

COUNCIL MINUTES

December 2, 2004

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 December 2, 2004 at 7:31 a.m.

COUNCIL PRESENT

Claudia Walters, Vice Mayor
Rex Griswold
Kyle Jones
Tom Rawles
Janie Thom
Mike Whalen

COUNCIL ABSENT

Mayor Keno Hawker

OFFICERS PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

Councilmember Jones participated in the entire meeting via telephonic equipment.

Vice Mayor Walters excused Mayor Hawker from the entire meeting. She also excused Councilmember Whalen from the beginning of the meeting (he arrived at 8:16 a.m.), and Councilmember Rawles from the last portion of the meeting (he left at 8:00 a.m.) prior to the discussion of agenda item 2.

(Agenda items 3 and 4 were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

1. Review items on the agenda for the December 6, 2004 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: 4b, 11g (Walters); 4c (Griswold); 5h, 5i, 7f, 7g (Hawker)

Items removed from the consent agenda: 11f, 11h, 11j, 11l,

Items added to the consent agenda: 8b

Items removed from the agenda: 9a

2. Discuss and consider issues associated with the Riverview at Dobson Project.

Councilmember Rawles declared a potential conflict of interest and stated he would refrain from discussion/participation in this agenda item.

- a. Hear a presentation on the Ernst and Young Market Analysis for the Riverview at Dobson Project.

Steve Klett of Ernst and Young's Real Estate Advisory Services stated that he would summarize the "Market Analysis for a Proposed Retail Development Located at Dobson Road and Loop 202" (a copy is available for review in the City Clerk's Office), which was prepared for the City of Mesa.

Mr. Klett advised that the report includes a market study of the site, retail sales tax projections on a tenant-by-tenant basis, interviews of retail tenants and industry data from public sources. He added that other aspects of study include the following:

- Neighborhoods of existing Valley retail centers.
- Retail sales per capita data.
- The impact of the freeway on the site.
- The demographics of the existing neighborhood.

Mr. Klett noted that based on an estimate of retail sales and sales taxes to be generated by the site, a 30-year cash flow model was prepared. He explained that two scenarios were considered in preparing the report: The first was a minimum build out as outlined in the development agreement, and the second was a maximum build out based on the developer's plans for the site. Mr. Klett outlined the details of the two scenarios as reported in the Ernst and Young letter of November 30, 2004 (see Attachment 1) addressed to City Manager Mike Hutchinson titled, "Summary of Findings and Recommendations." He noted that the proposed location is environmentally clean, has excellent visibility from the 202 Freeway, and provides easy access from both the 101 and 202 Freeways. He added that the site is centrally located, is situated in close proximity to the airport, and includes a population of 340,000 within a five-mile radius.

Mr. Klett reported that the weaknesses of the site include limited opportunity for additional residential growth in the area and the fact that existing traffic counts in the neighborhood are low by retail standards.

Mr. Klett advised that the largest threat to the Mesa development is the proposed Tempe Marketplace, which encompasses a similar concept. He stated that the area is unable to support both developments, and he expressed the opinion that whichever site is developed first, the other would remain undeveloped for the next ten years unless an alternate type of use is proposed. He noted that the study concludes that the Mesa site is superior to the Tempe site for the following reasons:

- Contamination is present on the Tempe site.
- Some Tempe property owners in the development area do not wish to sell.
- The Mesa site has superior access for retail development.

Mr. Klett concluded by noting that the sales tax revenue projection ranges from a minimum of \$177 million to a maximum of \$271 million over a 30-year period.

In response to comments by Vice Mayor Walters, Mr. Klett advised that to some degree all retail development is competitive, but he stated the opinion that the Mesa project and Fiesta Mall would be complementary to each other. He added that his firm has extensive experience in conducting similar studies of large projects for municipalities.

Vie Mayor Walters thanked Mr. Klett for the presentation.

b. Review the proposed Phase I and Phase II Development Agreements.

Mr. Hutchinson noted that a document summarizing the development agreements (see Attachment 2) was provided to the Council. He acknowledged the efforts of staff, and he added that the City has taken a conservative approach in order to minimize risk. Mr. Hutchinson advised that the project is expected to generate substantial sales tax revenues, provide employment opportunities, and result in additional property tax revenues for area school districts.

Mr. Hutchinson outlined the key points of the agreements, and he concluded by advising that staff was present to answer questions.

Councilmember Whalen congratulated staff for their efforts regarding the development agreement, and he expressed support for the project.

In response to a question from Councilmember Thom, City Attorney Debbie Spinner advised that ownership of the Bass Pro Shop building was not a matter that involved the City of Mesa, and that the subject was a issue to be negotiated between the developer and Bass Pro.

Mr. Hutchinson explained that the City preferred not to issue bonds to facilitate construction of the buildings, and therefore the developer assumed responsibility for the risk at the City's request.

