

**CITY OF MESA
MINUTES OF THE DOWNTOWN DEVELOPMENT COMMITTEE
SPECIAL MEETING**

DATE: June 27, 2002 **TIME:** 7:30 a.m.

MEMBERS PRESENT

Dave Wier, Chair
Art Jordan, Vice-Chair
Theresa Carmichael
Deb Duvall
Wayne Pomeroy
Terry Smith

STAFF PRESENT

Shelly Allen
Tony Felice
Greg Marek
Amy Morales
Patrick Murphy

OTHERS PRESENT

** Mark Reeb
** Chuck Riekena

**New DDC members as of 7-1-02

MEMBERS ABSENT

Vince DiBella
Shanlyn Newman
Lori Osiecki

1. Call to Order

The June 27, 2002 special meeting of the Downtown Development Committee was called to order at 7:34 a.m. in the Redevelopment Office Conference Room located at 20 E. Main Street, Suite 200 by Chair Wier.

2. Discuss and consider the submittals to the Request for Qualifications (RFQ) and a draft Request for Proposals for Site 21 (former Bank One building) located at 1 Macdonald Street.

Mr. Patrick Murphy presented a report detailing the submittals to the Request for Qualifications and reviewed a draft Request for Proposals for Site 21.

Mr. Murphy noted that seven submittals to the RFQ were received from a diverse group of developers; ranging from small firms who specialize in this type of redevelopment project, to larger firms who have done a variety of development projects.

Preliminary concepts proposed by these submitters include mixed-use development of the building with retail/restaurants/office use on the ground floor and office uses on the upper floors. A couple of submitters suggested residential uses on the upper floors.

Mr. Murphy stated that the team that reviewed these submittals believes qualified developers have responded, and the next step, which is to issue the RFP, should be taken. The team is comprised of: Ernie Bleinberger of Hunter Interests, Inc., Dick Mulligan, Economic Development Director, Doug Tessendorf, Real Estate Director, Tom Verploegen, Executive Director MTCC, and Redevelopment Division staff.

Mr. Murphy also referred to the draft Request for Proposals, noting that staff would like to take this report and draft RFP to the General Development Committee on July 8th to recommend that the City Council authorize advertising for the Request for Proposals.

The following is a synopsis of the main points of the RFP for Redevelopment Site # 21:

1. The City of Mesa is looking for a developer to rehabilitate the building's interior and exterior to complement the ongoing downtown revitalization efforts. The expectation is that quality, class-A type materials will be used.
2. The City of Mesa encourages retail/restaurant use on the ground floor. At a minimum, the ground floor must have a pedestrian oriented design. Preference will be given to proposals that have confirmed tenants.
3. The City of Mesa encourages tenants in the building representing the 'high end' of the market.
4. The Developers must submit evidence of financial strength and capacity to secure private capital and financing sufficient to undertake the project.

Mr. Murphy reviewed the tentative project schedule.

Mr. Greg Marek pointed out that the only changes in the Request for Proposals is under the Project Description Section on page 3 where retail is no longer required, but encouraged; also, preference will be given to the proposals that have been confirmed tenants.

Ms. Terry Smith commented that she liked the idea of weighting the proposals and asked about the financial strength of the submitting developers.

Mr. Murphy replied that both Continental Commercial Group and Lexington Capital Corporation have preliminary commitment letters.

Mr. Marek summarized the financial background and experience of the other developers. Mr. Marek said that all 7 of the submittals received appear to be financially qualified, but that doesn't mean they will all choose to submit an RFP due to time and money constraints.

Chair Dave Wier asked if the Committee would know before receiving the RFP if Voit intends to build a parking garage.

Mr. Marek responded that they wouldn't know until a response to the RFP is received.

Chair Wier asked if the DDC had already approved the landscaping and parking lot design.

Mr. Marek answered that it was approved and it's in the C.I.P. budget, along with the Macdonald Street improvements.

Mr. Wayne Pomeroy noted that Voit Company has a building permit and plans, and asked if Voit could use those.

Mr. Marek said that Voit could use the permit and plans, which would be evaluated as a part of their proposal. Compatibility of all design concepts submitted will be compared. Developer experience and financial strength will be considered, along with looking at the mix of uses and design of the project.

Chair Wier asked if BPLW planned to stay in downtown Mesa, and if they are members of any of the developer teams.

