



COUNCIL MINUTES

June 7, 2012

The City Council of the City of Mesa met in a Special Council Meeting in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 7, 2012 at 7:32 a.m.

COUNCIL PRESENT

Scott Smith
Christopher Glover
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

Alex Finter
Dina Higgins

OFFICERS PRESENT

Christopher Brady
Debbie Spinner

Mayor Smith excused Councilmember Finter and Councilwoman Higgins from the entire meeting.

(Councilmember Richins participated in the meeting via telephonic equipment.)

1-a. Approving and authorizing the City Manager to execute a development agreement with Mesa Housing Associates, LLC, related to the development of a 5-story, low income senior housing development located at 25 West 1st Avenue, and the lease of such property and subsequent sale to Mesa housing Associates, LLC, contingent upon compliance with conditions – Resolution No. 10064.

Economic Development Project Manager Scot Rigby displayed a PowerPoint presentation (**See Attachment 1**) and provided an update on the senior housing development, which was one of three housing proposals that would be presented to the Council in the near future. He displayed an artist's rendition of the five-story building that would be located in downtown Mesa and would consist of 81 rental units. (See Page 3 of Attachment 1).

Mr. Rigby reported that on June 1, 2012, the Arizona Department of Housing (ADOH) notified the developer and the City that the project would receive a tax credit allocation. He said that the City submitted a letter to ADOH requesting that the location of the project be changed from 60 E. Main Street to the new site of 25 West First Avenue.

Mr. Rigby reviewed the project timelines and said that on June 14, 2012 a Special Council meeting would be held in order for the Council to consider the approval of the Form Base Code, which would determine the zoning for the site. He advised that the developer would have until July 16, 2012 to provide evidence of site ownership and/or control of the property to ADOH and that construction of the project must begin by November 1, 2012. (See Pages 6 & 7 of Attachment 1)

Mr. Rigby briefly outlined the development agreement and said that initially the developer would enter into a ground lease before actually purchasing the property. In addition, he said that construction would not begin until the purchase was completed.

In response to a series of questions from Mayor Smith, Mr. Rigby explained that a ground lease or "bridging lease" would allow the developer to complete their due diligence and demonstrate site control to ADOH. He stated that the developer would be required to purchase the property before construction could begin and that in the event the purchase was not completed by November the lease would be terminated.

Mr. Rigby advised that the development must comply with all applicable zoning, receive design review approval and have an approved site plan by the close of escrow. He outlined some of the terms of the development agreement, ground lease and purchase contract as follows:

- Developer must construct off-site improvements required by the City of Mesa
- Developer will provide underground storm water retention
- Developer will use City utility services
- Developer will install and maintain landscaping on City property west of the project
- Developer will continue to allow public parking under a license agreement until the property is purchased
- Developer will pay all appropriate City fees and taxes
- Developer will be responsible for any required environmental remediation
- City will execute a noise/entertainment easement notifying renters of unexpected noise
- City will grant an encroachment license that will permit portions of the second through fifth floors to overhang the City sidewalk
- Lease will be terminated if unable to close escrow in accordance with purchase contract by November 2, 2012
- Lease will have a term of 31-years with rent of \$100
- Purchase price is \$180,000
- Purchase price includes installation and maintenance of adjacent landscaping used by the City and relocation of a City waterline
- Developer will pay for title insurance
- Developer is purchasing the property "as is" and is responsible for all environmental issues

Discussion ensued relative to the unique financing deadlines of the project in which the developer must secure financing by June 15th.

It was moved by Councilmember Kavanaugh, seconded by Councilmember Glover, that Resolution No. 10064 be approved.

Mayor Smith read a statement submitted by Councilwoman Higgins expressing her concerns with regards to the terms and conditions of the proposed project. **(See Attachment 2)**

Responding to a question from Mayor Smith, Mr. Rigby explained that if the developer decided that they did not want to build what they had proposed the process would start over from square one and would cause a timing issue with regards to the developer's financing. He said that the developer had a deadline to meet and would be required to demonstrate evidence of site control to ADOH.

Discussion ensued relative to whether or not any changes could be made to the project after ADOH had approved tax funding; the appraisal process; and the purchase price of the property.

In response to a question from Mayor Smith, Susan Goodwin, an Attorney with Curtis, Goodwin, Sullivan, Udall and Schwab, explained that the development agreement and the purchase agreement both contained provisions that address adjustments to the project. She said that the purchase agreement indicated that if any changes were made after an American Land Title Association (ALTA) survey was conducted then the legal description and purchase price would be adjusted. She said that there could be a remnant parcel left over that would require the legal description to be revised and the purchase price would be reduced on a per square foot basis at the close of escrow.

Responding to a question from Vice Mayor Somers, Mr. Rigby explained that the Council did not support the sale of the previously proposed site because of how the project could effect future development in the downtown area. He noted that this new proposed site would be a sale based on an outside appraisal.

