



COUNCIL MINUTES

October 16, 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 October 16, 2008 at 7:30 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Kyle Jones
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

1. Convene an executive session.

- a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. Section 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 all contracts involving the development of the Mesa Proving Grounds 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. Section 38-431.03A(4))
 1. Mesa Proving Grounds, approximately 3,200 acres of the former General Motors Proving Grounds facility, located generally at the southeast corner of Elliot and Ellsworth Roads.

It was moved by Vice Mayor Jones, seconded by Councilmember Richins, that the Council enter into an Executive Session.

Carried unanimously.

(At 8:07 a.m., the Executive Session adjourned and the Council reconvened the Study Session.)

2. Hear a presentation and discuss the development of the Mesa Proving Grounds located generally at the southeast corner of Elliot and Ellsworth Roads, including the Notice of Intent, all agreements, development issues and zoning issues.

Mayor Smith provided a brief update of various ordinances introduced at prior Council meetings related to the development of the Mesa Proving Grounds and the Gaylord Hotel project (i.e., zoning, annexation, and a Notice of Intent relative to a development agreement and a benefit and incentive agreement for the Gaylord Hotel). He explained that due to the complex nature of the ongoing negotiations, Council action on these matters would be moved from the October 20, 2008 Council meeting to the November 3, 2008 Council meeting. Mayor Smith stated that the delay would provide the public an opportunity to review the various agreements and offer input with regard to the development.

Mayor Smith acknowledged that the Gaylord Hotel project, which is a proposed 1,200 to 1,500 room destination resort on the Mesa Proving Grounds site, would be a significant development not only for the City of Mesa, but the entire State.

Mayor Smith further noted that because the Gaylord project includes the construction of a convention center, per Section 613 of the Mesa City Charter, Mesa voters must approve or disapprove certain public expenditures related to the project. He announced that he would place an item on the November 3, 2008 Council meeting agenda requesting that the Council take action on a resolution calling a Special Election to be held on March 9, 2009 to bring this project to a vote of the citizens of Mesa. Mayor Smith also stated that Gaylord and DMB Associates concur with such an election and added that he is confident the citizens of Mesa would support the project.

City Attorney Debbie Spinner referred to the October 20, 2008 Council meeting agenda and reported that items 8b, 8c, and 8e would be continued to the November 3, 2008 Council meeting. She explained that with regard to 8d, staff intends to clarify certain language in the ordinance related to the establishment of a Community Plan District (CPD) and stated that the ordinance would be reintroduced on October 20th and placed on the November 3rd agenda for Council action.

Ms. Spinner further reported that on October 20th a revised Notice of Intent to enter into a retail development tax incentive agreement with DMB Mesa Proving Grounds would be introduced and said that at the November 3rd Council meeting, the Council would take action on the item. She indicated that the Notice of Intent would also include a series of agreements (i.e., financial agreement, development agreement, leases) and an Intergovernmental Agreement (IGA) related to a Community Facilities District (CFD) that may be established in the future. Ms. Spinner advised that the October 20th Council agenda would also include the introduction of additional ordinances related to the phasing of the Mesa Proving Grounds development and associated City services.

Ms. Spinner reiterated that at the November 3, 2008 Council meeting, the Council would take action on the following items related to the Mesa Proving Grounds project: Findings of Fact; the incentive development agreement, leases and CFD document; two entitlement development agreements related to the phasing of the development and City services; various zoning matters (i.e., annexation ordinance, comparable zoning, PCD ordinance); a lighting standards ordinance; a potable water resolution; and a resolution calling a March 9, 2009 Special Election.

Mayor Smith thanked Ms. Spinner for her presentation.

3. Review items on the agenda for the October 20, 2008 Regular Council meeting.

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

Conflicts of interest declared: None

Items continued to the November 3, 2008 Regular Council meeting: 8b, 8c and 8e

Items deleted from the consent agenda: 8d

4. Hear a presentation, discuss and provide direction on the Neighborhood Stabilization Program.

Neighborhood Services Department Director Ray Villa displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and highlighted a series of maps demonstrating an estimated 2,300 properties currently in foreclosure in the City of Mesa. He explained that approximately 460 foreclosed properties are located in the 85204 Zip Code area. Mr. Villa also noted that there is a significant correlation between such foreclosures and the number of Code violations and Part 1 crimes committed in the area.

