

# COUNCIL MINUTES

October 12, 2000

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 October 12, 2000 at 7:30 a.m.

## COUNCIL PRESENT

Mayor Keno Hawker  
Jim Davidson  
Bill Jaffa  
Dennis Kavanaugh  
Pat Pomeroy  
Claudia Walters  
Mike Whalen

## COUNCIL ABSENT

None

## OFFICERS PRESENT

Mike Hutchinson  
Neal Beets  
Barbara Jones

1. Review items on the agenda for the October 16, 2000 Regular Council Meeting.

All of the items on the agenda were reviewed among Council and staff with no formal action taken. There was specific discussion relative to the following items:

Councilmember Walters declared a potential conflict of interest on agenda item 4b (Seven automated external defibrillators as requested by the Fire Department) and said she would refrain from discussion/participation in this item.

Mayor Hawker declared a potential conflict of interest on agenda item 4j (Two-year renewal of the supply contract for heated soft water and rental of an asphalt distributor with an operator as requested by the Transportation Division) and said he would refrain from discussion/participation in this item.

Mayor Hawker stated that agenda item 8a (Recommend staff's recommendation that the City enter into two Memorandums of Understanding (MOU) between Lenhart's Ace Hardware and Palm Court Investments for the redevelopment of Site 24 be approved) will be removed from the consent agenda.

2. Hear and consider a report on economic development incentives.

City Manager Mike Hutchinson and Economic Development Director Dick Mulligan addressed the Council regarding this agenda item. Mr. Hutchinson explained that due to the complex and controversial nature of this issue, it is the desire of staff to provide a presentation regarding economic development incentives and to seek additional input from the Council.

Mr. Mulligan stated that economic development incentives are utilized as a means by which to attract or retain investments within a community or targeted areas within a community by lowering the cost of conducting business. Mr. Mulligan indicated that the basis for incentives is to provide a community with a competitive edge over other communities, but cautioned that incentives will not turn an inappropriate location into an appropriate location.

Mr. Mulligan referred to graphics displayed in the Council Chambers and provided a brief overview of six key areas regarding economic development incentives including: background; review of selected incentive programs; criteria for granting incentives, legal issues, policy options, and policy recommendations.

Mr. Mulligan indicated that currently, the City of Mesa is approximately 73 percent built out, and some of the reasons for its excellent business climate include explosive growth, top-rated school systems, pro-business government and affordable housing.

Mr. Mulligan commented that some of the selected incentive programs offered by the State of Arizona include property tax incentives and credits, sales tax incentives and exemptions, corporate income tax incentives and credits, enterprise zones, State loan and grant programs and educational institutions. Mr. Mulligan added that the City of Mesa's incentives are divided into two categories, Mesa's services and Mesa's financial incentives.

Mr. Mulligan enumerated MEGACORP's 12 criteria for granting economic incentives to potential firms; delineated legal risks involved in the utilization of economic development incentives and policy options; said that it is staff's recommendation to continue to handle incentive requests on a case-by-case basis, explained that a firm would be required to meet a minimum of three out of the 12 criteria to be considered for financial incentives, and added that staff would conduct further analysis and potential development and implementation of infill development incentives.

In response to a question from Vice Mayor Davidson, Mr. Mulligan advised that MEGACORP is currently in the process of partnering with the Neighborhood Economic Development Corporation (NEDCO) to create a minority/small business development program.

Vice Mayor Davidson spoke regarding the potential NEDCO/MEGACORP partnership and recommended that it would benefit MEGACORP to include language in the incentive program to the effect that the City encourages small business growth. Vice Mayor Davidson added that the incentive program also should mention Mesa's Quality of Life issues and the monies that have been invested in redevelopment projects, light rail, transportation and fiber optic systems.

Mayor Hawker requested that the Council provide input regarding the type of incentives that are appropriate for a government entity to offer private business.

Councilmember Jaffa stressed that incentives are utilized by municipalities on a national basis to attract new business. Councilmember Jaffa emphasized the necessity for the City to move firms through the economic incentive process more expeditiously, efficiently and with greater clarity. Councilmember Jaffa also spoke regarding the importance of redevelopment in west Mesa.

Councilmember Pomeroy thanked Mr. Mulligan for his concise and informative report and expressed support for the handling of incentive requests on a case-by-case basis.

Councilmember Kavanaugh spoke regarding the comprehensive package of State and local incentives available for communities conducting negotiations with businesses. Councilmember Kavanaugh said that the Council and staff must reach an agreement on incentive criteria and then communicate such criteria to businesses in a consistent manner. Councilmember Kavanaugh also discussed the necessity of staff exploring infill incentives.

In response to Councilmember Kavanaugh's comments, Planning Director Frank Mizner clarified that Mesa's infill policy will be addressed during the General Plan Update sessions and will be an important element of the adopted General Plan.

