

COUNCIL MINUTES

March 31, 2016

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 31, 2016 at 7:34 a.m.

COUNCIL PRESENT

John Giles
Alex Finter
Christopher Glover
Dennis Kavanaugh
Dave Richins
Kevin Thompson

COUNCIL ABSENT

David Luna

OFFICERS PRESENT

Christopher Brady
Jim Smith
Dee Ann Mickelsen

Mayor Giles excused Councilmember Luna from the entire meeting.

1. Review items on the agenda for the April 4, 2016 Regular Council meeting.

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

Conflict of interest: None

Items removed from the consent agenda: None

Items added to the consent agenda: Item 9-a, to be continued to April 18, 2016 City Council meeting.

Mayor Giles announced that Item 10 would be continued to a later date, per the request of Councilmember Luna and the approval from the applicant.

2-a. Hear a presentation, discuss and provide direction on support letter(s) to the Arizona Department of Housing for Low Income Housing Tax Credit on three development proposals from: Turnstone Development, 1600 West Main Street; Karma Habilitation, 2220-2244 West Ella Avenue; and G.A. Haan Development and a New Leaf, 1131-1149 East University Drive.

Deputy City Manager Natalie Lewis displayed a PowerPoint presentation. **(See Attachment 1)** She stated that a letter was received from the Arizona Department of Housing requesting a response from Mesa by April 4, 2016 regarding the Low Income Housing Tax Credit (LIHTC) proposals from five applicants. She noted that staff has already responded with approval for the ArtSpace and Encore projects, since they have already been approved by Council. She informed

Council that the other three applicants were present to answer any questions the Council may have.

Ms. Lewis gave a brief synopsis of the three projects being presented to the Council as follows (See Pages 4 through 6 of Attachment 1):

- 1600 W. Main Street (District 3), Turnstone Development: this proposal is for 72 units targeting 40-60% of median income households and includes a community room, fitness center, on-site management, parking garage, and support from LaFonterra Center/EMPACT.
- Ella Villas (District 3), Karma Habilitation: this proposal is for 60 units of senior (55+) housing for 30 years targeting the 40-60% median income and includes a community center, and United Methodist Church Food Pantry, and covered parking.
- Eleven Thirty-One East Apartments (District 4), a partnership between G.A. Haan Development and A New Leaf: this proposal is for 40 units and includes 12,701 square feet of office and residential programming space for a community and business center, wellness center, and after-school center.

Ms. Lewis clarified that none of the proposals are seeking City funding or assistance, but are requesting the Arizona Department of Housing LIHTC.

In response to a question from Councilmember Richins, Ms. Lewis reported that the City Manager's office was first notified of these projects on March 7, 2016. She explained that the developers had gone to the Planning Department to get zoning certifications and met with Housing staff in an exploratory way, but failed to continue that process to allow management and Council sufficient time to have a policy conversation.

Ms. Lewis further explained that Council's lack of support for a project would not affect the eligibility for the LIHTC, but could impact competitiveness within the process. She noted that no points are associated with the process and that the final decision is up to the Arizona Department of Housing.

Vice Mayor Kavanaugh stated that the developer of the 1600 W. Main Street project indicated that the project includes 10% of market rate housing and requested clarification.

Jason Verdadi, consultant for Turnstone Development, addressed the Council and clarified that the 1600 W. Main Street project does not currently include market rate housing, however, there is a provision that allows the developer to add market rate housing once awarded. He added that CEO Bill Schneider has stated his commitment to adding market rate housing.

In response to a question from Councilmember Richins, Mr. Verdadi explained that the application can support seven (7) market rate units out of the 72 total units.

Councilmember Richins stated that the ratio should be the opposite with 90% market rate units and 10% affordable and he was not convinced that there is sufficient market demand to support the project.

In response to a question from Councilmember Finter, Mr. Verdadi explained that the Arizona Department of Housing offers 20 points in an area with a high capacity transit line, which is why so many projects are proposed along Main Street. He indicated that the highest scoring projects were in the low 180's this year, so losing 20 points for the high capacity transit line or 15 points

for no site plan approval would put them out of the competition. He added that developers are “chasing the points” and the incentive lies where the developers are going. He advised that his expertise is low income housing tax credits and cannot advise as to why they are not getting market rate projects in the same area.

Mayor Giles agreed that Mesa has a lot of affordable housing applications, but believes that the market rate applications will soon follow.

City Attorney Jim Smith indicated that he tried to contact the Arizona Department of Housing to inquire about how to respond should there be insufficient information. He added that he has not heard back yet, but learned that some communities do not respond at all, which is another option.

Mayor Giles announced that Council has previously supported and dedicated all of the HOME program core funds to the ArtSpace project. He reported that a subsequent proposal came from Encore and the Council voted to support the project by donation of property, since the HOME funds were already dedicated. He inquired that if Council recommends some of these projects, would that put the ArtSpace and Encore projects in jeopardy.

Ms. Lewis explained that none of the proposed projects have requested City funding, so there is no competition for City dollars, however, they would be competing for the LIHTC dollars.

Councilmember Richins commented that ArtSpace and the Turnstone Development project are in the non-profit category, which puts them into competition with each other.

Howard Hintz, partner with Karma Habitation, stated that although his project falls into the non-profit category, it is exclusively senior housing and would not compete with the other projects in Mesa from a market standpoint.

In response to a question from Councilmember Richins, Mr. Hintz stated that while Encore is also senior housing, it is in a different location. He clarified that by the time he took over the project it was too late to come to the City for approval, so the Council still has the ability to look at those details and deny or approve the request after submission is made to the City. He indicated that the market study shows incredible demand for this type of project and he is here to ask the Council if the project makes sense for Mesa.