Mayor Smith commented that this was a unique situation, as the project would not be constructed on the previously proposed site, and therefore, questions regarding the arrangement were to be expected.

Mayor Smith called for the vote.

Upon tabulation of the votes, it showed:

AYES: Smith-Glover-Kavanaugh-Richins
NAYS: Somers

Mayor Smith declared the motion carried by majority vote of those present.

2. Items from citizens present.

There were no items from citizens present.

3. Adjournment.

Without objection, the Special Council Meeting adjourned at 7:58 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Council Meeting of the City Council of Mesa, Arizona held on the 7th 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

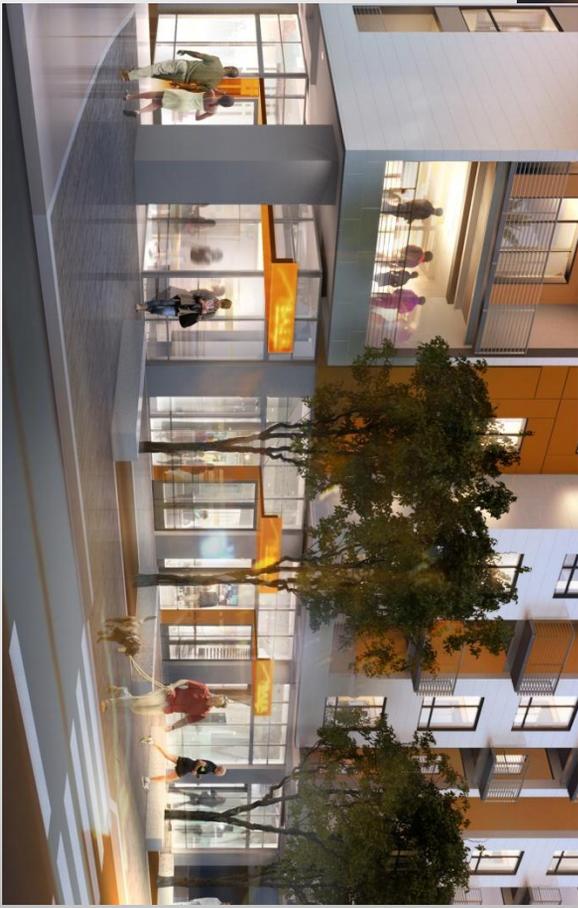
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(attachments - 2)

Development of Senior Housing in the Downtown

Mesa Housing Associates

- Senior Housing project was 1 of 3 housing proposals presented to the City of Mesa
- Mesa Housing Associates proposed the 81 unit, 5 story Residence at Center Street Station project
- Original location was directly adjacent to Mesa City Plaza building
- Site was the point of much discussion within the community

Project Update



Original Site

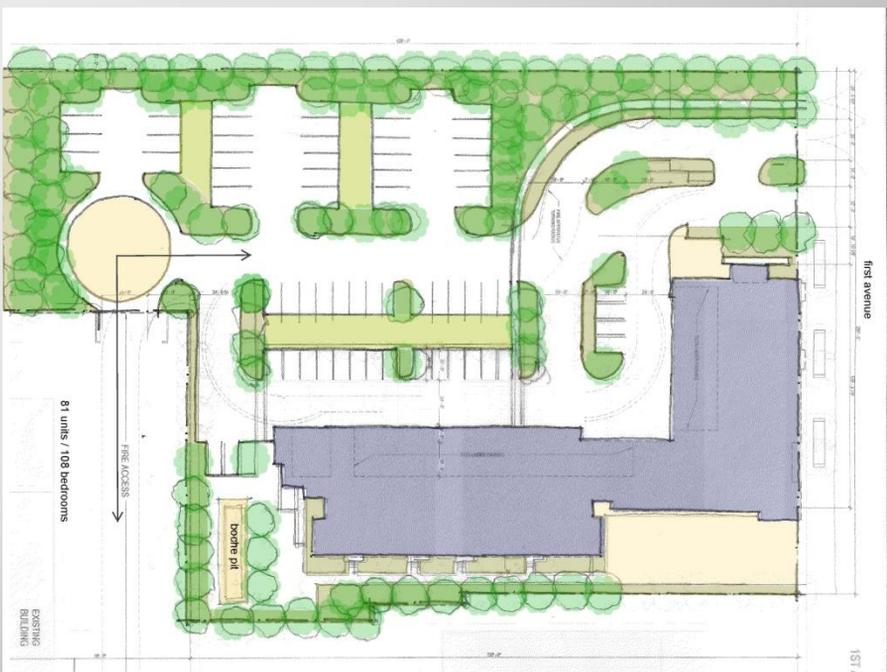
- In response to the community discussion, City has been working with Developer and ADOH to explore a new location
- June 1, 2012 ADOH notified developer and City that the project was chosen for tax credit allocation
- City submitted to ADOH Change of Location and Use letter
- New location selected is 25 W First Avenue