Ms. Spinner responded to a question from Councilmember Thom regarding whether Bass Pro would own or rent the building by advising that Bass Pro and the developer were negotiating the terms of their agreement, and that the City was not a party to the negotiations.

In response to the opinion expressed by Councilmember Thom that the seven percent interest rate was too high for the project, Mr. Klett advised that the seven percent rate is exceptionally low, and that the normal interest rate would be in the range of ten to eleven percent.

Councilmember Thom stated that in earlier discussions, the auto dealers were considered separately from the Phase II development, and she asked what portion of the 30-year cash flow projection is represented by the car dealerships.

Mr. Hutchinson advised that staff would provide that information at the next Study Session.

Discussion ensued relative to the fact that the zoning cases have been processed subject to the subsequent submittal of the site plans; that a zoning change would require review by the Planning and Zoning (P&Z) Board and the Council; that the City is unable to dictate the developer's selection of tenants; that the Bass Pro Shop is considered to be the key element of the development; and that staff would maintain a good working relationship with the Arizona Department of Transportation (ADOT) in order to address future traffic concerns.

Councilmember Jones stated the opinion that Bass Pro will establish a store somewhere in the Valley, which will result in a substantial economic benefit to the area in which they locate. He noted that attempts were made to attract Ikea to a Mesa location, but the City of Mesa would not agree to match the incentive package offered by the City of Tempe. Councilmember Jones complimented staff for their efforts, and he expressed support for the development because of the projected long-term economic impact that will benefit the City of Mesa.

Vice Mayor Walters reported that many neighborhood meetings were held with the developers, and she advised that the process facilitated neighborhood input, which ensured that the project would be acceptable to both the neighbors and the developer. She noted that a number of Mesa businesses received incentives to relocate to neighboring communities, and she expressed the opinion that Mesa should not be required to operate under different rules than other Valley communities. Vice Mayor Walters also stated the opinion that the proposal is a regional project that will provide an economic benefit to all sections of Mesa and the surrounding areas.

Mr. Hutchinson advised that the project information would be posted on the City's website.

In response to a question from Councilmember Griswold, Vice Mayor Walters stated that the majority of the neighborhood residents strongly support the proposal that includes the Bass Pro Shop. She noted that 100 percent support for any issue would be rare, and she added that some individuals would prefer that the land remain vacant.

Vice Mayor Walters thanked staff for the presentation.

3. Appointments to boards and committees.

Vice Mayor Walters announced that Mayor Hawker recommends the following appointment to Boards and Committees:

DOWNTOWN DEVELOPMENT COMMITTEE

Gary Gallagher Expiration of Term: June 30, 2006

It was moved by Councilmember Griswold, seconded by Councilmember Rawles, that the Council concur with the Mayor's recommendation and the appointment be confirmed.

Upon tabulation of votes, it showed:

AYES - Griswold-Jones-Thom-Rawles-Walters

NAYS - None

ABSENT - Hawker-Whalen

Vice Mayor Walters declared the motion carried unanimously by those present.

4. Acknowledge receipt of minutes of boards and committees.

- a. Ad Hoc Redevelopment Advisory Committee meeting held October 12, 2004.
- b. Police Committee meeting held November 10, 2004.

It was moved by Councilmember Griswold, seconded by Councilmember Thom, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES - Griswold-Jones-Thom-Rawles-Walters
NAYS - None
ABSENT - Hawker-Whalen

Vice Mayor Walters declared the motion carried unanimously by those present.

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

Councilmember Jones: National League of Cities' meetings and workshops.

Councilmember Thom: ADOT neighborhood meeting regarding Red Mountain Freeway sound walls.

Councilmember Whalen: Museum and Culture Committee meeting.
Grand opening of the Jared Galleria of Jewelry at Dana Park.

Councilmember Griswold: Maricopa County meeting regarding widening of Ellsworth Road.
Southwest Museum Board meeting.

Vice Mayor Walters: Sports Hall of Fame Breakfast.
Interfaith Thanksgiving event.
Annual lighting ceremony at the Latter Day Saints' (LDS) Temple.

6. Scheduling of meetings and general information.

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

Monday, December 6, 2004, TBA - Study Session

Monday, December 6, 2004, 5:45 p.m. - Regular Council Meeting

Thursday, December 9, 2004, 7:30 a.m. – Study Session

Wednesday, December 15, 2004, 4:00 p.m. – Police Committee

Thursday, December 16, 2004, 7:30 a.m. – Study Session

Monday, December 20, 2004, TBA – Study Session

Monday, December 20, 2004, 5:45 p.m. – Regular Council Meeting

Monday, January 3, 2005, TBA – Study Session

Monday, January 3, 2005, 5:45 p.m. – Regular Council Meeting

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Items from citizens present.

There were no items from citizens present.

9. Adjournment.

Without objection, the Study Session adjourned at 9:11 a.m.

KENO HAWKER, MAYOR

ATTEST:

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 2nd day of December 2004. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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Attachments (2)