Michael Wright, a Mesa resident and representative from the Action Neighborhood Alliance, thanked the Council for allowing him to speak. He said that the Alliance seeks a more even distribution of low income housing throughout the City, rather than the heavy concentration in West Mesa. He reported that five low income housing projects are pending north of Broadway and west of Stapley. He stated that the developers are driven by points and it will take some political courage to reverse that trend and establish a strategy to invite market rate projects to the area.

In response to a question from Councilmember Richins, Mr. Wright explained that he was not referring to market rate in terms of rent amounts, but rather higher quality projects that have higher demand. He added that the issue with the law and urban planning strategies is that they speak directly toward the low income housing projects that are required to be dispersed in an area to prevent high concentrations.

Jackie Taylor, a Mesa resident, stated that she represents the other side of the low income housing project and shared her experience at Escobedo. She reported that statistics in the area show a consistent decrease in crime rates since 2012, which are consistent with national research

relative to low income housing. She commented that the people living in the LIHTC projects frequently face transportation barriers, therefore, having easy access to the light rail and public transportation facilitates their ability to work and secure income for their families. She reported that hundreds of families are on the waiting list for Escobedo, proving that there is a gross short-fall of quality affordable housing. She asked Council to please consider this as an economic development engine, due to the fact that data shows property valuations have increased with the completion of Escobedo.

Mayor Giles thanked her for the good work that Save The Family does for this community.

Dea Montague, a Mesa resident and representative of the Mesa Grande Community Alliance Steering Committee, asked the Council to concentrate on raising the median income in the area. He indicated that the most current census shows 22% of the residents in West Mesa (west of Gilbert Road and north of Broadway) are in poverty which has serious impacts. He added that schools, banks, and stores have closed in that area related to the demographics and what is sustainable. He reported that studies have shown a direct correlation between decreased school scores, and a high number of multi-family homes and free/reduced lunch programs.

Jennifer Duff, a Mesa resident, stated that there is a lot of low income housing in zip code 85201 and Mesa should take a position in supporting that community and lifting it up, rather than pushing it away. She expressed the opinion that the low income housing projects will not have a large impact on the low income concerns mentioned and will not destroy any market rate opportunities.

David Crummey, a Mesa resident, commented that the location and availability of quality housing is essential. He indicated that the LIHTC developments have strict screening, including income checks, criminal history and background checks, and all projects should be full members of Mesa's Tristar Programs before any tenants move in. He advised that West Mesa needs reinvestment, and research shows that LIHTC projects increase property value in low and moderate income areas. He added that the emphasis should be on quality design and quality management, which are both critical to our community.

Michael Hughes, a Mesa resident and representative for the Eleven Thirty-One East Apartments, stated that his development is not chasing the points, but rather trying to find a solution for the people who need housing. He expressed his appreciation for the concerns raised and felt that his project, like Escobedo, was a housing solution for teachers, store clerks and other workers making \$25,000 to \$30,000 per year. He felt that his projects have improved the neighborhoods and property values.

Councilmember Richins commented that the 1600 W. Main Street project was the only project likely to be approved from a points view.

Mayor Giles reminded the Council that the question is whether or not these projects are believed to be consistent with the Housing Policy strategies, priorities and procedures of this municipality and if there appears to be sufficient market demand to support them. He stated that his preference is for the two projects already supported (Encore and ArtSpace) and he would vote against the remaining three projects discussed.

Vice Mayor Kavanaugh clarified that the Housing Policy does address light rail and its impact and he believes these projects are all consistent with the adopted policy. He stated that the idea of competition among the applicants is free market and those that do not qualify this year will come

back in the future. He expressed the opinion that the proposed projects are what the Council envisioned along West Main and he supports the projects regardless of points.

Discussion ensued regarding the Housing Policy as it relates to the light rail and staff was directed to bring back to Council an executive summary of the policy to review, in an effort to update the Master Housing Plan for Mesa.

Councilmember Richins commented that the community needs time for market absorption in order to determine if the market will continue to support affordable housing. He stated that he was not supportive of any of the projects at this time.

Councilmember Thompson concurred with Councilmember Richins. He stated that he cannot support these projects due to the fact that he would prefer a project on Main Street that is 90% market rate and 10% affordable.

Councilmember Finter encouraged the Council to wait for the market to pick up and suggested that Code Enforcement could assist by holding the neighborhoods more accountable.

Councilmember Glover concurred with his colleagues and indicated that he would not support the projects. He felt that it would be wrong to compete with ArtSpace and Encore, and that Council should work with the Economic Development team to attract developers to bring in market rate housing.

It was moved by Councilmember Richins, seconded by Councilmember Finter, that a letter be sent to the Arizona Department of Housing indicating a lack of support for all three projects.

Upon tabulation of votes, it showed:

AYES – Giles-Finter-Glover-Richins-Thompson
NAYS – Kavanaugh
ABSENT – Luna

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

In response to a request from Mayor Giles relative to implementing tools in the Housing Plan, City Manager Christopher Brady proposed that a requirement be added that any applications for low income housing credits come to the City earlier in the process if requesting the City's recommendation.

2-b. Hear a presentation, discuss and provide direction on an update of the creation of the Redevelopment Area and expansion of the Central Business District; and the retention of consultant(s) to assist in the project.

Economic Development Department Director William Jabjiniak displayed a PowerPoint presentation (**See Attachment 2**) and explained that in response to Council's request, staff has extended the proposed Redevelopment Area (RDA) and the Central Business District (CBD) to the east and west of downtown.

Economic Development Project Manager Sara Sorensen reviewed the definitions of an RDA and CBD, as well as the process and criteria needed for designation. (See Pages 2 through 6 of Attachment 2)

In response to a question from Councilmember Richins, City Attorney Jim Smith replied that the Government Property Lease Excise Tax (GPLETs) could be used outside of the RDA and explained the exceptions in the statute.