New Project Location

- Existing Arial



- New Site Layout



New Location: 25 W 1st Avenue

- **June 1, 2012:** ADOH Announces Notice of Funding Allocations including Mesa Housing Associates
- **June 2, 2012**
 - City provides Developer and ADOH formal notice of need to move site citing;
 - “the need for the relocation was unforeseeable and beyond the Developer’s control at time of Application”,
 - And that new location is within the same census tract
 - Developer provides formal Material Change application and copy of City Letter requesting new project location to ADOH
- **June 7, 2012** City Council consideration of Project Development Agreement

Project Timeline

- **June 14, 2012** Special Council Meeting: Discuss and Consider approving Form Base Code
 - If approved, enables Project to proceed directly to City permitting.
- **July 14, 2012** Effective Date of Form Base Code
- **July 16, 2012** ADOH Deadline: Development must provide evidence of:
 - City Agreement approval,
 - Site ownership and or control via fee ownership or lease
- **August 2012** City Council approval to vacate Drew Street ROW/easements
- **Nov. 1, 2012** ADOH requirement that Project has started Project construction

Project Timeline: Continued

- **Development Agreement**

- Developer will enter into a Ground Lease and will ultimately purchase the property.
- Permitted use of the property is 81 units of residential rental housing during the term of the agreement. Use is also governed by an agreement between the developer and the ADOH related to income restricted renters.
- No construction prior to purchase of property by the developer.
- Development must comply with applicable zoning, design review approval and approved site plan after close of escrow.

**SUMMARY OF DEVELOPMENT AGREEMENT, GROUND
LEASE AND PURCHASE CONTRACT**

- Developer must (i) construct off-site improvements required by City, (ii) provide for underground storm water retention, (iii) use City utility services, (iv) install and maintain landscaping on City property located west of the project, (v) permit continued public parking on the property under a license agreement until the property is purchased
- Developer pays all appropriate City fees/taxes.
- Developer responsible for any required environmental remediation.
- City will execute a Noise/Entertainment Easement putting renters on notice of expected downtown noise. The developer must provide notice of the easement to renters.
- City grants an encroachment license to permit portions of floors 2-5 to overhang the City's sidewalk.
- Termination upon the earlier of (i) failure to close escrow in accordance with purchase contract (by November 2, 2012 or such later date for commencement of construction established by ADOH) or (ii) expiration of the affordability covenants in the LURA or (iii) condemnation of the property.

**SUMMARY OF DEVELOPMENT AGREEMENT, GROUND
LEASE AND PURCHASE CONTRACT**

- 31 year term, with termination upon the earliest of (i) 11:59 p.m. on December 31, 2043, (ii) purchase of the property, (iii) November 2, 2012 if escrow does not close, or (iv) expiration of low income tax credits.
- Rent for the term is \$100. Developer pays all taxes or other impositions.
- Developer is responsible for environmental remediation (if any). No hazardous substances are allowed on the property.

Ground Lease

- Purchase price is \$180,000
- The negotiated purchase price takes into consideration the value of (i) installation and maintenance of adjacent landscaping, (ii) use by the City of several technical reports to be provided to the City, (iii) relocation of a City water line, and (iv) having affordable housing in the downtown.
- Developer pays for title insurance.
- Conditions to completing the purchase include: (i) obtaining financing, (ii) obtaining the tax credits, (iii) rezoning of the property, (iv) issuance of permits by City, (v) abandonment of Drew Street (alley) and a sewer line in Drew Street, (vi)) create an emergency access easement for the Property to South Center Street over and across adjacent city-owned property.
- Developer purchases the property “as is” and is responsible for all environmental issues.

Purchase Contract

Questions

-----Original Message-----

From: Councilmember Higgins
Sent: Wednesday, June 06, 2012 7:20 PM
To: Scott Smith
Cc: Chris Brady; Charlotte McDermott
Subject: Senior housing

I am concern with the actual terms and conditions being proposed for this project. It is unclear to me and I suspect the public at large what guarantees will be in place to assure the developer will be building what they are proposing. What is the valuation of the property that is being donated by the city and what is the expected value of the structure being proposed? What is the anticipated return-on-investment (ROI) for this project.

I am unhappy that the development agreement has only been out a little over 24 hours and i am being asked to vote on it. The public has not had sufficient time to review the development agreement and give their feedback. It appears as though we are trying to rush this project through to meet the developers timeline instead of giving the public sufficient time to comment.

I support all forms of housing in the downtown. But I am still awaiting an overall housing plan that i requested a few months ago. I want smart development in the downtown area. Development that stands the test of time and builds a better Mesa.

Dina Higgins
480.577.1575 cell