Councilmember Walters concurred with Councilmember Jaffa regarding the importance of redevelopment in west Mesa and added that consideration should be given to the creation of new redevelopment areas which would extend farther east on Main Street. Councilmember Walters remarked that a critical component in economic development incentives is the manner in which Mesa defines the recapture of dollars for the City.

Mayor Hawker directed staff to increase its focus regarding Item G of the criteria for granting incentives (Demonstrate a positive impact for the City after both benefits and costs are calculated) and noted that the Council would like to change the jobs/labor force ratio of 0.7:1 to at least equal to 1:1 prior to buildout of the City of Mesa. Mayor Hawker emphasized the importance of creating jobs in several areas of the City, including Williams Gateway and Falcon Field Airports. Mayor Hawker stated the opinion that cooperative planning efforts between the Council and MEGACORP will result in a more balanced employment/housing plan. Mayor Hawker stressed the importance of offering incentives to small businesses in proportion to those offered to larger businesses and concurred with the other Councilmembers relative to the handling of incentive requests on a case-by-case basis.

Vice Mayor Davidson concurred with Mayor Hawker regarding offering small businesses a proportionate share of incentives, but emphasized that such firms must meet the established criteria. Vice Mayor Davidson added that it is the responsibility of MEGACORP to determine appropriate incentives and said that such information should be disseminated to the Council.

Councilmember Whalen thanked Mr. Mulligan for the presentation and emphasized that it is vitally important that the City follow through on its commitments from a project's inception to completion and also encouraged MEGACORP to enhance communication efforts with community developers.

Councilmember Jaffa spoke regarding the differences between big and small business incentives and concurred with staff's recommendation relative to handling incentive requests on a case-by-case basis.

Mayor Hawker summarized the comments of Council and directed staff to: 1) continue to consider incentives on a case-by-case basis, and 2) focus on the creation of more jobs to establish a balance of residential and employment as Mesa approaches buildout.

Mr. Hutchinson stated that staff will return with a formalized policy that addresses the specific issues enumerated by the Council.

Mayor Hawker thanked staff for their presentation.

3. Discuss and consider proceeding with the downtown Aquatic Center.

Parks and Recreation Director Joe Holmwood announced that the City of Mesa's Parks, Recreation and Cultural Division was recognized at the recent National Recreation and Parks Conference as the best department in the country in the large population category. Mr. Holmwood said that Mesa beat out such municipalities as Austin, Texas and Baton Rouge, Louisiana for this award.

Mr. Holmwood explained that in response to questions posed by the Council at the September 14, 2000 Council Study Session, staff has compiled additional information regarding the Aquatic Center. Mr. Holmwood also noted that it is the recommendation of staff that Council approve the previously discussed design program.

Mr. Holmwood stated that the primary focus of Council's questions centered around three major areas including: 1) the reasons for the estimated project increase of \$4 million; 2) the economic impact/benefit the Aquatic Center will have on Mesa, and 3) the funding source for the additional \$4 million to meet the first-class quality goal.

Mr. Holmwood discussed the fact that the \$4 million project increase is based on information that has been received indicating that additional components are necessary to achieve a "first class" designation, property acquisition, site improvements, including existing soil conditions, underground stormwater retention requirements and utility relocations, and the increased structure size to accommodate two 50-meter indoor pools.

Mr. Holmwood commented that staff retained the services of Eric Lander of Canyon Research Southwest, Incorporated to conduct an economic impact analysis of the Aquatic Center, and the study revealed that the annual economic impact of the Aquatic Center events is estimated between \$5 million and \$9.8 million based on Mesa's ability to attract athletes and spectators to utilize lodging within the City.

Mr. Holmwood remarked that with the completion of the FY 99/00, actual revenues and expenditures for the half-cent, Quality of Life (QOL) sales tax program have been evaluated, and as a result, adjustments have been implemented in the financing plan for the QOL program which will allow for the required \$4 million adjustment.

Mr. Holmwood added that both the Parks and Recreation Board and the Downtown Aquatic Facility Planning Committee concur with staff's recommendation to proceed with the construction of a first-class aquatic facility.

Councilmember Kavanaugh stated that the Aquatic Center project has undergone a significant transformation from the original aquatic facility concept approved by the voters in 1996, and emphasized that the facility will provide a broad array of services to the community and become one of the leading swimming venues in the world. Councilmember Kavanaugh also acknowledged Mayor Hawker's efforts to facilitate this project. Councilmember Kavanaugh emphasized that this project will not detract from the funding of other City projects.

It was moved by Councilmember Kavanaugh, seconded by Councilmember Walters, that staff's recommendation to proceed with the downtown Aquatic Center, be approved.

In response to a question from Councilmember Pomeroy, Mr. Holmwood clarified that the proposed Aquatic Center will be a world-class, state-of-the-art facility on the same caliber as the Weyerhaeuser King County Aquatic Center and the Indiana University Natatorium.