Mr. Jabjiniak displayed a map of the existing and proposed RDA expansions (See Page 7 of Attachment 2) and advised that red outlines the west of downtown corridor, blue outlines the southwest corridor, and orange outlines east of downtown. He explained that single-family residential homes are excluded from the boundaries as much as possible in order to maximize the properties eligible for the tax abatement benefits.

In response to a question from Councilmember Glover, Mr. Jabjiniak stated that the RDA limit is a 6.9 mile total radius and all areas proposed in this plan add up to a 6.15 mile radius.

Mr. Jabjiniak reviewed the proposed area maps (See Pages 8 through 10 of Attachment 2) and highlighted the following points for each:

- Southwest corridor: the boundary starts at Country Club Drive and heads west, including the Grace Property and Fiesta Mall.
- West Main corridor: the boundary runs west along Broadway Road and down to Southern Avenue. The boundary includes north sections of Main Street in order to encompass the NW corner of Alma School Road and University Drive.
- East Main corridor: the boundary includes the three employment corridors, predominantly inclusive of properties eligible for the designation.

Ms. Sorensen listed the guiding principles followed in selecting the proposed areas. She stated that the lengthy and complex process would benefit from the help of a consultant to assist with the data gathering, public outreach, creation of a Redevelopment Plan, and other expertise. She indicated that the public procurement process for the consultant was previously completed for the southwest expansion area for a total of \$149,302. She noted that the additional areas of expansion will need to go through the 90-day public procurement process and that the total cost is estimated to be \$300,000. She announced that staff requests the Council's concurrence in proceeding with the consultant's assistance for the proposed expansion areas. (See Page 12 of Attachment 2)

Mr. Brady indicated that the southwest area was budgeted this year, whereas the additional areas were not. He requested that Council agree to move forward with the southwest expansion area and propose the additional \$300,000 in the budget to begin procuring the other two areas by July 1, 2016.

Ms. Sorensen detailed a proposed timeline of the process moving forward. (See Page 13 of Attachment 2) She stated that all three expansion areas could go through the same process, but at different progress points.

Mr. Jabjiniak stated that staff requests the Council concurrence to move forward with the next steps of the process as follows:

- Proceed with consultant assistance
- Begin public outreach and data collection
- Return to Council with findings
- Issue Request for Proposals to initiate the process in two additional areas for an estimated cost of \$300,000, subject to budget approval.

Councilmember Richins expressed his appreciation to staff for taking a more holistic approach to using this tool throughout Mesa. He added that it was encouraging to see the infrastructure investment in the Fiesta District along Southern Avenue and its tremendous response from the market breathing new life into the area and indicated that he sees the same thing happening along Dobson Road.

It was moved by Councilmember Richins, seconded by Councilmember Glover, that staff proceed in moving forward with the southwest Redevelopment Area expansion and budget process.

Mayor Giles declared the motion carried unanimously by those present.

Mayor Giles thanked staff for the presentation.

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

(This item was not discussed by Council.)

4. Acknowledge receipt of minutes of various boards and committees.

4-a. Library Advisory Board meeting held on January 19, 2016.

4-b. Historic Preservation Board meeting held on February 2, 2016.

4-c. Museum and Cultural Advisory Board meeting held on January 28, 2016.

4-d. Early Childhood Education Task Force meeting held on February 17, 2016.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Glover, that receipt of the above-listed minutes be acknowledged.

Mayor Giles declared the motion carried unanimously by those present.

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

There were no reports on meetings and/or conferences attended.

6. Scheduling of meetings and general information.

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

Monday, April 4, 2016 – Council meeting

Thursday, April 1, 2016 – Greenfield Park meeting

Friday, April 1, 2016 – Cyclomesa

Saturday, April 2, 2016 – April Pool's Day

7. Convene an Executive Session.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Glover, that the Study Session adjourn at 9:31 a.m. and the Council enter into an Executive Session.

Mayor Giles declared the motion carried unanimously by those present.

7-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

1. *Espinoza v. Pezzelle*, et al., CV-13-01260-PHX-ROS

Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with designated representatives of the City in order to consider the City's position and instruct the City's representatives regarding negotiations for the purchase, sale, or lease of real property. (A.R.S. §38-431.03A (7)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

2. Sale of City-owned property located at 2228 North Center Street

8. Adjournment.

Without objection, the Study Session adjourned at 10:34 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 31st day of March, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(attachments – 2)

