



COUNCIL MINUTES

January 10, 2008

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 January 10, 2008 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Kyle Jones
Tom Rawles
Scott Somers
Darrell Truitt
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

1. Hear an update and discuss the development at the southwest corner of University Drive and Mesa Drive.

Economic Development Director Bill Jabjiniak introduced Town Center Development Director Shelly Allen, David Greeff, Senior Vice President of Acquisitions for The Athena Group, LLC, and Bill Brantley, a principal with aARts-Architects.

Mr. Jabjiniak reported that staff is seeking the Council's concurrence that The Athena Group be the selected developer for City-owned property located at the southwest corner of University Drive and Mesa Drive. He explained that the developer must still complete a market analysis of the site. Mr. Jabjiniak also clarified that the developer must present a contract of sale and additional documents to the Council within 75 business days, with an option for 25 additional business days, as opposed to the 120-day timeframe referenced in the January 10, 2008 City Council Report.

Ms. Allen displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that in March 2007, the Council directed staff to solicit a broker to market the property to a Master Developer based on acquisition price, mixed-use development and to ensure compatibility with the downtown Mesa Community College (MCC) campus. She highlighted the process undertaken by staff in that regard including: 1.) selection of a real estate broker, Phoenix Commercial Advisors; 2.) development of a marketing and outreach strategy; 3.) four letters of interest were received from interested developers; and 4.) best and final offers were obtained from Crosswinds National, Concord-Eastridge-Durrant, and The Athena Group. Ms. Allen stated that a team of stakeholders (City of Mesa, Mesa Public Schools (MPS), MCC and Phoenix Commercial Advisors) reviewed the proposals and recommended The Athena Group as the preferred developer.

Mr. Greeff provided a short synopsis of The Athena Group's background and expertise and noted that the firm is a private real estate development company specializing in residential and mixed-use type projects. He explained that the firm's management team has extensive experience in real estate acquisition including finance, marketing, new construction and development, leasing and conversion. Mr. Greeff also displayed a series of photographs and architectural renderings depicting various Athena projects located in North Las Vegas, Nevada, Jersey City, New Jersey, Los Angeles, California, New York City, New York, and Reston, Virginia.

Mr. Brantley reported that his architectural firm, which was retained by The Athena Group, has worked in major markets such as Seattle, Los Angeles and Tokyo and has significant design experience with universities and educational systems. He explained that his vision for Mesa's development is to create "a designed community" by garnering feedback from the City, business leaders and neighbors. Mr. Brantley also stated that the proposed mixed-use project would not be "an island" unto itself, but rather a development that successfully blends into the surrounding community and incorporates MCC's downtown campus into the overall site development.

In response to a question from Mayor Hawker, Mr. Jabjiniak explained that within the required time period, he anticipates The Athena Group would bring back a full contract of sale, including the price, any other conditions of sale, and a full elevation and site plan of the proposed development.

Discussion ensued relative to the fact that pending completion of its market study, The Athena Group should have a clear understanding of the demand for residential, commercial and retail components at the proposed development site and also how to integrate the MCC campus into the overall project; that at that time, the highest and best use for the site would be determined; and that the developer would then work with the architectural firm to design an initial site plan that not only would be financially feasible to the developer, but also meet the City's vision for the property.

City Manager Christopher Brady stated that he recently met with Maricopa Community College Chancellor Rufus Glasper and MCC President Shouan Pan to discuss the possible location for MCC's downtown campus, financing for the development and a potential timeframe within which construction would begin. He commented that although it is important that the campus be included in the overall master plan design for the site, the timing for the development of the facility would not necessarily affect the City moving forward with the proposed mixed-use project on the remainder of the property.

In response to a question from Mayor Hawker, Mr. Brantley stated that if The Athena Group is successful in creating a master plan for the proposed site, it would be beneficial to solicit feedback from citizens at community meetings relative to the development of available properties nearby. He explained that such input would serve to create a more visually cohesive area and benefit the entire community.