Housing and Revitalization Director Carolyn Olson addressed the Council and provided a brief overview of the Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP). She reported that the program was authorized as a result of the Housing and Economic Recovery Act (HERA) and explained that Mesa's allocation of NSP funding is \$9,659,665. Ms. Olson stated that the program was designed to assist State and local governments in addressing the effects of abandoned and foreclosed properties. She noted that the funds would be treated as Community Development Block Grant (CDBG) funds and considered as a Special Allocation of Mesa's 2008 CDBG funds.

Ms. Olson highlighted a series of criteria considered by staff in determining which area of Mesa would have the greatest need to receive NSP funding. Those items include the following: the area that has the greatest percentage of foreclosures; homes financed by a subprime mortgage; homeowners most likely to face foreclosure; and a high concentration of Code Compliance violations and Part 1 crimes. She said that based upon staff's analysis, it was concluded that the area of highest need is situated west of Lindsay Road, with a priority given to the 85204 Zip Code area.

Discussion ensued relative to the fact that the City must use the NSP funds no later than 18 months after the execution of a grant agreement (i.e., specific projects must be identified); that if such funds are not obligated, they must be returned to HUD; that later today, staff would meet with the City's community partners that might wish to apply for NSP funds and distribute Request for Proposal (RFP) information; that on November 20th, the Council must approve the City's Action Plan and that December 1st is the deadline for the City to submit the Action Plan Substantial Amendment to HUD; and that up to 10% of the NSP grant plus program income is allowed for planning/administration of the program.

Ms. Olson briefly reviewed the five eligible uses of the NSP funds as follows:

- Purchase and rehabilitate homes and residential properties for sale, rental or redevelopment.
- Demolish blighted structures.
- Redevelop demolished or vacant properties.
- Establish land banks for homes foreclosed upon.
- Establish financing mechanisms for the purchase/redevelopment of foreclosed-upon homes and residential properties.

In response to a question from Councilmember Higgins, Deputy City Manager Kari Kent explained that land banking is the assemblage of a cluster of properties that could be held “until a better use comes along.”

Ms. Olson cautioned, however, that HUD is discouraging communities from land banking a large amount of vacant properties and said the agency prefers that the properties be redeveloped with homes to revitalize neighborhoods. She added that NSP funding would not include the construction of a park.

Councilmember Higgins inquired whether it would be appropriate to develop a park or construct a local community center using NSP funds, the purpose of which would be the revitalization of a neighborhood.

City Manager Christopher Brady stated that the difficulty with Councilmember Higgins’ proposal is that the City does not have the necessary funding at this time to pay for the operation and maintenance of a park or community center. He said that he has challenged staff to address the issue of long-term sustainability of rehabilitated or redeveloped homes in a targeted neighborhood, which may include an element of property management to ensure that the homes are maintained in the future.

Mayor Smith stated that although he does not disagree with Councilmember Higgins’ point of view, it should be a policy decision of the Council to determine whether it is more appropriate to use the NSP funding to improve Mesa’s housing stock and if it would have the same effect as constructing a park or community center.

In response to a question from Councilmember Richins, Ms. Olson clarified that Mesa could rehabilitate approximately 37 homes with Mesa’s NSP funding allocation of \$9.6 million.

Councilmember Richins stated that staff is “on the right track” in giving priority to the 85204 Zip Code area.

Mayor Smith stated that it might be appropriate for the City to focus its efforts on rehabilitating the housing stock, for instance, in a two or three block area in the 85204 Zip Code area as opposed to creating “a checkerboard effect” across Mesa. He also suggested demolishing blighted fourplex structures and constructing two or three single family detached homes that would provide greater stability to a neighborhood.

Councilmember Finter concurred with Mayor Smith’s comments and said that drug activity occurs in and near many of the vacant fourplexes and duplexes in the Reed Park area. He also

observed that a number of single family homes in the Broadway and Gilbert Road area are bank-owned properties and poorly maintained.