LIHTC PROPOSALS

March 31, 2016

Request from AZ Dept. of Housing

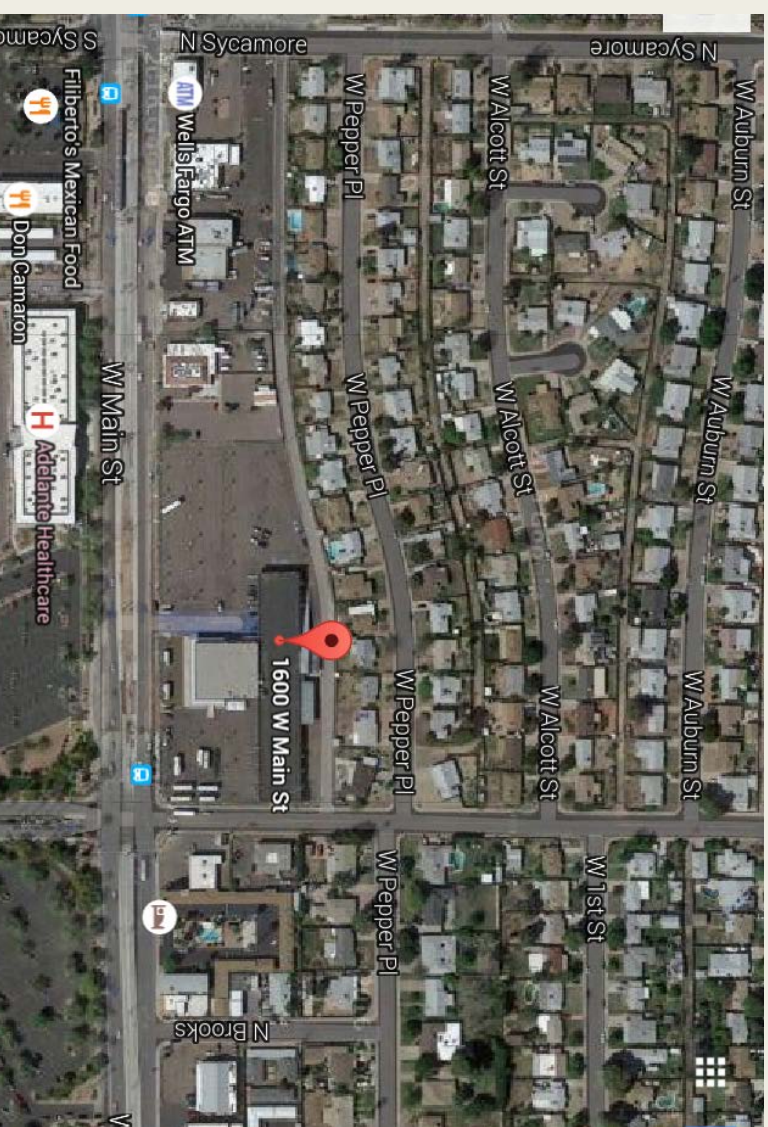
- **By April 4th at 4 p.m.:**
 - **Yes or No:** The project is believed to be consistent with the housing policies, strategies, priorities and procedures of this municipality and there appears to be sufficient market demand to support it. **Accordingly, the application proposed for this development is supported by this municipality.**

Five Development Proposals in Mesa

- Staff has forwarded completed letters supporting both Artspace and Encore proposals, per previous Council policy direction related to LIHTCs.
- Staff first received formal notification of three other development proposals on March 7:
 - *Turnstone Development, 1600 W. Main Street Mesa Lofts (D3)*
 - *Karma Habilitation, Ella Villas (D3)*
 - *G.A. Haan Development and A New Leaf (D4)*

1600 W. Main Street (D3) Turnstone Development, 501c3

- 1600 W. Main (Main & Longmore)
- 72 Affordable Units
- 1-,2-, and 3-bedroom units
- Target 40-60% of median income households.
- LaFonterra Center/EMPACT will be supportive service provider.
- Community room, fitness center, on-site management, parking garage.
- Rezoning for mixed-use residential and commercial development approved by Council 2/23/15.



Ella Villas (D3)

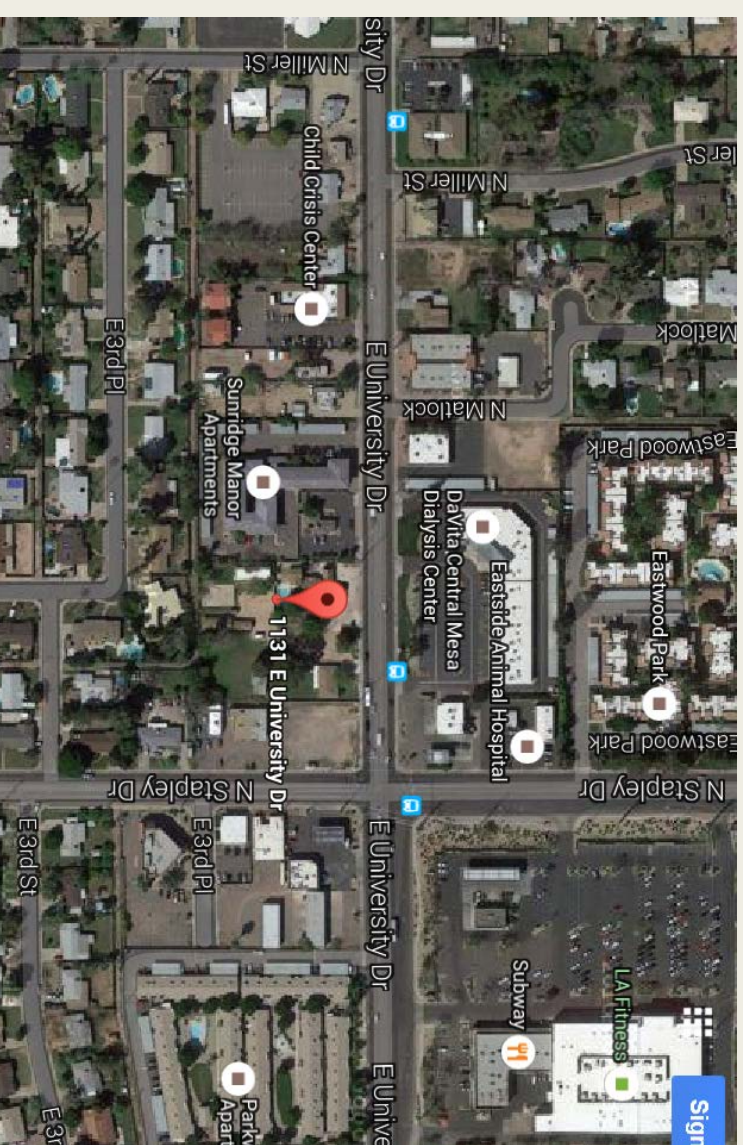
Karma Habitation, LLC

- 22220-22244 W. Ella Ave. (North of Main and west of Dobson)
- 60 units for senior (55+) housing for 30 years.
- 1- and 2-bedroom units.
- 40-60% median income
- Community center, UMWOM and United Methodist Church Food Pantry, Covered Parking.
- Zoning in place.