Mr. Greeff further commented that the purpose of a due diligence period is to evaluate the feasibility of every element of a project. He explained that there is the possibility, although he did not consider it a likely outcome, that it may not be feasible for his company to proceed with the project as envisioned. Mr. Greeff also stressed that given the general housing market and

economic environment, it is not a foregone conclusion that there would be a viable project, although that is certainly the intent.

Councilmember Rawles voiced concern that the Council is being asked to concur with staff's recommendation, but have not been provided any information, and in particular, the acquisition price, which would assist them in making an informed decision in this regard.

Further discussion ensued relative to the fact that all three developers who submitted best and final offers met the criteria that staff established; that staff could schedule an Executive Session to discuss the acquisition price offered by The Athena Group; the criteria utilized by the stakeholders to select The Athena Group; and that staff would provide the Council the proposals of the two developers not selected.

Mayor Hawker concurred with Councilmember Rawles' comments and stated that without having access to additional information, it would be difficult for the Council to assess which developer was, in fact, the most qualified.

Mr. Brady assured the Council that The Athena Group proposal is not only superior in experience, but in design and price. He stated that staff would be happy to provide the Council with a matrix demonstrating the differences between the three proposals.

Councilmember Rawles responded that he believes Mr. Brady when he says that the proposals are different, but reiterated that he would like to be provided the empirical evidence so that he can conduct his own due diligence in this matter. He suggested possibly distributing the information to the Council via a confidential memorandum. Councilmember Rawles added that if at all possible, he would like to have the contract of sale signed before June 2008 when his and several other Councilmembers' terms of office expire.

Vice Mayor Walters said it was unfortunate that an Executive Session was not scheduled for today, which would have allowed the Council to review the information requested by Councilmember Rawles. She expressed support for staff's recommendation pending receipt of the previously requested information. Vice Mayor Walters also urged that the proposed development continue to include MCC's downtown campus; that the City have the ability to move ahead with the mixed-use project independent of the campus development; and that there be deed restrictions to prohibit uses such as payday loan stores and pawnshops on the property.

In response to a question from Councilmember Somers, Mr. Brantley stated that he envisions the mixed-used development to consist of components such as an active adult area, apartments that would be affordable to the working class, and also residential spaces of a higher quality level (i.e., urban lofts).

Councilmember Somers said that he would like the development to include live/work space, entertainment and restaurants that would attract individuals to the downtown area. He also suggested that during the market study process, that The Athena Group consider demographics beyond Main Street and the fact that the soon-to-be-completed light rail line could connect the development to Arizona State University (ASU), Scottsdale and downtown Phoenix.

Councilmember Jones indicated that he looks forward to a high quality, but affordable, project that could serve as a catalyst for future development in the downtown area. He also expressed

support for staff's recommendation, but said it would be appropriate to review the information requested by Councilmember Rawles.

Additional discussion ensued relative to the fact that pending Council concurrence of staff's recommendation, it is anticipated that the 75 to 100 business days "time clock" would begin today; various processes that staff has undertaken thus far regarding the development; that the Downtown Development Committee (DDC) would participate in the design review process for the project; that because the developer is new to Mesa, the company's due diligence process would include seeking advice from local counsel and possibly partnering with a local developer that has experience with mixed-use developments; that dependent upon market conditions, it may be appropriate to phase construction of the project; and that it could take at least one year to produce all of the necessary construction documents.

Councilmember Truitt stated that it is important for everyone to understand that the project is complex and that many processes must be completed before construction actually begins and the developer "turns a blade of dirt." He said that he would be "very impressed" if the property is sold by June and construction begins in a year and a half to two years from now.

Vice Mayor Walters said that because the property is located in the downtown area, the DDC would serve as the developer's Design Review Board and Planning & Zoning Board, which would expedite the process somewhat. She commented that the Council has already offered input with regard to certain design components that they would like included in the development, but encouraged the developer to consider other options as well. Vice Mayor Walters also requested that the developer be sensitive to the historic neighborhood south of the property relative to the overall master plan design.

Councilmember Rawles stated that he wanted Mr. Greeff to leave today's meeting with the knowledge that the Council is very enthusiastic in moving forward with this project in an expeditious manner and that he did not want Mr. Greeff to view his need to conduct his own due diligence as any kind of negative comment against him or the project.

Mayor Hawker stated that there was Council concurrence that staff be directed to move forward in their negotiations with The Athena Group, pending the Council being provided the above-referenced information so that each Councilmember can conduct his or her own due diligence in this matter.

Mayor Hawker thanked everyone for the presentation.

2. Hear an update and discuss Escobedo Apartments.

Housing and Revitalization Director Carolyn Olson introduced Neighborhood Services Director Ray Villa and Housing Services Coordinator Teena Villagomez.

Ms. Olson displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that as of June 2007, there were 101 rental units (96 occupied and 5 vacant) and 197 residents at the Escobedo Apartments. She explained that Council previously directed staff to begin the process of vacating the units and discontinuing the Escobedo housing operations. Ms. Olson advised that in that regard, staff assisted in identifying potential units; worked with community partners to assist tenants with new home

prospects; documented the historic relevance of the site; and are currently in the process of assigning staff to other City positions and relocating the Housing Services Division.

Ms. Olson commented that the tenants who were transitioned to other locations were provided moving allowances of \$1,600 (1-3 bedroom units) and \$2,250 (4-bedroom units). She stated that in August 2007, Escobedo tenants who were not participating in the Housing Choice Voucher program made application for a voucher and added that all eligible tenants received their vouchers by December (Note: 17 residents were ineligible to receive a voucher).

Discussion ensued relative to the fact that staff provided various assistance to the tenants during this time of transition; that 93 tenants have successfully moved and the remaining three tenants will vacate the property by the end of January; that 72 residents utilized the moving allowance (\$134,308 expended); and that the final steps in the process include completing the reassignment of staff to other departments, continuing historic documentation, relocating the Housing Choice Voucher Office, and evaluating property sale options.

In response to a question from Mayor Hawker, City Manager Christopher Brady stated that staff is continuing to assess whether the City should demolish the apartments now or require that a future buyer of the property incur those costs. He explained that the property is currently boarded up and said he believed it would remain secure in that condition. Mr. Brady commented that if the property becomes problematic and there is an increased demand for Police and Code Compliance services, staff might come back to the Council with a different recommendation. Mr. Brady also thanked staff for their efforts and hard work in assisting the tenants during the transition process.

Ms. Olson recognized Ms. Villagomez for her significant role throughout the process.

Vice Mayor Walters acknowledged that it was very traumatic for many long-time residents to leave Escobedo, but said that it was necessary for the City "to get out of the housing business." She also commented that she does not want the City to be in the position of facilitating an individual to purchase the property for the purpose of reopening the apartments and "going into the slum landlord business." Vice Mayor Walters added that such an occurrence would likely result in additional calls for service by Police and Code Compliance.

Mayor Hawker concurred with Vice Mayor Walters' comments and said that many housing advocates in the Valley are seeking additional accommodations. He stated the opinion that Mesa has done its share of providing low-income housing and added that he would not want this property "to be a target for that kind of development."

Mr. Brady said that staff would obtain cost estimates to demolish the apartments and would bring back that information to the Council at a future Study Session.

Mayor Hawker thanked staff for the presentation.

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

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

4. Scheduling of meetings and general information.

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

Thursday, January 17, 2008 – Study Session Cancelled

Tuesday, January 22, 2008, TBA – Study Session

Tuesday, January 22, 2008, 5:45 p.m. – Regular Council Meeting

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the Study Session adjourned at 8:43 a.m.

KENO HAWKER, MAYOR

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 10th day of January 2008. 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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