Mr. Brady stated that one of the reasons staff identified the 85204 Zip Code area for the NSP funding is because Police, Fire, Code Compliance, the All Coming Together in Our Neighborhood (A.C.T.I.O.N.) team, United Way and other community partners have already expended significant resources and efforts in the area.

Vice Mayor Jones commented that it might be appropriate for the City to acquire blighted structures that should be demolished and, in turn, sell the properties to an organization such as Habitat for Humanity, which would build new homes and educate individuals regarding homeownership.

Further discussion ensued relative to the various activities that are not eligible under the NSP; that the funds must be used to benefit individuals at or below 120% of the area's median income (i.e., 120% of median income for a family of four is \$77,050); that an additional NSP requirement is that not less than 25% of the funds available to each grantee must be used for housing activities that benefit individuals whose incomes do not exceed 50% of the area's median income (i.e., 50% of median income for a family of four is \$32,100); that the principal way to comply with the NSP would be through rental housing; and that grantees must expend on eligible NSP activities an amount equal to or greater than the initial allocation of NSP funds within four years (July 30, 2013) of receipt of funds.

Councilmember Kavanaugh stated that with the additional NSP requirement, there could be opportunities for the City to work with organizations that serve individuals with special needs whose incomes often do not exceed 50% of the area's median income. He also expressed concern that because Mesa's Action Plan for the NSP funding must be submitted to HUD by December 1st, that the City is placing a burden on its community partners to submit RFPs in a limited period of time.

Additional discussion ensued relative to the fact that staff is seeking non-profit organizations that have experience and the capacity to perform within the guidelines as established by HUD; and that staff did not receive the final NSP regulations until September 29th.

Councilmember Richins requested that staff provide the Council information with regard to the efforts undertaken by other communities in applying for NSP funding.

Carol McCormack, President of the Mesa United Way, addressed the Council and concurred with staff's assessment that priority should be given to the 85204 Zip Code area for Mesa's allocation of NSP funding. She reiterated that the purpose of the program is to stabilize blighted and declining neighborhoods and added that the United Way would be happy to assist the City in expediting the RFP process in any way that it can.

Mayor Smith stated that there was Council concurrence with staff's recommendation that the area of highest need for the NSP funding is the area west of Lindsay Road and that priority be given to the 85204 Zip Code area. He also directed that staff narrow their focus to, perhaps, a specific neighborhood within the 85204 Zip Code area.

Ms. Kent responded that after Mesa receives its allocation of NSP funding, staff would meet with the stakeholders, non-profit organizations and other community partners to explore particular neighborhoods in the 85204 Zip Code area that have the highest rate of foreclosures. She said that staff would present their findings at a future Study Session and seek Council direction in that regard.

Mayor Smith thanked everyone for the presentation.

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

- a. Museum and Cultural Advisory Board meeting held June 25, 2008
- b. Economic Development Advisory Board meeting held September 2, 2008
- c. Parks and Recreation Board meeting held September 10, 2008

It was moved by Councilmember Somers, seconded by Vice Mayor Jones, that receipt of the above-referenced minutes be acknowledged.

Carried unanimously.

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

Councilmember Higgins recognized Code Compliance Officer Charles DeWitt for his 14 years of service with the City of Mesa and wished him well in his retirement. She also acknowledged the presence of Lynne Van Gould, a member of the Mesa Chamber of Commerce's Leadership, Training and Development (LTD) class, who is "shadowing" her today.

Vice Mayor Jones:	Metro Board Rail meeting
Councilmember Somers:	District 6 Pancake Breakfast
Councilmember Higgins:	MacFest

7. Scheduling of meetings and general information.

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

Saturday, October 18, 2008 – GAIN Event

Thursday, October 23, 2008, 3:30 p.m. – Forensic Services Building Ribbon Cutting Ceremony

Saturday, October 25, 2008, 10:00 a.m. – City Hall at the Mall

8. Items from citizens present.

There were no items from citizens present.

9. Adjournment.

Without objection, the Study Session adjourned at 9:05 a.m.

SCOTT SMITH, 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 16th day of October 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

pag