Eleven Thirty-One East Apts. (D4) G.A. Haan Development and A New Leaf

- 1131-1149 E. University
- 40 affordable units; 1-, 2- and 3- bedrooms.
- Also proposes 12,701sf of office and residential programming space for a community and business center, wellness center, after-school center. Designed to LEED standards.
- Application (still needs approval) for the rezoning from LC (limited commercial) to RM-3 (residential, multiple dwellings).



Request from AZ Dept. of Housing

- **By April 4th at 4 p.m.:**
 - **Yes or No:** The project is believed to be consistent with the housing policies, strategies, priorities and procedures of this municipality and there appears to be sufficient market demand to support it. **Accordingly, the application proposed for this development is supported by this municipality.**

Redevelopment Area Creation & Central Business District Expansion

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

Office of Economic
Development

March 2016





Redevelopment Tools

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

Within a Redevelopment Area can exist a **Central Business District (CBD)**.

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





Finding of Necessity

Before an area can be designated as a Redevelopment Area, the Mayor and Council must, by a 2/3 vote, adopt a resolution finding both of the following:

1. One or more slum or blighted areas exist
2. Redevelopment of the area is necessary in the interest of the public health, safety, morals, or welfare of the residents





Slum/Blight Criteria

The statutory criteria used to determine need include:

- Deterioration of the site or improvements
- Inadequate layout of streets and lots
- Prevalence of absentee ownership
- Prevalence of properties that are non-compliant with Mesa's Zoning Code
- Presence of unsanitary or unsafe conditions



Property Owners

Owners of real property within the proposed RDA will be notified of the public meeting to discuss the findings.

The Redevelopment Area must exhibit a **predominance** of slum or blight. This designation is not intended as a reflection of specific properties in the Area.

Note: The City of Mesa does not record a property's inclusion in a RDA.





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RDA Benefits

- Establishing a redevelopment area is a necessary step for adding additional economic tools such as the GPLET
- Makes available certain federal funds to be used to enhance neighborhoods and business districts
 - Renovation to buildings
 - New construction
 - Neighborhood amenities



