MESA SOUTHWEST
REDEVELOPMENT AREA PLAN

ADOPTED BY RESOLUTION NO. 11033 ON SEPTEMBER 11, 2017

mesa·az

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INTRODUCTION

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INTRODUCTION

Encompassing .96 square miles (or just over 600 acres), Mesa's Southwest Redevelopment Area (RDA) is comprised of two sub-areas: the Fiesta Tech Center Sub-Area and the Country Club Corridor Sub-Area. This RDA is located southwest of and adjacent to the Mesa Town Center RDA, sharing a border near Country Club Drive and Broadway Road. The City's singular Central Business District was expanded to include the Southwest RDA in addition to the Town Center RDA.

The Southwest RDA's geographic location **(Figure 1)** with direct accessibility to US 60 and Loop 101, Downtown Mesa and Sky Harbor Airport within a 20-minute drive, positions it to be a unique and vibrant business district offering office and retail redevelopment opportunities.

PROJECT OBJECTIVE

The Southwest RDA Redevelopment Plan (the Plan) aims to establish realistic strategies and implementation actions for revitalization projects, which will elevate this area of Mesa to be a recognized center for high-quality business and employment opportunities. Providing office space and quality job opportunities will capitalize on the area's highly educated workforce and branding and attract medical and high-tech uses.

This Plan will serve as the blueprint for redevelopment activities and opportunities in the area. The Plan recommends forward-thinking improvements to key catalyst areas, such as the Fiesta Mall site, to reactivate the Southwest RDA and attract the uses and the quality spaces necessary to achieve the vision.

A **Redevelopment Area (RDA)** is an area of the City designated by City Council to be in need of revitalization. The City of Mesa now has two RDAs: the "Town Center RDA" and the "Southwest RDA". The creation of this RDA may allow for the use of additional economic tools and aims to enhance neighborhoods and business districts. Activities may include renovation to buildings, new construction and neighborhood amenities.