Councilmember Pomeroy noted that although Mesa is expending a large sum of money for one venue of recreation, he is in favor of staff's recommendation and added that such funding is derived from the voter-approved QOL sales tax program. Councilmember Pomeroy recommended that facilities to accommodate other sports, such as tennis, golf and baseball, should also be made available to the citizens of Mesa.

Discussion ensued relative to the fact that staff conducted an evaluation of projects under the auspices of the QOL sales tax program and adjustments were not made to the operations and maintenance expenses to coincide with the anticipated opening dates of the Aquatic Center, the transit maintenance facility and the downtown transit center, and the fact that in the last 12 to 18 months, staff has not altered the operations and maintenance costs for the Arts and Entertainment Center.

Vice Mayor Davidson acknowledged City staff for the implementation of many award-winning programs and expressed support for additional staff recognition.

In response to a question from Councilmember Walters, Mr. Holmwood stated that the estimated completion date for construction is early 2003.

Councilmember Walters said that the development of the Aquatic Center and the Arts and Entertainment Center will not only boost the City's economy, but will provide Mesa with an international presence. Councilmember Walters also thanked staff for the additional input regarding the feasibility study and applauded Mayor Hawker for his leadership in this endeavor.

Councilmember Jaffa concurred with the comments of Councilmember Walters and expressed the opinion that the Arts and Entertainment Center is a higher priority project than the Aquatic Center. Councilmember Jaffa remarked that he is in support of staff's recommendation contingent upon the continued development efforts of the Arts and Entertainment Center as a state-of-the-art facility.

Mayor Hawker indicated that it is his goal that both the Aquatic Center and the Arts and Entertainment Center become world-class projects and said that their existence will encourage additional redevelopment projects in the downtown Mesa area that do not require government assistance.

Councilmember Whalen concurred with the comments of Mayor Hawker and expressed the opinion that it is of vital importance that the Aquatic Center be completed due to the fact it was a voter-approved project.

Mayor Hawker assured the viewing audience that with past adjustments that the City has made to the program, all of the items included in the original voter-approved Quality of Life sales tax program in 1998 will remain fully funded.

Carried unanimously.

4. Discuss and consider providing public access to City Compressed Natural Gas (CNG) fueling sites.

Mayor Hawker stated that this agenda item will be continued to a future Study Session.

5. Appointments to boards and committees.

Mayor Hawker recommended the following appointments to Boards and Committees:

HUMAN RELATIONS ADVISORY BOARD:

Randella J. Bluehouse  
Napoleon O. Pisano

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

Carried unanimously.

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

- a. Downtown Development Committee meetings held September 21 and 28.
- b. Fire Committee meeting held September 25.
- c. General Development Committee meeting held October 3.
- d. Museum and Cultural Advisory Board meeting held September 27.
- e. Police Committee meeting held October 2.
- f. Transportation Advisory Board meeting held September 19.
- g. Utility Committee meetings held September 11 and 22.
- h. Joint Meeting with Tempe City Council held September 20.

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

In response to a question from Councilmember Walters, City Attorney Neal Beets clarified that individuals who serve on Citizens Advisory Boards and Committees are held to the same voting requirements as the members of the City Council.

Carried unanimously.

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

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

8. Scheduling of meetings and general information.

City Manager Mike Hutchinson advised that the meeting schedule is as follows:

Monday, October 16, 2000, 3:00 p.m. - General Development Committee

Monday, October 16, 2000, TBA - Study Session

Monday, October 16, 2000, 5:45 p.m. - Regular Council Meeting

Thursday, October 19, 2000 - Council Study Session Cancelled

Friday, October 20, 2000, 8:00 a.m. - Special Council Meeting

Thursday, October 26, 2000, 7:30 a.m. - Council Study Session

Friday, November 3, 2000, TBA - Fire Department Review

Monday, November 6, 2000, TBA - Council Study Session

Monday, November 6, 2000, 5:45 p.m. - Regular Council Meeting

Mr. Hutchinson introduced newly appointed Deputy City Manager Paul Wenbert to the Council and welcomed him to the City management team.

Mr. Hutchinson announced that the City of Mesa employees' Community Spirit fundraising campaign netted \$290,000, which exceeded the anticipated goal of \$275,000. Mr. Hutchinson acknowledged Chairman Denise Bleyle for her efforts and also the assistance of all the employees who participated in this worthwhile cause.

Mr. Hutchinson displayed newly designed street signs that will be installed in the historic Evergreen, West Second Street and Wilbur District neighborhoods.

Councilmember Jaffa requested that he be excused early from the October 26, 2000 Study Session.

9. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

10. Items from citizens present.

There were no items from citizens present.

11. Adjournment.

Without objection, the Study Session adjourned into Executive Session at 9:25 a.m

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KENO HAWKER, MAYOR

ATTEST:

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BARBARA JONES, 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 12<sup>th</sup> day of October, 2000. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this \_\_\_\_ day of \_\_\_\_\_ 2000

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BARBARA JONES, CITY CLERK