CITY OF MESA REDEVELOPMENT AREA
PROPOSED EXPANSIONS

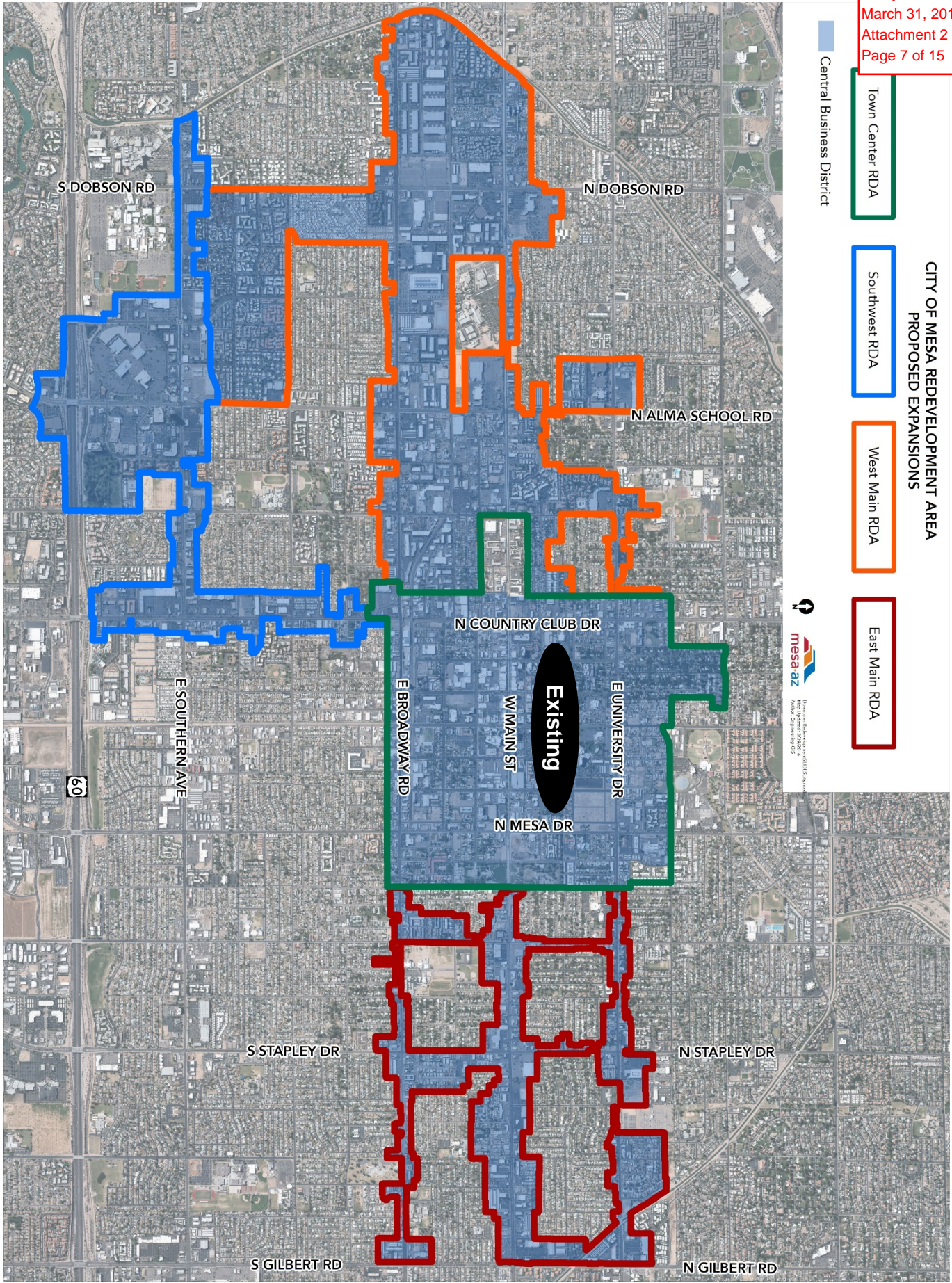
Town Center RDA

Southwest RDA

West Main RDA

East Main RDA

Central Business District



OF MESA REDEVELOPMENT AREA
PROPOSED EXPANSIONS

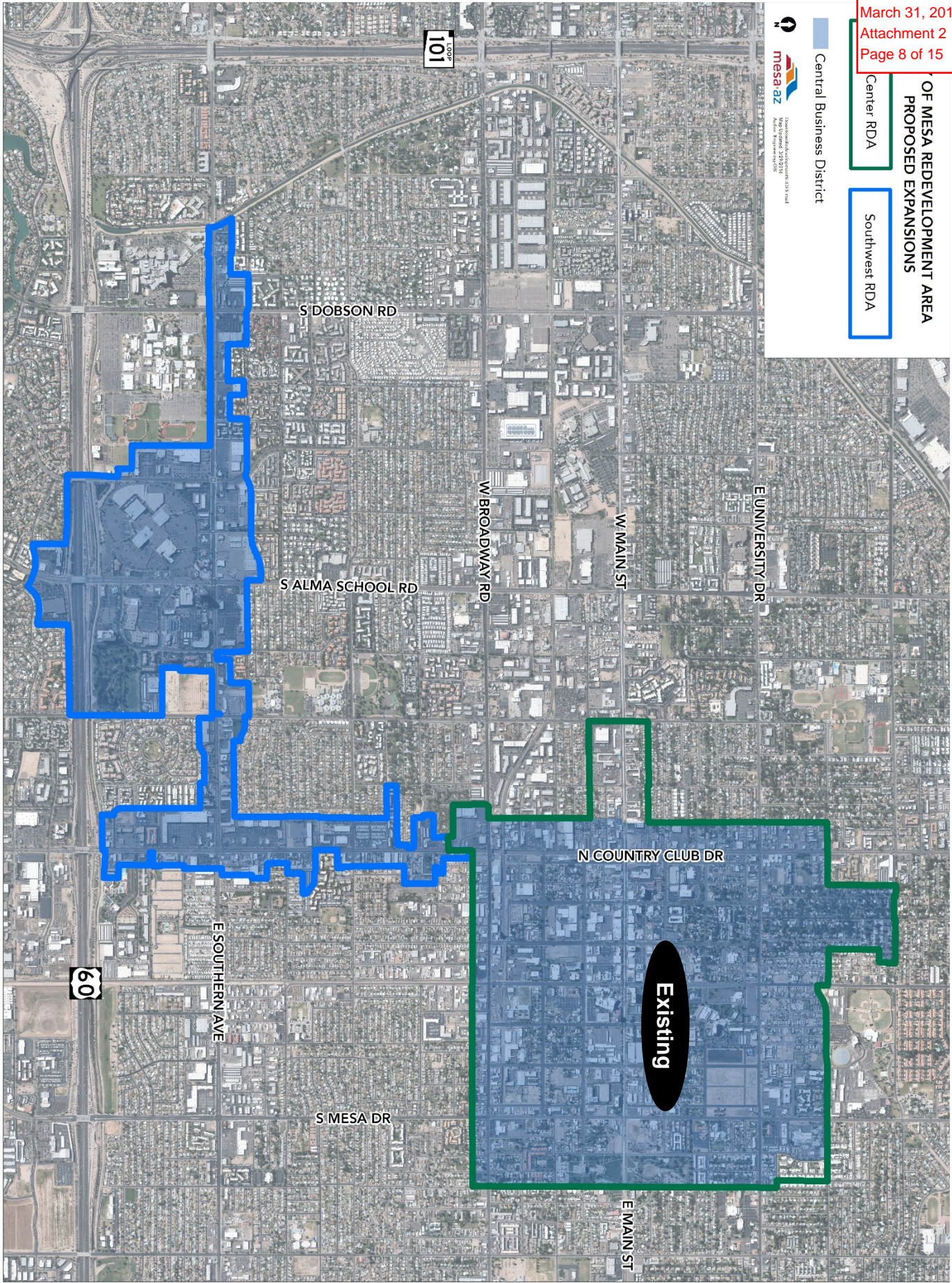
Center RDA

Southwest RDA

Central Business District



Mesa, Arizona
Map Updated 12/2015
Aerial Photography 2015



Existing

101

60

S DOBSON RD

S ALMA SCHOOL RD

E SOUTHERN AVE

S MESA DR

W BROADWAY RD

W MAIN ST

E UNIVERSITY DR

N COUNTRY CLUB DR

E MAIN ST

OF MESA REDEVELOPMENT AREA
PROPOSED EXPANSIONS