Mr. Marek stated that BPLW is part of the team of Outsource International, and has had discussions with several other developers regarding being a tenant in the building if their development plans are used.

Mr. Art Jordan noted that there is also a timing issue that Gene Valentine (of BPLW Architects) expressed in addition to needing more space.

Mr. Marek said that BPLW is planning to stay in downtown Mesa even if they do not become a tenant of the Site 21 building.

Mr. Marek noted that people have been calling with needs for 300 - 500 sq. ft. along with a conference room, so it seems the executive office suite idea will work well (where offices would share conference rooms, secretarial services, office equipment, etc.).

Ms. Deb Duvall asked how a "confirmed tenant" is defined.

Mr. Marek responded that a commitment letter or possibly a signed lease would confirm a tenant.

Ms. Theresa Carmichael asked if there would be a workgroup to discuss responses.

Mr. Marek answered that it would be up to the DDC members if they wished to form a workgroup.

Other Committee members agreed that a workgroup would be a good idea.

Ms. Carmichael expressed concern that there may be too much information and not enough time to consider the proposals if a large number are received.

Chair Wier asked who would like to participate in the workgroup.

Ms. Duvall inquired if they would be able to review the proposals at least one week in advance of making a decision.

Mr. Marek suggested the possibility of staff briefing all DDC members (2 –3 members at a time) instead of limiting review to a workgroup.

Ms. Carmichael noted that she feels it's helpful to hear other Committee members' comments when being briefed by staff.

Mr. Art Jordan suggested preparing an evaluation chart showing the key points.

Mr. Jordan said that he feels the City should leverage the exclusivity period, and that a statement of equity position backed by a secured credit line would be more desirable than just getting a commitment letter from a bank.

Mr. Marek replied that the City has already covered that, and referred to page 4 of the RFP, item number 4 under "Proposal Requirements."

Mr. Marek noted that there will be a weighted scale to evaluate proposals.

Mr. Marek stated that Hunter Interests, Inc. estimated that the Site 21 project will cost close to \$5.5 million, and potential developers have already been informed that this project would require at least \$5 million.

Mr. Jordan suggested that to avoid bartering, the City should finalize their best and final offer.

Mr. Marek said that there are pros and cons to doing that, and the City's best and final offer is probably the latest redevelopment agreement, which is public information and includes the following:

- GPLET (Government Property Lease Excise Tax) abatement
- Improvements to the parking lot (in CIP)
- Improvements to Macdonald Street Streetscape (in CIP)
- Removal of colonnade
- Already removed asbestos

Mr. Marek noted that the City Council might decide to give more or less. Due to the current financial position of the City, it doesn't look like a garage to the north of the building is a possibility. City staff is working with Mesa Town Center Corporation to analyze how many parking spaces are needed and the best way to accommodate these parking needs.

Mr. Jordan stated that it is important for the developers to educate themselves about the parking issues.

Ms. Duvall asked for clarification on the term “period of exclusivity.”

Mr. Marek clarified that after a proposal is selected by City Council, a redevelopment agreement will need to be formulated with the developer, and that time period (usually 90 days) is referred to as the “period of exclusivity.”

Mr. Jordan said that once a developer gains exclusivity, if the project doesn’t go anywhere, the process would start over from the beginning.

Mr. Marek noted that the developer is also taking a risk and incurring various expenses. Mr. Marek stated that if after the 90-day period of exclusivity no agreement is reached, negotiations can be terminated and the next ranked developer could begin negotiations.

Ms. Carmichael asked what could potentially cause the negotiations to cease.

Mr. Marek answered that financing is usually the biggest obstacle; that’s why it is evaluated with a weighted scale.

Mr. Jordan stated that pre-leasing usually only occurs by known companies and he feels that this project is definable enough that a developer should be able to complete this.

Mr. Marek agreed that the developer needs to have solidified equity or funding commitments.

Mr. Jordan asked if the City of Mesa planned to lease space in the building.

Mr. Marek replied that the City is not planning to lease any space in the building since it would be contrary to the Concept Plan. Both the Redevelopment Division and Mesa Town Center Corporation believe that Site 21 should not be used by City government employees.

Ms. Smith stated she was glad to hear that.

Ms. Carmichael asked who else besides the seven developers would be on the distribution list for RFP packets.