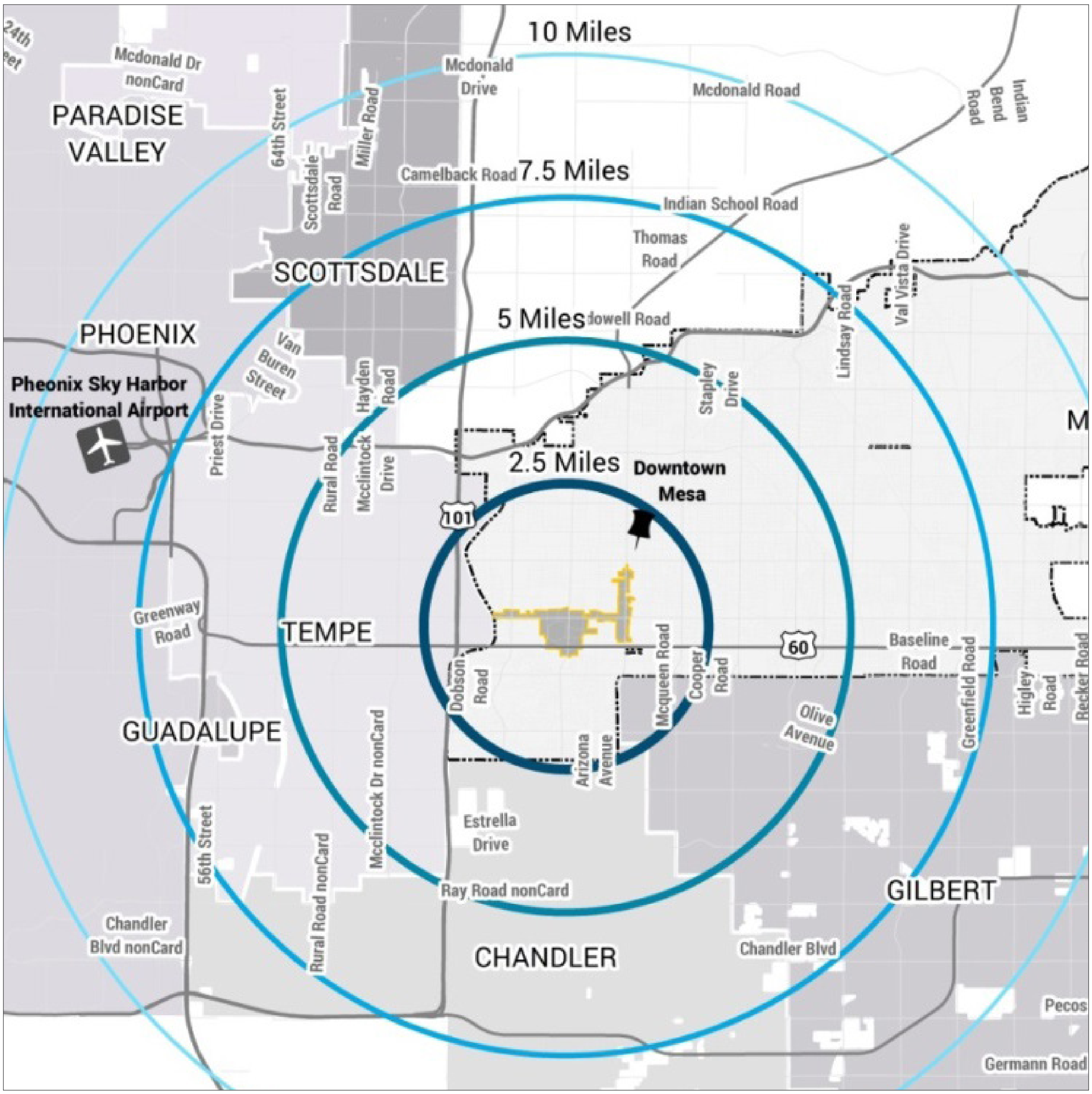


FIGURE 1. Southwest RDA Strategic Location

HISTORICAL OVERVIEW

In the 1980s, the Fiesta District was the heart of Mesa. It was both a financial and retail hub for the City, but vacancies skyrocketed and the area has been in a historical state of decline. Changing demographics, population shift, competition from other retail and online sale trends were devastating to many retail anchors in the District in the early 2000s. However, the City has invested in streetscape projects and infrastructure to attract private companies in an effort to revitalize the area.[1]

The Southern Avenue Streetscape Improvements Project (2015), Fiesta District Implementation Plan (2011) and Fiesta District Design Handbook (2009) are all efforts by the City to spur investment to activate the District. These elements identify projects, improvements and strategies to define the District as a "uniquely identifiable area that is economically-vibrant, pedestrian-friendly and an active urban destination."[2] With the completion of the Southern Avenue streetscape improvements and investment by the City, benefits are beginning to be realized. Vacant properties have been renovated and occupied by companies that are bringing mid-wage jobs and encouraging further investment within the RDA by private developers. In addition to this pattern of increased investment, the Town Center RDA's Redevelopment Plan (1999), which stimulated investment in Downtown, also plays a complementary role to the Southwest RDA since investment and redevelopment are synergistic for both. Major accomplishments following the Redevelopment Plan for the Town Center RDA include: expansion of the light rail; construction of the Mesa Arts Center and the i.d.e.a. Museum; accommodation of adaptive reuse projects including the Mesa Citrus Growers building into high-tech manufacturing, the former Southside Hospital to Benedictine University and the former City Courthouse to the Mesa Center for Higher Education; improvements to Pioneer Park; infrastructure upgrade within alleyways; and the new Encore on First residential developments and One MacDonald office building renovation.

Today, the Southwest RDA has seen over $493 million in public and private redevelopment investment in the past several years. Multiple employers are creating an ideal foundation for the continuation of the area as one of Mesa's most important business districts. With 40 restaurants, 50 retail stores, 5 hotels, 2 hospitals and Mesa Community College, there is a strong basis in the presence of a skilled workforce, ample hotel accommodations and easy market access. The Southwest RDA currently contains two large-scale employers and a generator of an educated workforce: Banner Health and Mesa Community College. With approximately 3,000 employees and 23,000 students, respectively, these institutions are serving as anchors, which continue to support the redevelopment of properties within the Southwest RDA and elevate the area as a critical business district for the City.[3]

1 http://kjzz.org/content/351448/after-decade-can-mesa-revitalize-fiesta-district

2 http://www.mesaaz.gov/business/economic-development/business-districts-maps/fiesta-district

3 http://www.mesaaz.gov/home/showdocument?id=20151, July 2016

RDA PROJECT AREA BOUNDARIES AND SUB-AREAS

Generally, the Southwest RDA incorporates two sub-areas, the Fiesta Tech Center Sub-Area, which includes adjacent parcels along Southern Avenue from the western city boundary east to Country Club Drive and the Country Club Corridor Sub-Area, which extends along Country Club Drive from the US 60 interchange north to Broadway Road **(Figure 2)**. Most notably, the RDA incorporates the Fiesta Mall site and its adjacent properties along Longmore and Alma School Roads. The overall RDA consists of 281 parcels and encompasses 616 acres of southwest Mesa.