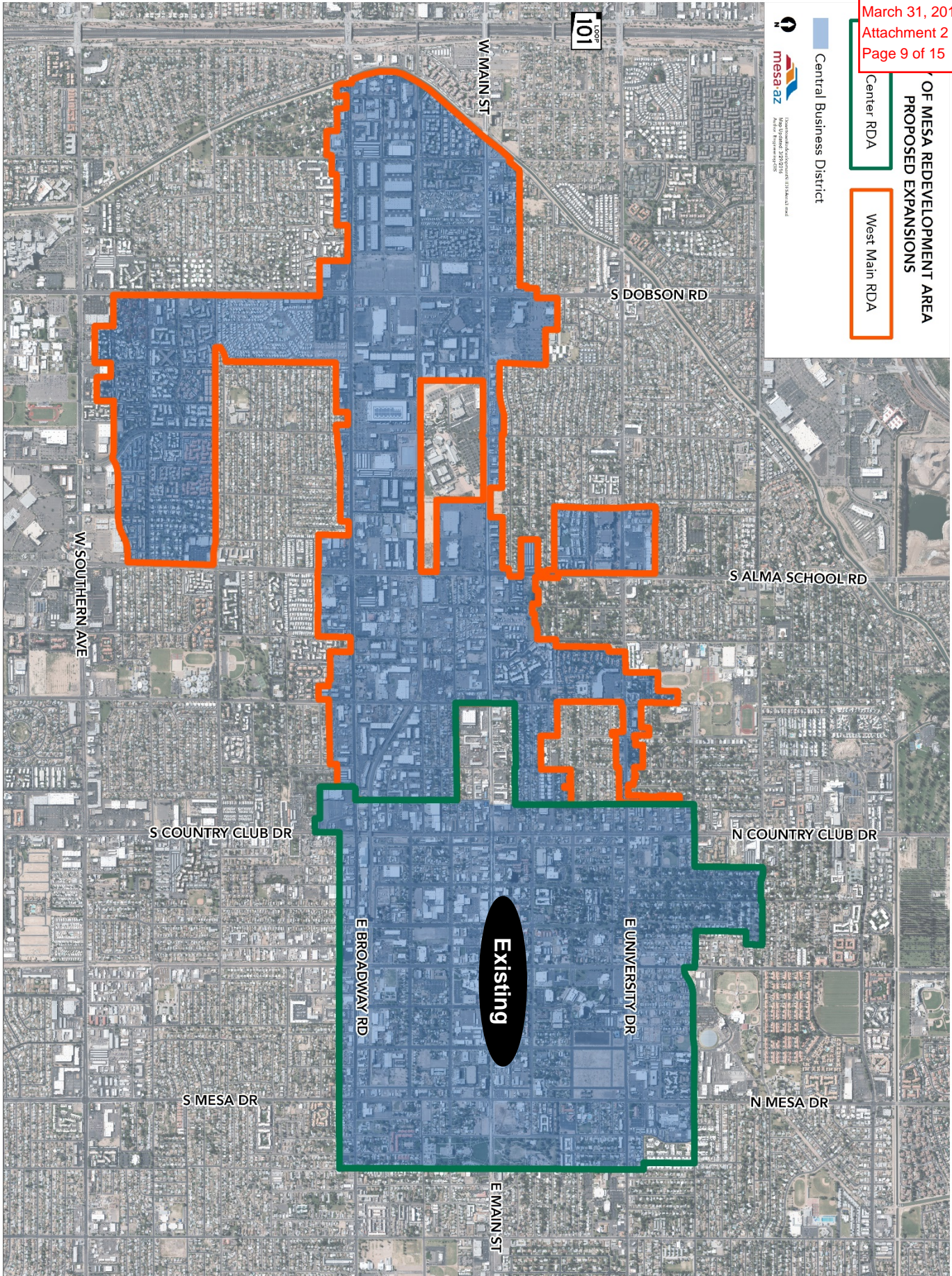
Center RDA

West Main RDA

Central Business District



101
LOOK

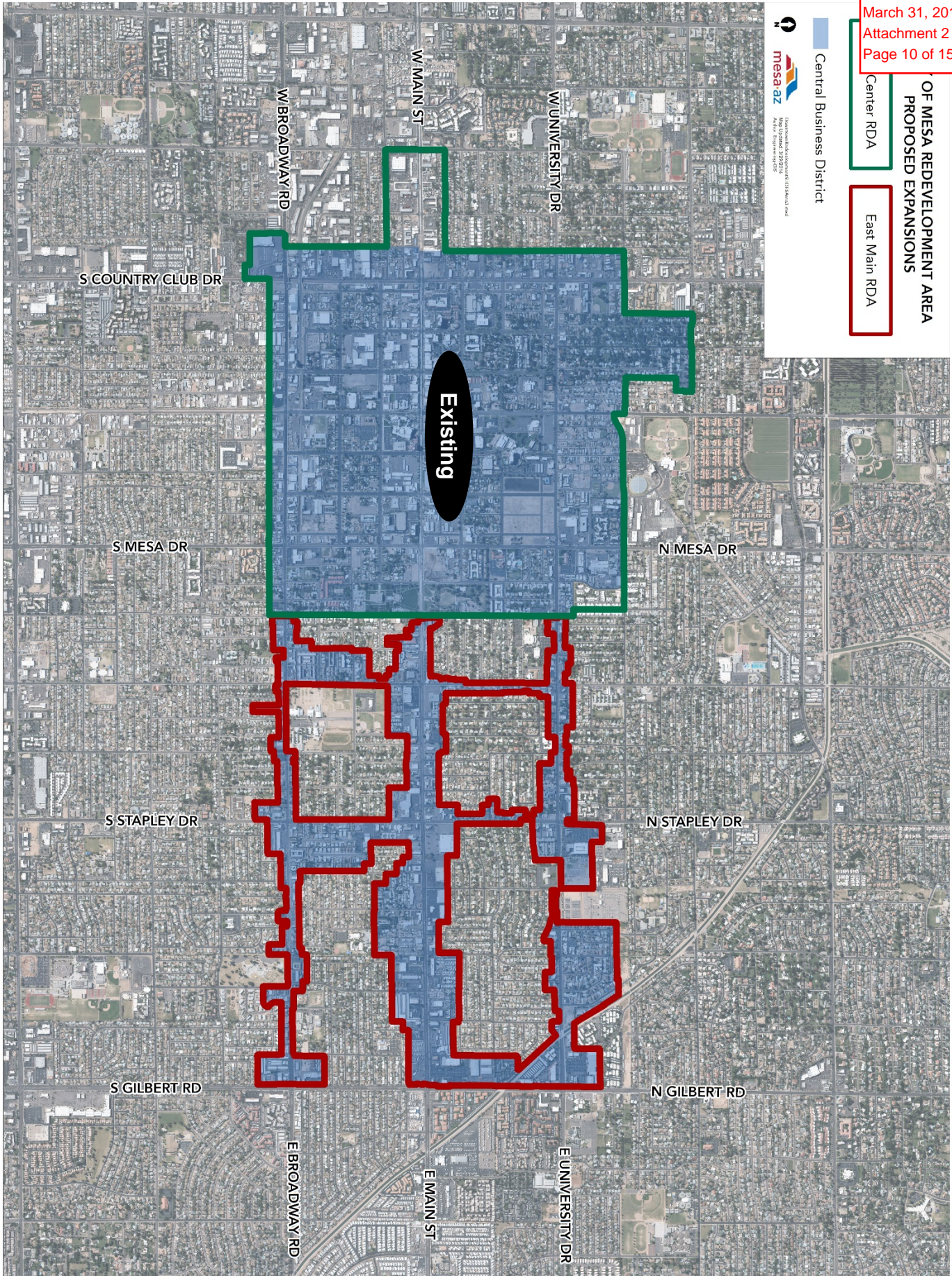


OF MESA REDEVELOPMENT AREA
PROPOSED EXPANSIONS

Center RDA

East Main RDA

Central Business District





Guiding Principles

- Stay within mandated size – no larger than 6.9 sq. mi.
- Remain contiguous with existing CBD
- Focus on areas exhibiting a predominance of slum or blight
- Avoid single family residential when possible
- Avoid schools when possible



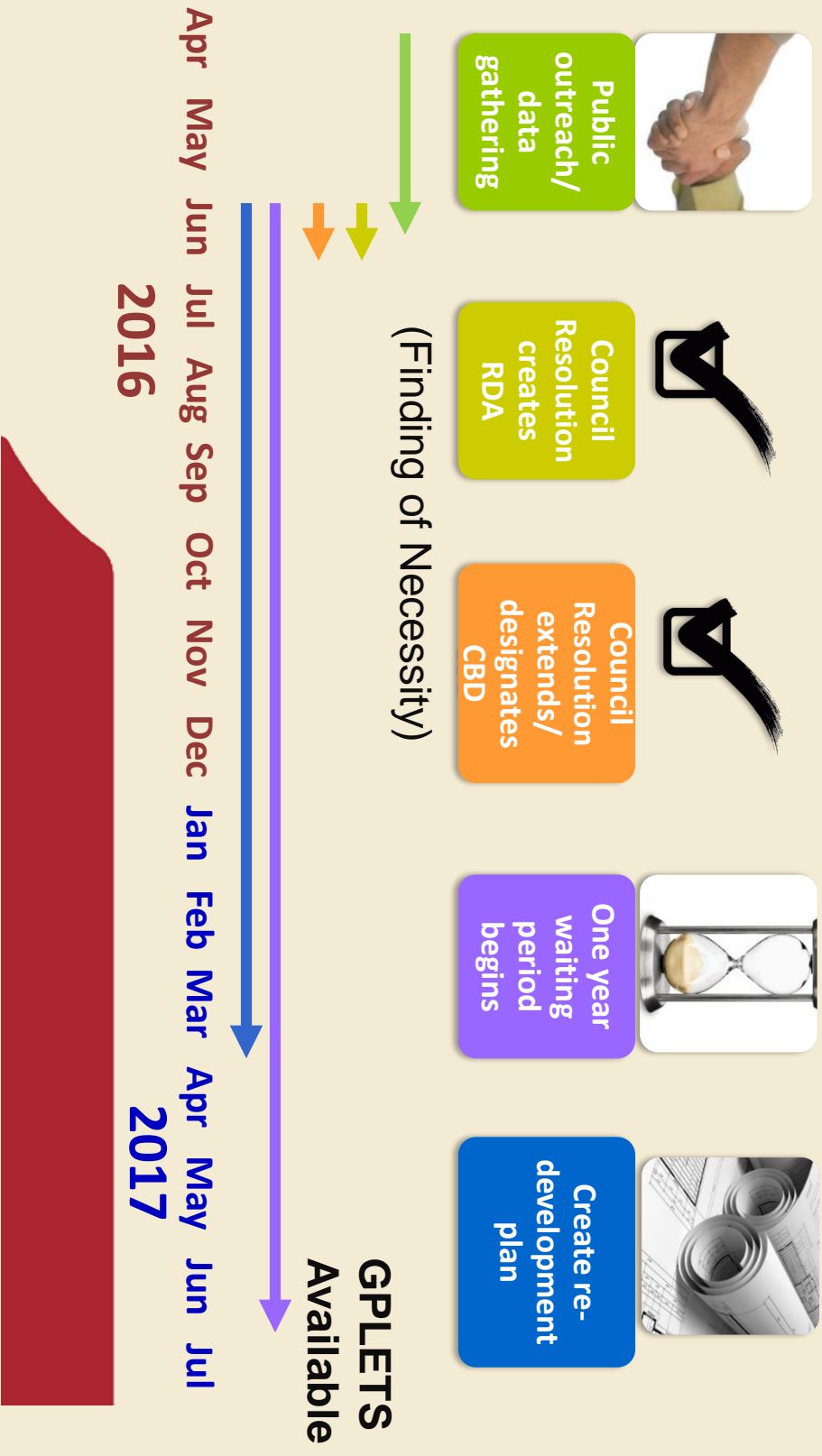
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Consultant

- Finding of Necessity
- Public outreach & engagement efforts
- Creation of Redevelopment Plan
- Professional/technical expertise
- Objective, third-party review
- Total Cost for Southwest Area = \$149,302



Timeline





Next Steps

1. Proceed with consultant assistance
2. Begin public outreach & data collection
3. Return to Council with findings
4. Issue Request for Proposals to initiate same process in two additional areas
(estimated cost = +/- \$300,000)



Questions?

William Jabjiniak

Economic Development Director

Sara Sorensen

Economic Development Project Manager

www.mesaaz.gov/economic

