local Redevelopment Authority (LRA) was formed to handle the potential transfer of the Air Force Research Lab (AFRL), which is the last remnant of the Base Realignment and Closure (BRAC) that once was Williams Air Force Base. He explained that the City Councilmembers constitute the Board of the Local Redevelopment Authority and that after hearing today's presentation and recommendation the City Council will enter into a Special Council meeting.

Economic Development Department Director Bill Jabjiniak advised that the presentation will be a review of the efforts and progress made over the past few months in regards to the implementation of the Reuse Plan. He said following the presentation a recommendation will be made for the execution of the Interim Lease.

Mr. Jabjiniak introduced members of the Economic Development Advisory Board as follows: Chairman of the LRA Subcommittee Brian Campbell, Economic Development Project Manager Patrick Murphy, Barry Steinberg, an attorney with Kutak Rock, Dane Mullenix of Alion Science and Technology, and Dave Ohle, Lt. General Retired Senior, Sector Vice President from Alion Science and Technology.

Mr. Campbell advised that a significant amount of work was condensed and completed in a record 18-months time. He provided a brief history of the process and said that more than 4 years ago, as part of the BRAC process the Air Force announced that the AFRL would be closed. He stated that the Veteran's Administration (VA) had originally expressed an interest in the AFRL and after depleting nearly 4 years of valuable time, the VA decided they were no longer interested in the AFRL.

Mr. Campbell said that in 2010 the City of Mesa was formally named the LRA and was charged with developing a Reuse Plan. He said that under the direction of the LRA, City staff reached out to the private sector and stakeholders and formed an alliance called the East Valley Aerospace Aviation Alliance. He stated that the purpose of the alliance is to bring together private companies in Arizona to support the Reuse Plan efforts.

Mr. Campbell reported that the Homeless Submission Report and the Reuse Plan were completed in record time and ahead of schedule. He advised that the Reuse Plan was approved by Department of Housing and Urban Development (HUD) and proposes that the AFRL be transferred to the City of Mesa by means of an Economic Development Conveyance (EDC). He stated that the Reuse Plan will continue the legacy of the AFRL site by using the complex as a cornerstone for Science and Technology research that is both academic and security related. He also said that the unique status of the AFRL along with the existing educational assets and specialized workforce that is in place, is a center for specialized high technology research.

Mr. Steinberg acknowledged City staff for their assistance throughout the process and said that the Interim Lease was a success and accomplished in record time. He stated that the purpose of obtaining an Interim Lease is to protect a valuable asset for the community that will create jobs, create industrial type capabilities, and explore 21st century technology and National Security requirements. He added that the Interim Lease is a first major step in an exciting and interesting project.

Mr. Steinberg advised that the statutory deadline for the Air Force to complete its move is September 15, 2011. He said the objective is to obtain beneficial use of at least a portion of the property before the Air Force completely pulls out. He stated that the facility is cleared for top secret work, which is an extraordinary, valuable amenity that is difficult to obtain. He explained that obtaining access to the facility before the Air Force leaves will allow the City to transition civilian sector jobs and retain the top secret clearance capability.

Mr. Steinberg said this process is well underway and a manager is in place that has top secret, highly classified work experience. He added that there should not be any difficulty with the Defense Security Service continuing the classification after the Air Force leaves.

Mr. Steinberg explained that the reason for an Interim Lease versus a long term lease is that there is not an approved Economic Development Conveyance, which is a preceding condition in the City's ability to obtain the property. He said the Interim Lease became the vehicle in which to obtain the property and has a statutory limitation of 5-years. He said the Air Force was reluctant to provide a 5-year lease and offered a 1-year lease, with four 1-year extensions. He stated that in the end a 2-year lease with three 1-year extensions was agreed upon. He also said that a 2-year lease is satisfactory since it is fully expected that the City will take title to the property within the next 12 months. He reported that the Interim Lease has been executed by the Air

Force Real Property Agency and it is anticipated that it will be effective Monday, June 27, 2011, allowing the City to be in the facility before the Air Force vacates.

Mr. Steinberg reported that the Air Force will make building 567 available to the City. He said there is a formula for how the costs of the building will be allocated between now and the 15th of September when the Air Force leaves. He explained that the formula is essentially based on square footage and the City's share would be less than \$2,000 for the first month. He added that if the Air Force wants to save money they can transfer buildings to the City faster and the City will take them over as they are transferred.

Mr. Steinberg advised that it was decided that the City will have a lease hold interest on the entire property and provide a hold back area for the buildings the Air Force will need prior to vacating. He explained that instead of renegotiating a series of leases, there will be one lease and property will be made available to the City under the terms of that lease as the Air Force terminates its activities. He said there is indication that the Air Force will meet their deadline to be off the property by September 15, 2011, at which time the City will have 100% occupancy of the facility.

Mr. Steinberg stated that the next step is to create an organization within the City that will conduct the day-to-day management and oversight of the City's interest in the property. He said it is expected that there will be an Economic Development Conveyance approval and title to the property within the next 12 months.

Committeemember Richins thanked staff for their efforts in completing this process in a short amount of time.

In response to a question from Committeemember Richins, Mr. Steinberg explained that there are several options on the table regarding what entity will manage the property. He said based on previous conversations there is a suggestion regarding the management of the property however, it has not yet been briefed to the City Attorney. He stated that he believes the Committee will find that the suggestion is reasonable and acceptable. In addition, he said the LRA will be removed from the day-to-day management without giving up governmental elements of control.

