

GENERAL DEVELOPMENT COMMITTEE MINUTES

March 20, 2000

The General Development Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 20, 2000 at 3:30 p.m.

COMMITTEE PRESENT

Jim Davidson, Chairman
Keno Hawker
Dennis Kavanaugh

COMMITTEE ABSENT

None

COUNCIL PRESENT

Mayor Wayne Brown
John Giles
Bill Jaffa
Pat Pomeroy

STAFF PRESENT

Mike Hutchinson
Wayne Balmer
Linda Crocker
Jack Friedline
Joe Holmwood
Barbara Jones
Greg Marek
Patrick Murphy
Keith Nath
Joe Padilla
Bryan Raines
Others

OTHERS PRESENT

Barrett Marson
Malcolm Ross
Tom Verplogen
Others

1. Consider ILR Holdings Inc. response to the City of Mesa Request for Proposals for the redevelopment of the northeast corner of Main Street and Macdonald (66 West Main Street, Site 21).

Redevelopment Director Greg Marek, Senior Redevelopment Specialist Patrick Murphy, and Malcolm Ross, President of Interactive Leisure Resources (ILR) addressed the Committee relative to this agenda item. Mr. Marek informed the Council that a Request for Proposals (RFP) on this project was issued based on Council direction and said that the RFP requested a redevelopment concept that included retail and a restaurant on the ground floor and refurbishing of the exterior and interior of the building. Mr. Marek stated that staff and the members of the Downtown Development Committee (DDC) recommends that the City enter into a 120-day exclusive negotiation period with ILR Holdings, Inc. and said that the proposed development includes expansion of the building by adding two levels, a possible restaurant on the top floor, definite retail and a restaurant facility on the ground floor and office space/other sports-related uses throughout the remainder of the building. Mr. Marek noted that following the 120-day period, staff will present a report to the Committee for their consideration and recommendations to the City Council.

Committeemember Kavanaugh stated that he has reviewed the recommendations and supports staff's recommendations. Councilmember Kavanaugh indicated his interest in reviewing a pre-leasing pro forma when it becomes available.

In response to a question from Committeemember Hawker, Mr. Murphy briefly outlined the contents of the RFP that was issued and noted that the respondents were only required to outline their proposals and were not required to submit drawings.

Discussion ensued relative to the fact that the building was not offered for sale, Site 21 Redevelopment Fund Initiative and staff's intention to provide additional information relative to this item, on-going discussions relative to a proposal to develop an Arizona Sports Hall of Fame and Mr. Ross' determination that the facility would not be an appropriate part of the Mesa Verde Project, plans to consider the project for placement in the City's proposed Museum District, and the fact that the Sports Hall of Fame would not be subsidized by the City of Mesa.

In response to a question from Committeemember Hawker, Mr. Marek advised that following the 120-day period requested by staff, the Committee will be provided a Memorandum of Understanding which will outline the scope of the project, cost analyses, and a variety of issues such as parking that are associated with the redevelopment project.

Additional discussion ensued relative to pre-leasing and square foot leasing costs, the fact that Class A construction warrants higher rental fees, asbestos removal and Mr. Ross' contention that the party transferring the title typically indemnifies the party taking over the title against environmental hazards such as asbestos removal, the fact that although Mr. Ross is not asking that the City assume all costs for the removal of the asbestos, he is requesting that the work be completed prior to the transfer of the title in order not to alarm lenders, and the differences between the current project and Voit's proposal, including the elimination of the parking garage.

Committeemember Hawker questioned whether it would be more economically viable to tear down the entire building and start anew.

Mr. Marek responded that analyses were performed relative to the costs associated with tearing down the old building and constructing an entirely new one and said that the expenses were virtually the same. Mr. Marek said that he will forward copies of this information to Committeemember Hawker for his review.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Hawker, to recommend to the Council that staff's recommendation that the City enter into a 120-day exclusive negotiation period with ILR, Inc. for the redevelopment of Site 21 be approved.

Carried unanimously.

2. Consider Lenhart's Ace Hardware & Palm Court investment LLC's response to the City of Mesa Request for Proposals for the redevelopment of the northwest corner of Main Street and Country Club Drive (Site 24).

Redevelopment Planner Shelly Allen addressed the Committee relative to this agenda item and stated that in response to Council direction, staff issued an RFP for Site 24, which is located on the northwest corner of Main Street and Country Club Drive. Ms. Allen informed the Committee that the RFP stipulated that: 1) commercial/retail offices be located on the ground floor; 2) the building be designed and constructed as a "gateway" feature into the downtown area; 3) the materials used in the construction of the building represent the high end of the market; 4) that a master plan be provided to indicate the manner in which the entire site will be developed; 5) they provide a method of incorporating, if possible, the existing residences along Pepper Place; 6) the developer must possess experience in previous redevelopment projects; 7) the respondents requested actions to be undertaken by the City of Mesa outlined, and 8) submission of the respondents' financial ability to complete the project.

Discussion ensued relative to extensive advertising of the RFP, mailings, web postings, and staff's efforts to work with the property owners in the area.

Ms. Allen informed the Committee that three initial proposals were received, one from Lenhart's Ace Hardware, which included a free standing 32,000 square foot building on the ground floor and offices on the second floor; a proposal from Palm Court Investments, the owners of Mesa Discount, indicating their intention to develop a building which would include 22,500 square foot Phase I expansion of the current store and an additional Phase II which would encompass a 12,500 square foot two-story office building designed with retail on the ground floor and retail on the second floor. Ms. Allen added that Phase III would include upgrading the appearance of their existing facility to match the new building. Ms. Allen advised that a third proposal was received from the Watt Companies, which submitted a combined 50,000 square foot office building with office and retail on the ground floor. Ms. Allen noted that the proposed site was designed as a suburban style strip mall with parking spaces in front of the street. Ms. Allen said that the Watt Companies' "gateway" feature amounted to a pedestrian feature and commented that the space would be leased rather than owner occupied.