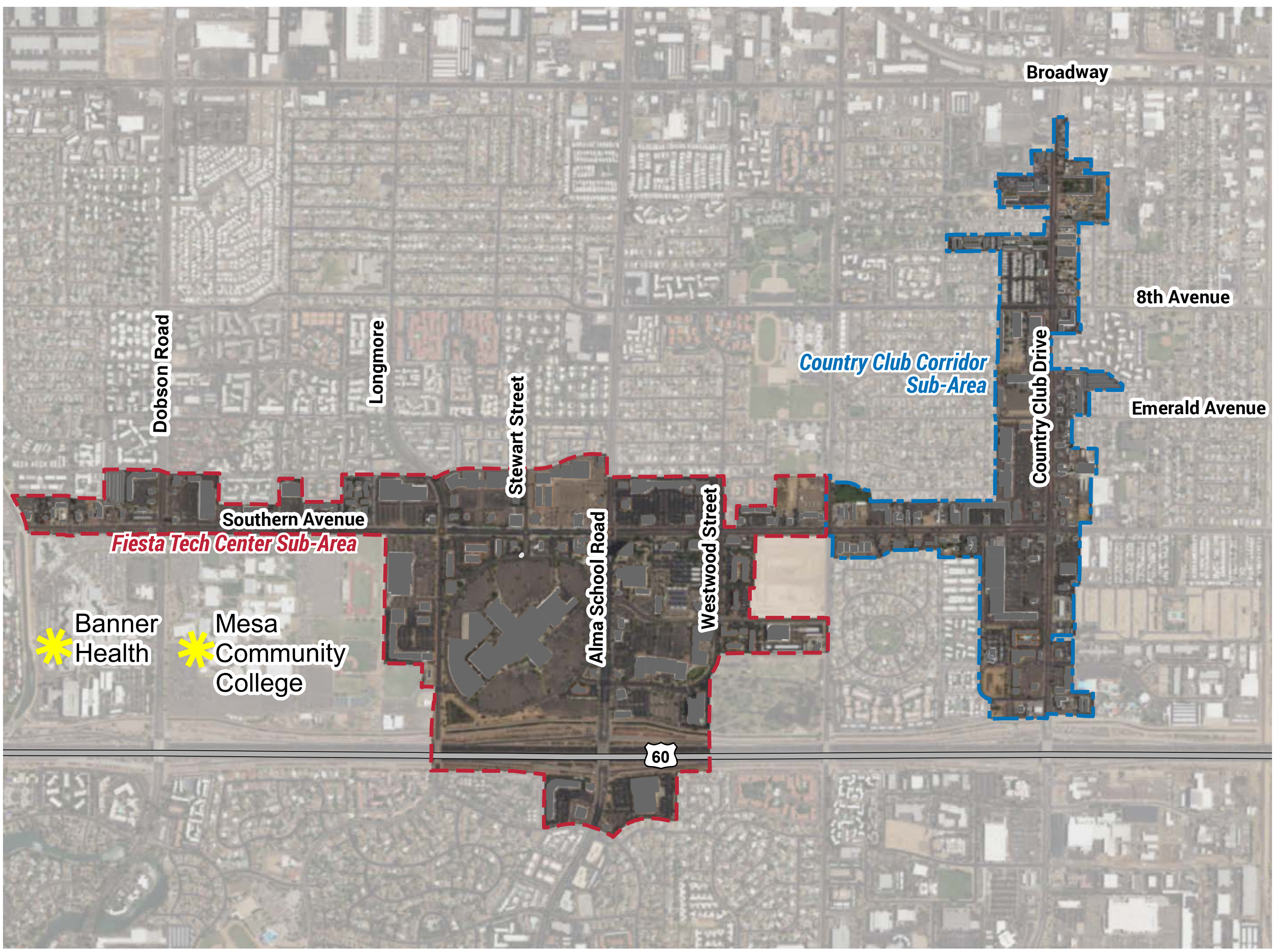


FIGURE 2. Southwest RDA Boundaries and Sub-Areas

PUBLIC OUTREACH

This Plan has been formulated based on public involvement gained through multiple methods: open houses, online survey, stakeholder interviews and Steering Committee meetings. A public open house was hosted at the beginning stages of this project, followed by an online survey that had nearly 100 respondents from citizens throughout the City. Following the first public open house, stakeholder interviews were conducted which involved nearly 20 individuals comprised of property owners and business representatives in the area. Throughout the project, four Steering Committee meetings were held at which stakeholders provided feedback at four milestones throughout the project:

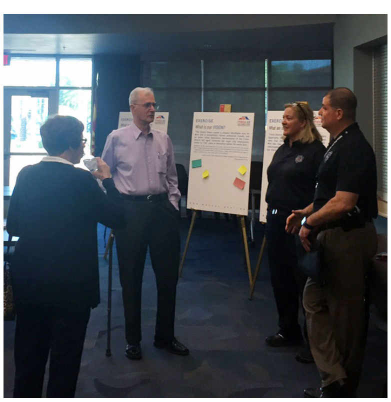
- Part 1: Foundation Background. What are our current problems and opportunities?
- Part 2: Vision. What is our Vision? What should it look like?
- Part 3: Strategies. What are our strategies to achieve our Vision?
- Part 4: Plan Adoption. What are our projects that will implement the Vision?