Mr. Marek said there have been a couple of developers (who did not submit an RFQ) that called to request a copy of the RFP.

It was moved by Deb Duvall, seconded by Art Jordan, to recommend that City Council direct Staff to issue the Request for Proposals for Site 21 as presented in Exhibit No. 1.

Vote: 6 in favor; 0 opposed

3. Director's Report, Greg Marek

Mr. Marek briefed Committee members on the General Development Committee agenda for July 8th, which will include the following:

- RFP for Site 21
- RFP for 146 W. Main Street
- RFP for the Mitten and Pomeroy Houses
- Conceptual Proposal for Arizona Bronze Foundry

Mr. Marek also noted that over one year ago the City Council approved an ordinance changing the Fire Code regarding the requirement of sprinkler systems in commercial buildings. Previously, the building was required to be sprinkled only if it was over 5,000 sq. ft. Now, every commercial building is required to have a sprinkler system installed.

Mr. Marek informed DDC members that the "Latte Dah" project (next to the Sirrine House) may not happen due to the cost of installing fire sprinklers. There are no breaks in rehabilitating existing buildings, and to bring this project into compliance with the fire sprinkler code would cost about \$30,000.

Mr. Tony Felice explained in detail what changes would have had to been made in order to bring the building into compliance with the fire sprinkler code.

Mr. Marek stated that without a rehabilitation code, it may not be financially feasible to commercially redevelop projects such as the Mitten and Pomeroy Houses.

Mr. Marek told Committee members that an internal staff meeting would be held on July 8th to discuss a rehabilitation code draft, and a public meeting on July 15th to discuss this issue.

Mr. Jordan asked if the Fire Chief has the latitude to make alterations; and suggested that the DDC meet with the Fire Chief to discuss their concerns.

Mr. Marek noted that Tom Verploegen of Mesa Town Center Corporation was considering scheduling a meeting with the Fire Chief and Mr. Marek to present examples such as "Latte Dah."

Mr. Felice pointed out the following issues that need to be dealt with:

1. The fire suppression requirements for the individual property, and
2. The inability to access available water supply in a cost effective basis for smaller parcels.

Mr. Felice said that a policy is being proposed that future street infrastructure include water lines on both sides of the street. Another consideration is how to deal with the older sections of the City where the requirement is being placed on individual property owners to access the water supply.

Mr. Mark Reeb stated that there are exemptions available, but he hasn't seen one yet in the past eighteen months.

Mr. Jordan noted that fire departments have become very aggressive in addressing all potential safety issues and adopting stricter codes, but are not taking into account individual situations.

Ms. Duvall suggested looking at amending the ordinance for existing buildings.

Mr. Marek stated this is part of what needs to be addressed in the Rehabilitation Code.

Chair Wier said he would like to have a meeting with the Fire Chief and the City Council's Fire Committee.

Ms. Carmichael asked why this issue isn't addressed in the Rehabilitation Code, and who was responsible for that.

Mr. Marek said the Building Department is in charge of the Rehab code and they claim they have no jurisdiction over the Fire Code; that it's the Fire Department's responsibility for the Fire Code.

Mr. Felice pointed out that besides the Redevelopment Division, there is only one other person (Tammy Albright of Economic Development) in the City that assists potential new business owners when they are doing an analysis to decide whether to undertake a project. However, there is a new project coordinator in the Building Department assigned to larger commercial projects.

Mr. Reeb reemphasized Mr. Felice's earlier point that new construction is impacted by the requirement to find access to a water line.

Mr. Marek told DDC members that Redevelopment staff has not yet received the new Redevelopment Committee Ordinance developed by the Planning and Zoning Department, so the DDC members will potentially review the ordinance in August.

Mr. Marek informed the Committee that the Transportation Plan was approved by City Council. Also, the Light Rail placement was amended so it will no longer be on Main Street, but along a corridor between Main Street and First Avenue, with the exact alignment to be determined at a later date.

4. **Board Member Comments**

Chair Wier welcomed Mark Reeb and Chuck Riekema, who will begin their terms as Downtown Development Committee Members in July 2002.

5. **Adjournment**

With there being no further business, this meeting of the DDC was adjourned at 8:35 a.m.

Respectfully Submitted,

Mr. Gregory J. Marek, Director of Redevelopment
Minutes prepared by Kathy Guthmiller