Discussion ensued relative to meetings with the respondents, staff's efforts to analyze the proposals, the proposed site plan, the fact that although the Ace Hardware and Palm Court proposals are two separate and distinct businesses, they would develop as one joint proposal and appear as one development, and landscaping to separate the businesses from the homes and the street.

Ms. Allen referred to the conceptual site plan and elevations submitted by Lenhart's Ace Hardware and Palm Court Investments (Mesa Discount) and said that the plans will be formally submitted to the DDC and a recommendation will be forwarded to the City Council. Ms. Allen reported that staff supports the expansion and retention efforts of these two business which have been in Mesa for over 54 years and discussed staff's recommendation that the City enter into a 120-day negotiation period to further study the proposals, prepare a cost benefit analysis and give Lenhart's Ace Hardware and Palm Court Investments the opportunity to solidify the details of their conceptual plans. Ms. Allen reported that the DDC informally reviewed this matter at their Thursday meeting and unanimously supported staff's recommendations.

Additional discussion ensued relative to options available to the City should environmental testing results indicate problems at the site, the fact that during the 120-day time frame staff will develop a redevelopment agreement and integrate provisions into the agreement to protect the City of Mesa, the preparation of cost benefit analyses, the fact that \$1.4 million has already been budgeted for the project, the importance of ensuring that this proposal will work in conjunction with a light rail transit system on Main Street, and the future expansion of Spencer's Appliances.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Hawker, to recommend to the Council that staff's recommendation that the City enter into an exclusive 120-day negotiation period with Lenhart's Ace Hardware and Palm Court Investments for the redevelopment of Site 24 be approved.

Carried unanimously.

Chairman Davidson clarified for the record that although New West Energy Company is a "spin-off" of Salt River Project (SRP), he is not associated in any way with New West Energy and, in his opinion, does not have a conflict of interest that would prevent him from discussing and/or participating in any manner in connection with this agenda item and indicated his intention to confirm this opinion with City Attorney Neal Beets.

Public Works Manager Jack Friedline informed the Committee that a proposal has been received from Interactive Leisure Resources (ILR), Inc., Mesa Verde, North Wind and others in developing a district cooling system to serve not only the Mesa Verde Development but also City buildings in the downtown area and other facilities within the redevelopment area. Mr. Friedline discussed staff's efforts to review the proposal and said that staff is recommending the continued analysis of this proposal in pursuit of more accurate cost calculations and the possibility of a modified proposal that allows for multiple chiller plants and a chilled water loop system.

City Engineer Keith Nath provided the Committee with an overview of this issue and said that in mid-January a proposal was received from Northwind Arizona for a district cooling system in the Mesa Verde Project. Mr. Nath said the integration of a central chiller plant into part of the garage area would provide chilled water and added that a line from the central plant would be constructed to the Mesa Verde Project and into the downtown area to serve buildings in that vicinity, including the Arts & Entertainment Center and the Aquatics Facility. Mr. Nath informed the Committee that Northwind Arizona is a private company and is proposing that they construct the system as part of their participation in the Mesa Verde Project. Mr. Nath noted that Northwind Arizona would be the owners/operators of the project and added that they have brought in a partner, Comfort, USA, which is basically a contractor/designer for these types of systems.

Discussion ensued relative to the fact that Northwind Arizona would be the owners/operators and Mesa Verde and the City of Mesa would be customers, a proposal that they provide chilled water to the City, Mesa Verde and future potential businesses in the downtown area, Northwind Arizona's proposal to provide the water at a rate equal to the rate that the City of Mesa currently pays on a unit cost basis for a facility on a stand alone basis, advantages and disadvantages of the system including the fact that the City would become a "customer" of Northwind Arizona and be forced to rely on another source for chilled water, the fact that only one line would be constructed initially and should problems develop, the system could shut down, staff's recommendation that eventually a "loop system" be developed to provide added protection, the need for additional discussion relative to the system's operational and maintenance costs, the costs associated with converting existing buildings and the fact that the total fiscal impact is not known at this time.

Mr. Nath informed the Committee that the initial capital investment costs would be reduced and said that the City would end up paying higher monthly costs as a result of paying for the capital costs over time.

Committeemember Kavanaugh stated the opinion that the proposal represents an interesting concept to reduce energy costs/uses in the downtown area and commented that this system may have the potential of attracting businesses into the downtown area in the future.

Committeemember Hawker stressed the importance of obtaining input from the Utility Department staff and indicated that additional information must be provided in order to consider this proposal. Committeemember Hawker added that the City should consider all available options prior to rendering a decision.

City Manager Mike Hutchinson commented that staff is presenting a brief overview at this time and will present in-depth data at a later date.

Discussion ensued relative to cities/facilities which currently utilize chiller plants, ILR's financing efforts and the importance of accelerating the process, the possibility of entering into a Memorandum of Understanding, and staff's intention to work as expeditiously as possible relative to this matter.

4. Adjournment.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Hawker, that the meeting of the General Development Committee adjourn at 4:42 p.m.

Carried unanimously.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the General Development Committee of the City of Mesa, Arizona, held on the 20th day of March 2000. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____ 2000

BARBARA JONES, CITY CLERK