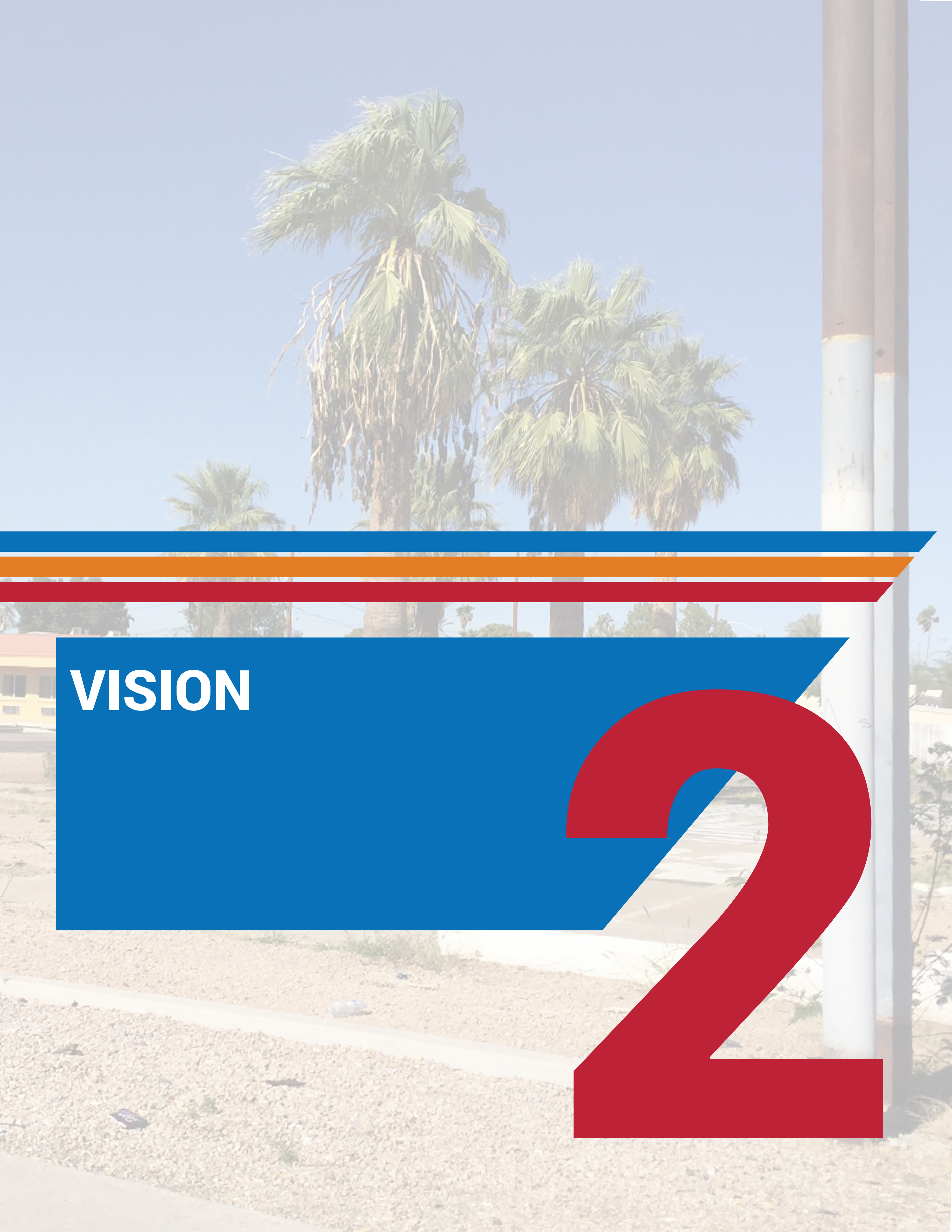
The survey, stakeholder interviews and first public open house focused on identifying current problems and opportunities and what the community envisions for the Southwest RDA. The following is a summary of what was learned from these outreach efforts and has contributed to the development of the Vision, Problem Statements, Strategies and Potential Projects:

- There is optimism on recent projects and successes within the Southwest RDA.
- Focus on bringing in additional market-rate residential.
- Capitalize on access and assets such as Banner Health, Mesa Community College, fiber pipeline, etc.
- Connect Downtown Mesa improvements to this area.
- Safety, homelessness and drug presence are concerns.
- Rundown properties and a lack of upkeep are current problems.
- Smaller parcel sizes would require consolidation.
- Property owners need to reinvest.
- There is a need to stabilize surrounding neighborhoods.
- The District is currently over-retailed.
- Emphasize this as the gateway to both Downtown and recreational areas to the north (e.g. McDowell Mountain Regional Park).
- Capitalize on and market the robust fiber pipeline to attract business.
- There is a need for high-tech industry and employers, with supportive mixed use, restaurants and entertainment uses.

A second open house was hosted for public review of the draft plan. The open house presented an overview of the process, and the findings and recommendations of the draft plan. The following is a summary of what was discussed at this open house:

- Participants indicated general support for the plan.
- There is a need to balance parking and development to ensure attractiveness to business.
- Adding a bus route could be an intra-district circulator.
- Capitalize on the tenant interest at the Fiesta Mall.
- Focus on improvements that enhance sense of place.
- Support for campus-type development such as that shown at the northwest corner of Southern Avenue and Alma School Road.
- Preserve the existing housing stock, while providing additional housing options and price points.
- Agreement that the area would benefit from additional policing and enforcement.





VISION

2

VISION

The vision for the Southwest RDA has its origins in the 2009 Fiesta Design Handbook and the 2011 Fiesta District Implementation Plan. Through public outreach and stakeholder interviews conducted during this process, the vision statement for the RDA has expanded and refined the concepts contained in these two documents. The new Vision is as follows:

The Southwest RDA is becoming a unique, active and economically vibrant urban destination in southwest Mesa. Revitalization of the Southwest RDA is transforming these historically vibrant areas of Mesa into a major employment center in the greater metropolitan area (the Fiesta Tech Center Sub-Area) and an urban mixed use corridor (Country Club Corridor Sub-Area), with:

- A unique identity and sense of place
- An urban atmosphere with an active street scene
- A pedestrian friendly environment
- An integrated mix of land uses and building types
- Diversity in entertainment and evening uses
- Frequent and convenient public transit
- A place where businesses are eager to locate
- A place that is attractive to businesses and residents
- Inviting and attractive gateways along US 60, at Dobson Road, Alma School Road and Country Club Drive
- A strong, aesthetic connection along Country Club Drive to Downtown Mesa

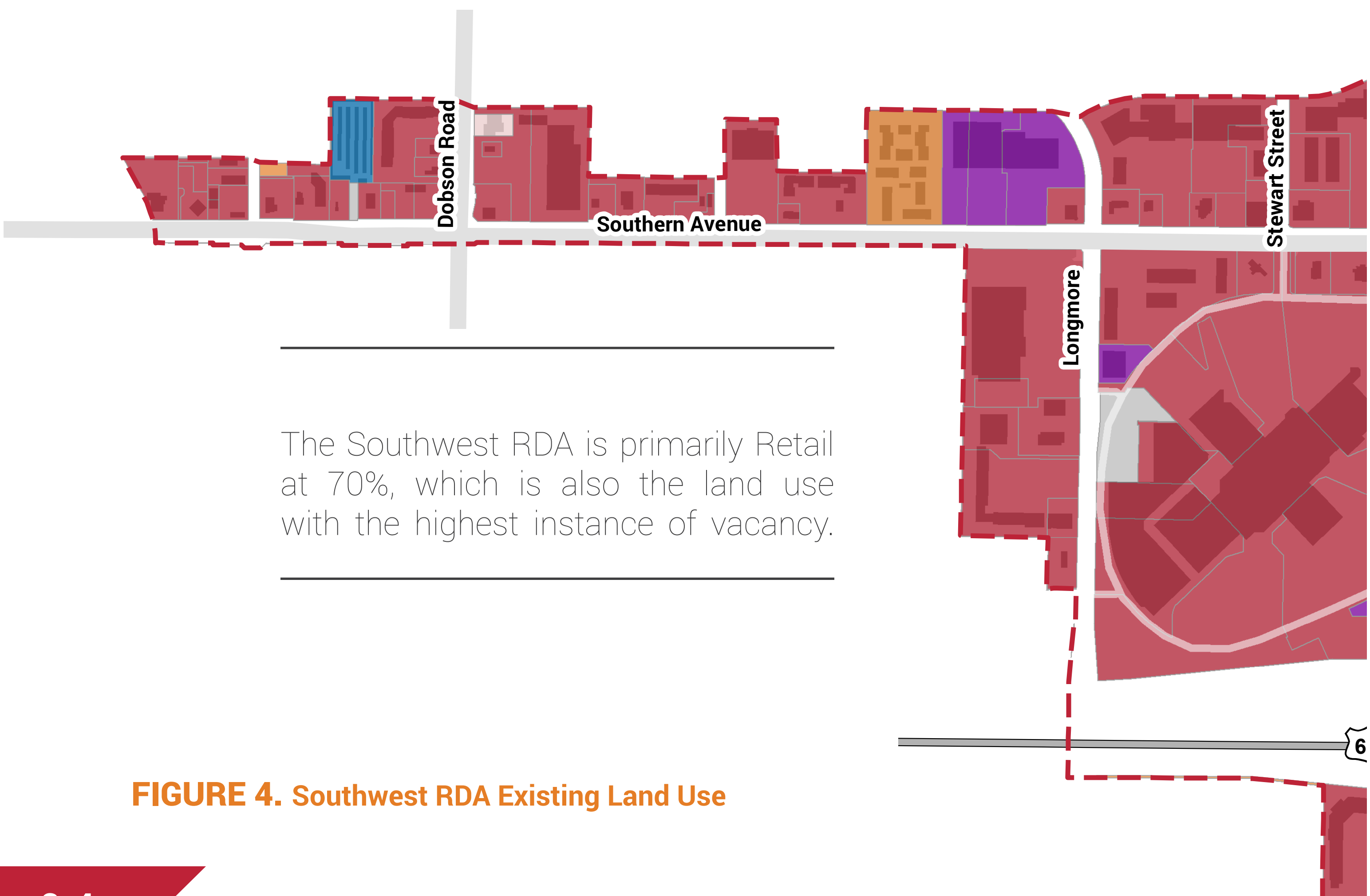
FIGURE 3. General Area Massing

EXISTING LAND USE

Problem Statements, Goals and Strategies are built from the analysis of existing conditions including land use **(Figure 4)**, zoning, existing amenities including parks and public gathering spaces and analysis of prior plans and projects that have occurred in the RDA, to identify priority sites that will catalyze and prioritize redevelopment in the future. Refer to the Appendices for further detailed information.

This also includes the formation of relevant redevelopment concepts for each sub-area. These concepts can be used as frameworks for desired development patterns and on-the-ground strategies that help to elevate the Southwest RDA to become a walkable, vibrant, employment center and urban destination.

Evaluation of existing land uses in the Southwest RDA solidifies that retail is occupying the most land area **(Table 1)** and according to the Market Analysis (refer to Appendices), is also experiencing the highest instance of vacancy. There is a 61% difference between the instance of existing retail versus planned employment land uses in the RDA, which would suggest rezoning of properties to fulfill the RDA's vision of becoming primarily focused on employment rather than retail.



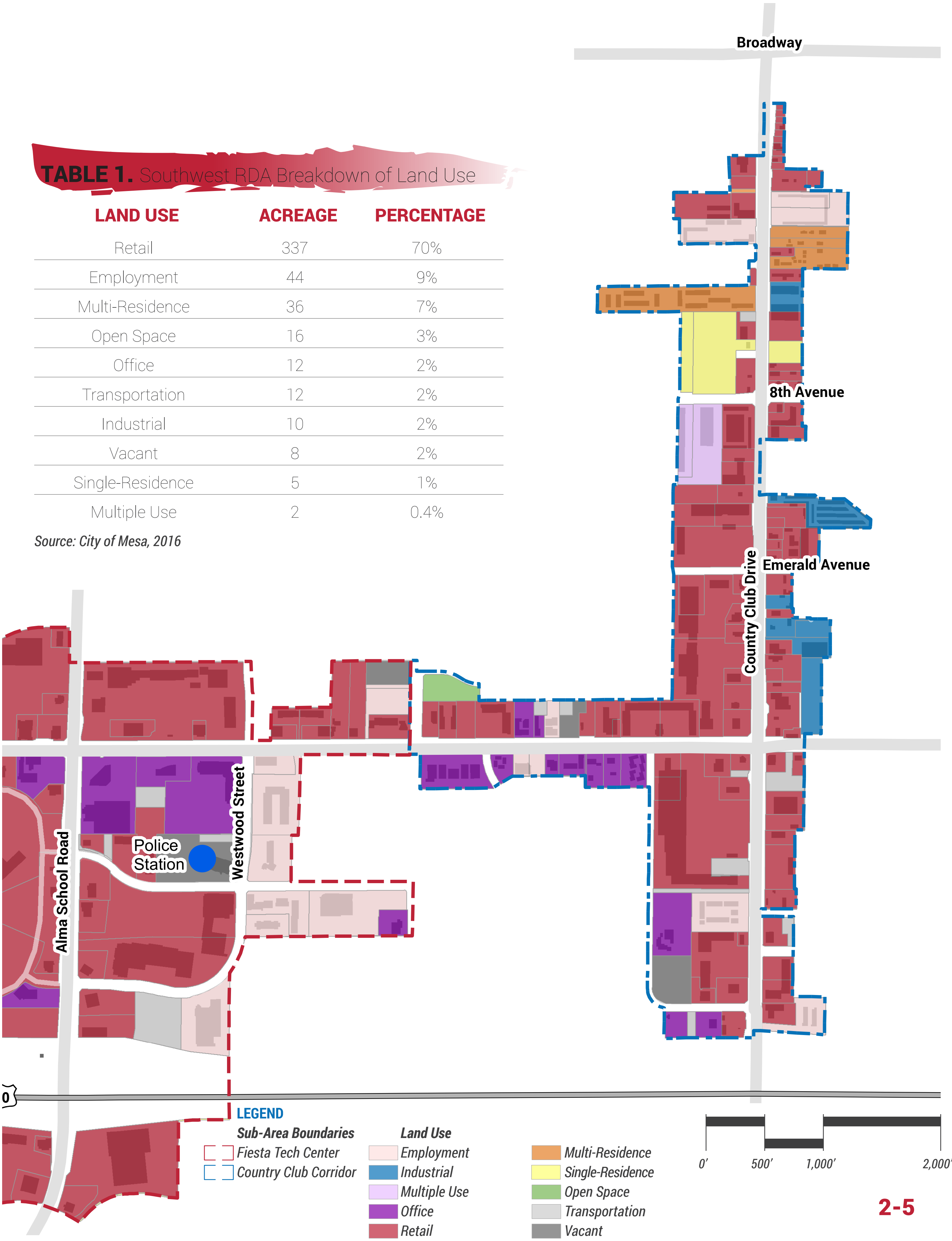
The Southwest RDA is primarily Retail at 70%, which is also the land use with the highest instance of vacancy.

FIGURE 4. Southwest RDA Existing Land Use

TABLE 1. Southwest RDA Breakdown of Land Use

LAND USE	ACREAGE	PERCENTAGE
Retail	337	70%
Employment	44	9%
Multi-Residence	36	7%
Open Space	16	3%
Office	12	2%
Transportation	12	2%
Industrial	10	2%
Vacant	8	2%
Single-Residence	5	1%
Multiple Use	2	0.4%

Source: City of Mesa, 2016



PRIORITY REDEVELOPMENT SITES

Through the process and from public feedback, the following priority sites were identified and are shown in **Figure 5**:

1. Fiesta Mall
2. Country Club Drive Gateway at US 60
3. The northwest corner of Southern Avenue and Alma School Road

1. Fiesta Mall

2. Country Club Drive Gateway at US 60

3. Northwest corner of Southern Avenue and Alma School Road

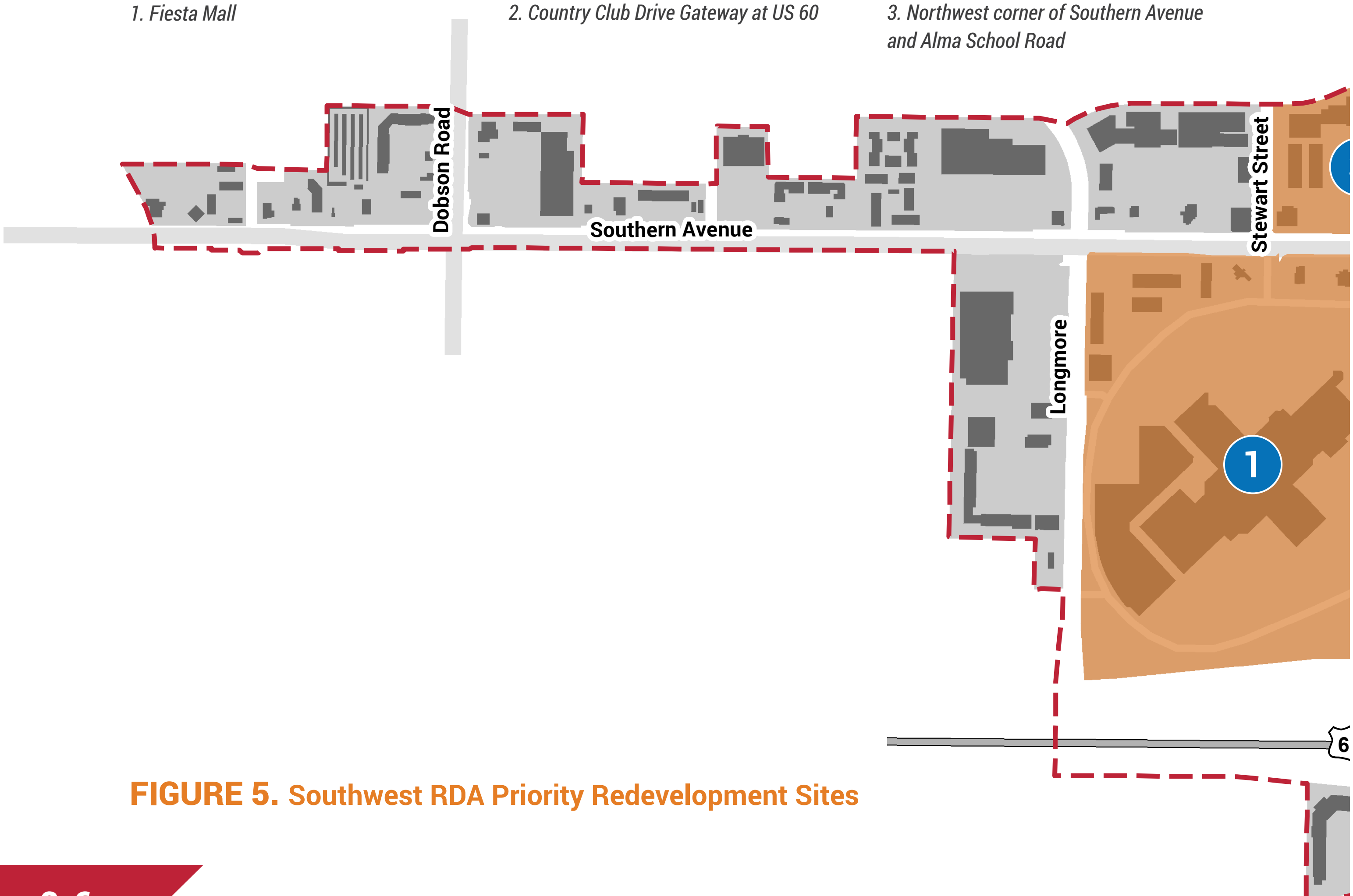
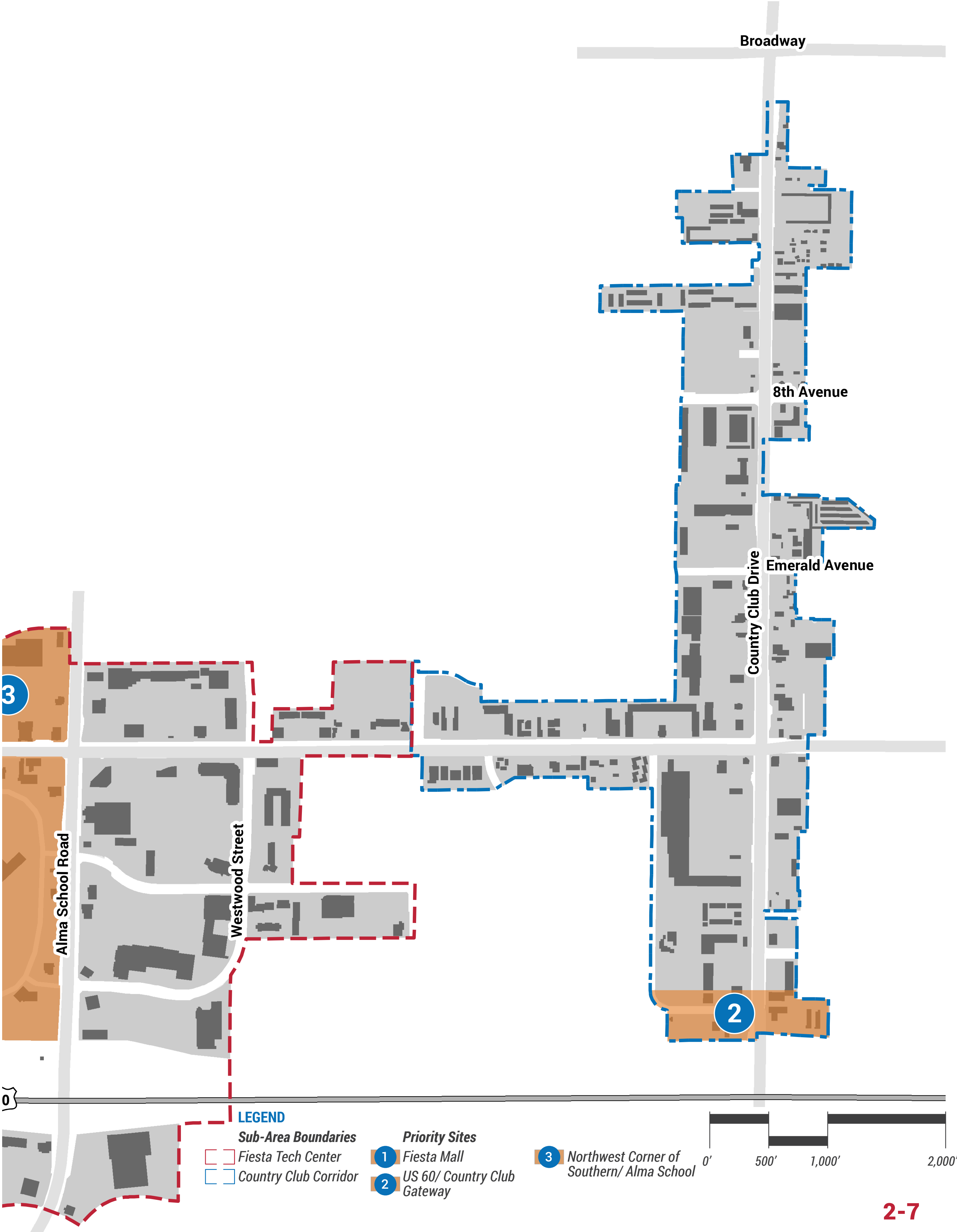