City Manager Christopher Brady explained that in a previous BRAC that he was involved with, an Authority was set up that acted on behalf of the LRA. He explained that the Authority was a separate group appointed by the Council that had its own separate by-laws. He said that an Intergovernmental Agreement was established to provide the Authority with a funding source.

Mr. Brady stated that the next step in the process would be to move forward and engage in a Property Management Contract with Alion Science and Technology in order to have a qualified property manager in place who will not only be responsible for maintaining the security of the building, but also be responsible for bringing new tenants into the facility. In addition, he said the LRA will need to be created as a separate entity that will report to the Council. He added that the LRA will engage in the day-to-day management and oversight of the property, and will work with ASU, Alion Science and Technology and other partners for the purpose of expanding the opportunities at the facility.

Committeemember Richins remarked that there may be some development opportunities using the Chilled Water System that is in place at the facility.

Chairperson Smith commented that there will be other entities, arrangements, and agreements that will go along with the implementation however, the LRA will be a long-term entity.

1-b. Hear a presentation and discuss the Property Management and Business Attraction Services for the Air Force Research Lab (AFRL).

Economic Development Project Manager Patrick Murphy advised that when the City acquired the property they were aware that they would need assistance with property management and business attraction. He said the City advertised Requests for Proposals for property management and Alion Science and Technology was the only respondent. He noted that the key aspect is the retention of the security clearance.

Mr. Murphy advised that the team that reviewed the proposal included himself, Economic Development Department Director Bill Jabjiniak, Acting Assistant to the City Manager, John Pombier, Facility Maintenance Department Director Dennis Ray, and Buyer Diane Ross. He said the team found that Alion has the experience and expertise that the team was looking for in a property manager and business recruiter.

Mr. Murphy advised that a contract has been negotiated with Alion and the cost of the property management services for the first year will be approximately \$1.8 million. He said there would be some revenue from the chilled water system, as well as lease revenue in an estimated amount of \$1.5 million. He reported that it is projected there will be a first year deficit of around \$230,000. He stated that it is anticipated that occupancy and revenues will increase in years two through five and at that time there will be a surplus of funds.

In response to a series of questions from Chairperson Smith, Mr. Murphy explained that when bringing in new tenants typical minor improvements such as office furniture, carpet and painting will be necessary. He said that it is evident that the security clearance is driving the desire for tenants to come into the area, based on the phone calls received from existing and potential tenants. He stated that typical property management deals with landscaping and facility maintenance and in this case, the key aspect of this property management contract is the security clearance. He added that the chilled water system, even though it is outdated, is running efficiently.

Chairperson Smith remarked that he wanted to ensure that the City was not obtaining property that will require millions of dollars to bring it up to standard. He said the City can make the transition and improvements can be budgeted for in the future. In addition, he said as occupants come into the facility they can invest and upgrade the buildings to their standards. He stated that tenants can obtain a building anywhere however, it's the security clearance that will make this area desirable. He added that the security clearance will not only attract activity but it will attract money in the form of leases and long term commitments.

Mr. Jabjiniak said that deliverables for the first 90 days include: a Security Plan for transferring ownership, a Business Development Plan, a Facility Plan, as well as determining the needs of the tenants.

Mr. Murphy advised that the Economic Development Conveyance is an application that will be submitted to the Air Force. He said as part of the process a Homeless Submission Report will be submitted, as well as a grant to the Office of Economic Adjustment to assist with the EDC application. In addition, he said a Request for Proposal was made to locate a consultant and 8 responses were received from very qualified firms. He stated that those responses will be reviewed over the next couple of weeks and it is anticipated that a contract will be executed in mid to late July. He also said that work will be conducted on the Chilled Water Agreement that currently services two buildings outside of the fenced area, one is for Phoenix-Mesa Gateway Airport and the other is for Arizona State University (ASU). He added that the Agreement will need to be in place by December 15, 2011.

In response to a question from Committeemember Richins, Mr. Murphy advised that it is unknown at this time if the Chilled Water System can be expanded. He said that he would research and determine if the Chilled Water System is capable of being expanded and that information will be provided to the Committee.

Mr. Brady advised that a recommendation needs to be made as to item 1 on the agenda.

Mr. Murphy advised that meeting the deadline and obtaining an Interim Lease was a collaborative process involving the LRA, upper management, Alion Science and Technology, ASU, the Office of Economic Adjustment and the Air Force.

Chairperson Smith remarked that the Interim Lease has been a complex process and that dealing with the military involves a whole new set of bureaucracy. He said that Senator McCain along with members on Capitol Hill provided assistance in bridging the gap with the Air Force.

It was moved by Committeemember Kavanaugh, seconded by Committeewoman Higgins to recommend to the City Council that the Interim Lease be accepted.

Chairperson Smith declared the motion carried unanimously by those present.

Chairperson Smith thanked staff for the presentation.

2. Items from citizens present.

There were no items from citizens present.

3. Adjournment.

Without objection, the Local Redevelopment Authority meeting adjourned at 9:12 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Local Redevelopment Authority meeting of the City of Mesa, Arizona, held on the 23rd day of June, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK