



## COUNCIL MINUTES

March 6, 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 March 6, 2008 at 7:30 a.m.

### COUNCIL PRESENT

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

### COUNCIL ABSENT

Tom Rawles

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

(Mayor Hawker excused Councilmember Rawles from the entire meeting.)

1. Hear a presentation, discuss and provide direction on allowing community organizations to apply art wraps to City traffic control boxes.

Diversity Program Director/Neighborhood Outreach Supervisor Mary Berumen introduced Neighborhood Outreach Coordinator Jo Ellen McNamara and Dave Richins, Executive Director of the West Mesa Community Development Corporation (WMCDC), who were prepared to address the Council.

Ms. McNamara displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that staff is seeking Council direction relative to establishing an Art Wrap Program and also requesting approval of a proposed application and review process. She explained that in September of last year, Mr. Richins approached staff to express his group's interest in using static film wraps on City traffic control boxes in the WMCDC service area, which would be the pilot location for the initial project.

Ms. McNamara stated that the WMCDC established a budget and a potential collaboration with Arizona State University (ASU) Polytechnic to study the durability of the wrap material on a long-term basis. She also displayed examples of the type of designs that could be depicted on the art wraps. (See Attachment 1.)

Discussion ensued relative to the proposed application and design guidelines process, which would be similar to the Volunteer Bridge Painting approval process adopted by the Council last year; that staff proposes the submissions would be reviewed by Neighborhood Outreach staff (Volunteer Coordinator) and Transportation staff would ensure that the traffic control boxes are not obstructed in any manner; that staff would report to the Councilmember representing the

district in which the art wrap is proposed to be installed; that at the January 21, 2008 Community & Neighborhood Services Committee meeting when this item was presented, Chairman Truitt suggested that the Design Review Board (DRB) approve the submissions; and that in speaking with Planning Director John Wesley, Ms. McNamara was advised that the DRB staff had no formal art training and he was hesitant for them to review the submissions.

Councilmember Truitt stated that it was the consensus of the Community & Neighborhood Services Committee to support staff's recommendation. He clarified that he was not suggesting that the DRB participate in the submission and review process, but rather a Boardmember act as a liaison and perform such duties along with staff. Councilmember Truitt added that he would prefer that the Councilmember representing the district in which the art wrap is proposed not be required to participate in the final approval of the design.

Further discussion ensued relative to the fact that sponsorship organizations or partners should be incorporated entities with the legal and financial capacity to indemnify the City against any suit that could arise out of an art wrap project; that the designs must be original works and cannot contain advertising; and that staff recommends limiting the number of art wrap projects to no more than six during the one-year trial period.

City Manager Christopher Brady stated that staff proposes that four to five designs be approved which would be used during the trial period. He suggested that it might be appropriate for staff and a DRB volunteer to select certain designs, which could then be made available for the community's input.

In response to a question by Mayor Hawker, Ms. Berumen advised that as a component of the application and design guidelines process, staff could solicit feedback from homeowners associations whose properties might be impacted by an art wrap project.

Vice Mayor Walters concurred with Councilmember Truitt that she would prefer someone other than the Councilmembers participating in the wrap approval process.

It was moved by Councilmember Truitt, seconded by Vice Mayor Walters, that staff's recommendations with regard to the application and approval process for art wraps on traffic control boxes be approved with the following additions: that staff solicit a member of the Design Review Board to participate in the review of the designs for the pilot project; and that where applicable, staff solicit input from local homeowners associations relative to the application approval process.

Mayor Hawker declared the motion carried unanimously by those present.

Mayor Hawker thanked everyone for the presentation.

2. Hear a presentation, discuss and provide direction on Pinal County tax issue.

Real Estate Director Doug Tessendorf provided a brief historical overview relative to the City's acquisition of the Pinal County water farms. His comments included, but were not limited to, the following: that in 1985, the property was purchased for an assured water supply for Mesa's utility customers; that Mesa has voluntarily paid "in lieu" property taxes on the land since its purchase; that the State Legislature subsequently passed a law which mandated that the City

pay the “in-lieu” taxes if it intended to transport water from Pinal County to Mesa; and that because Mesa no longer intends to use the property as a water supply, the payment of “in lieu” taxes is once again voluntary.

Mayor Hawker acknowledged that the Council discussed selling the farm properties, but commented that the decision to not use the land as a water supply would not be finalized until the remaining property is sold.

Mr. Tessendorf referred to a document entitled “Tax Year 2007 City of Mesa Water Farms” and highlighted Mesa’s Pinal County tax bill, which totals \$706,989.10. (See Attachment 2.) He explained that the payment of the assessments from Central Arizona Irrigation District (CAIDD) and Hohokam Irrigation District (HIDD) is mandatory as long as water is needed to farm the property. Mr. Tessendorf also commented that between 2006 and 2007, the tax bill increased from \$193,366.26 to \$364,601.34. He further advised that it is staff’s recommendation that the voluntary “in lieu” taxes be capped at the current level of \$364,601.34.

Mayor Hawker expressed concern relative to “the water issue” because of ongoing discussions regarding Pinal County, State Trust land reform, and whether the City of Mesa would ever consider acquiring additional land in Pinal County.

Responding to a question by Mayor Hawker, Deputy City Attorney Donna Bronski explained that per State Statute, the Council has the ability to revisit their decision concerning Mesa’s payment of the “in lieu” taxes on an annual basis. She stated that on April 1<sup>st</sup>, the City must send a letter to the State of Arizona advising the entity of Mesa’s intention with regard to the voluntary payment. Ms. Bronski added that if the City does not intend to transfer water, there is no legal requirement that the City must pay the voluntary taxes.

City Manager Christopher Brady stated that he wanted to make it very clear that staff is not recommending that Mesa not pay its taxes, but is merely suggesting to the Council that the voluntary “in-lieu” taxes be capped at the current level.

Mayor Hawker questioned whether there might be “a hybrid” option that could also be considered in this regard. He said that Mesa is selling land in Pinal County that will eventually be taxed by that entity. Mayor Hawker suggested that as a result of such sales, Pinal County will eventually receive as much, if not more, of the assessment amount because its tax base will increase as the land is marketed at a higher usage than the current agricultural zoning designation.

Discussion ensued relative to the proposed sale of the Sunbelt Refinery property in Pinal County; that it is unclear whether Mesa’s Pinal County tax bill will continue to increase or plateau; and that if the City capped the voluntary “in-lieu” taxes at the current level, it might not have much of an effect for the next few years.

Mayor Hawker expressed support for staff’s recommendation.

Vice Mayor Walters concurred with Mayor Hawker’s comments. She added that through the sale of additional properties in Pinal County, Mesa is also “creating jobs in the community.”

Vice Mayor Walters inquired if the City of Mesa sold a portion of its water farms property, retained a portion for its water rights, and at some point elected to use those water rights: 1.) What would be the status with regard to taxation if the water rights were not transferred out of Pinal County; and 2.) Would Mesa pay the tax only on the portion of land from which it is using the water rights.

Ms. Bronski responded that she was not asked to research those particular issues, but would be happy to do so. She noted that the State Statute is specifically designed to handle the inequities of transferring water out of a county.

Mayor Hawker commented that staff's recommendation is to cap the voluntary "in-lieu" tax at the current level. He stated that the Council could also choose to not pay the tax or perhaps implement some type of government inflation index.

Councilmember Truitt suggested that Mesa could also cap the tax at the 2006 rate. He commented that taxes, in general, support an operation of the government and said that just because land values have increased does not mean that the governmental entity requires twice as much in taxes to operate as it did the prior year.

Further discussion ensued relative to the fact that in 2003, land in Pinal County was worth approximately \$3,000 to \$5,000 an acre as compared to \$50,000 an acre at the present time; that Pinal County has reassessed the value of the water farms property based on the recent market changes; that with regard to the 2007 tax bill, the first half of the assessment was paid in November 2007 and the remainder is due in May 2008; and that the City works with its farm management company to ensure that the water farms property values are reasonable and correct.

Mayor Hawker commented that he would like Mesa to be "a good neighbor" with Pinal County and expressed concern regarding a municipality purchasing land in another jurisdiction and not paying "in-lieu" taxes. He stated that he is not opposed to the voluntary "in lieu" tax being capped at the current level, but requested that staff compile a list of the property that Mesa has sold in Pinal County, the tax benefits that the County would garner as a result of such sales, and assess the difference between those amounts.

Mr. Brady clarified that as Mesa sells property, the City could demonstrate the offset in benefits to Pinal County. He added that for budgeting purposes, the potential tax increases are difficult for the City to absorb.

Mayor Hawker suggested that the voluntary "in-lieu" taxes be capped at \$364,601.34; that staff conduct an analysis with regard to the Pinal County land that the City has sold and its assessed value; and that staff further compute an inflation index (i.e., 3.4% or the current inflation rate) relative to the payment. He stated that if the inflation index rate is greater than the "sold off land/new assessed value," then the City would use the higher of the two figures.

Vice Mayor Walters noted that there was an increase of more than 50% in Mesa's 2007 tax bill as compared to the previous year and inquired why the 2007 tax bill was being used as the baseline amount.

Mr. Brady responded that because of staff's concern relative to the City's financial outlook, they were attempting to create "a more predictable number."

Vice Mayor Walters commented that a good portion of the land in Pinal County that is owned by Mesa would eventually be designated for housing and stated that housing values throughout Arizona have declined. She suggested that the Council reevaluate Mesa's Pinal County tax bill in the future based on current land values for housing.

Mayor Hawker stated that it was the consensus of the Council that staff proceed with his direction.

3. Hear a presentation, discuss and provide direction on a residential rental property inspection program.

Neighborhood Services Director Ray Villa introduced Code Compliance Director Mike Renshaw, who was prepared to address the Council relative to this item.

Mr. Renshaw displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that in November 2007, the Council requested staff to research the creation of a rental property interior inspection program. He explained that Section 408(B) of the Mesa City Charter requires voter approval of such a program before it becomes effective. Mr. Renshaw also stated that A.R.S. Section 9-1302(A) currently allows cities and towns to create an interior rental inspection program.

City Attorney Debbie Spinner explained that because an interior rental inspection program falls within the category of the Housing Code, per the City Code, the creation of such an ordinance would require the approval of Mesa voters. She advised that if directed by the Council, staff would draft and bring forward an ordinance for Council consideration and if approved, the measure would be placed on the November 2008 ballot.

Ms. Spinner reported that under the State Statute, there are two different programs that cities are authorized to use. She said that the first option is complaint-based, in which a person can file a complaint regarding a rental property and if it meets certain criteria, the city is permitted to conduct an interior inspection. Ms. Spinner added that a second program is a Citywide program which contemplates a periodic inspection of all rental properties in the community.

Ms. Spinner further advised that if the Council prefers that Mesa have the same authority as the State, staff would draft an ordinance that would mirror the language in the State Statute. She said that if the State Statute changes in the future, Mesa's authority would not change. Ms. Spinner noted that as an alternative option, staff could bring forward an ordinance reflecting that the City would be authorized to implement an individual residential rental property inspection program as defined in the State Statute. Ms. Spinner stated that if there were changes to the State Statute in the future, the City of Mesa's authority would also change. She briefly highlighted the various components of A.R.S. Section 9-1302(A). (See Attachment 3.)

Discussion ensued relative to the fact that Maricopa County has worked with the City's All Coming Together in Our Neighborhoods (ACTION) Team regarding several multi-family rental properties in Mesa that staff considers challenged and where there has been an increase in the number of calls and a decline in adequate exterior property maintenance; and that staff has

identified a significant gap in the City's enforcement capability and is attempting to ensure that tenants have a safe and healthy environment in which to live.

Vice Mayor Walters stated that the proposed ordinance would not exclude the City from working with the County, but would provide Mesa's ACTION Team with a means by which to address issues of crime, blight and deterioration of rental properties. She also commented that the implementation strategy would require complaint prioritization in terms of impacting the City financially (i.e., Police and Fire service). Vice Mayor Walters added that the intent of the ordinance is not to inspect everyone's property, but is directed at what she would term "slum landlords."

Mr. Renshaw further reported that it is the recommendation of staff to implement an individual multi-family rental property interior inspection program; that the language of the ordinance be consistent with A.R.S. 9-1302(A); that the program apply to multi-family rental properties with two or more units, be complaint-based only and include the consent of the tenant or property owner; that the inspections be performed by Code Compliance using existing resources; and that there would be a need to prioritize staff response to other types of nuisance violations in the City.

Further discussion ensued relative to a Census snapshot of multi-family rental properties in Mesa; and current issues and trends with regard to aging properties and a lack of exterior and interior maintenance.

Mr. Villa advised that representatives of the Arizona Multi-Housing Association expressed support for the establishment of an individual residential rental inspection program.

Councilmember Jones expressed support for Option 2 as outlined by Ms. Spinner.

In response to a question from Councilmember Truitt, Ms. Spinner clarified that if the Council preferred Option 1 and the State Statute changed in the future, it would be necessary for the City to seek voter approval of such changes to the ordinance. She explained that with Option 2, the City would have the same authority as the State and in the event that State law changed, Mesa's authority would also change.

Councilmember Truitt suggested not limiting the inspection programs to multi-family rental units, but also including single-family residential rental properties.

Ms. Spinner responded that the City could simply adopt the language in the State Statute, which would establish an individual residential rental inspection program. She also confirmed that pending voter approval of the measure, the Council would be authorized to implement such a program if they so chose.

It was moved by Mayor Hawker, seconded by Vice Mayor Walters, that staff be directed to prepare an ordinance establishing a residential rental inspection program as outlined by Ms. Spinner in Option 2; that the ordinance provision be submitted to the voters for approval; and that the inspection programs not be limited to multi-family rental units.

Mayor Hawker declared the motion carried unanimously by those present.

Ms. Spinner clarified that the new Council, which will be sworn into office on June 2<sup>nd</sup>, will have approximately one month to consider this item before ballot language for the November 2008 election is due.

Mayor Hawker thanked staff for the presentation.

4. Appointment to boards and committees.

Mayor Hawker recommended the following appointments to boards and committees:

MUSEUM & CULTURAL ADVISORY BOARD

Samuel Vincente Fernandez – Term Expires June 30, 2009

LIBRARY ADVISORY BOARD

Diane Cantile – Term Expires June 30, 2009

It was moved by Vice Mayor Walters, seconded by Councilmember Jones, that the Council concur with the Mayor's recommendations and the appointments be confirmed.

Mayor Hawker 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 meeting schedule is as follows:

Thursday, March 13, 2008, 7:30 a.m. – Study Session

Monday, March 17, 2008, TBA – Study Session

Monday, March 17, 2008, 5:45 p.m. – Regular Council Meeting

Mr. Brady also invited the Council to attend the "Fit City Challenge," which is scheduled to take place Saturday, March 8, 2008, 9:00 a.m., at the Jefferson Recreation Center.

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 8:41 a.m.

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KENO HAWKER, MAYOR

ATTEST:

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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 6<sup>th</sup> day of March 2008. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

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(attachments – 3)