FIGURE 5. Southwest RDA Priority Redevelopment Sites


Broadway
8th Avenue
Emerald Avenue
Country Club Drive
Alma School Road
Westwood Street
LEGEND
Sub-Area Boundaries
Fiesta Tech Center
Country Club Corridor
Priority Sites
1 Fiesta Mall
2 US 60/ Country Club Gateway
3 Northwest Corner of Southern/ Alma School
0'
500'
1,000'
2,000'

REDEVELOPMENT PLAN

3

REDEVELOPMENT PLAN

The Redevelopment Plan identifies Problem Statements present within the RDA, Strategies to solve these problems and Potential Projects as implementable actions to move the Vision forward. These incorporate not only feedback from public outreach and the Vision, but also investment that has occurred up to this point, the results of the Blight Study, Market Analysis and case studies that provide support and insight. Each Problem Statement has an associated Strategy and each Strategy has a variety of Potential Projects that could be utilized to achieve it.

To aid in the prioritization of Potential Projects, each Project has details that identify what type of project it is (capital improvement and operations, regulatory, incentive, promotion, or study), an order of magnitude cost and a general timeframe (short-, mid- or long-term). These details are provided in **Table 2.** The following are details about how the type of project and general timeframe are defined:

- Project Definitions:
  - **Capital Improvement and Operations:** Projects that address a physical improvement to key areas as a stand-alone infrastructure project or in conjunction with incentive programs.
  - **Regulatory:** Projects that address modifications to existing guidelines, plans and regulations in order to facilitate compatible development.
  - **Incentive:** Projects that address development of a series of incentive-based programs that promote public and private partnerships that are consistent with the Vision of the Plan.
  - **Promotion:** Projects that address marketing and promotion collateral of the new Vision for the Redevelopment Area.
  - **Study:** Projects that address additional studies necessary prior to capital, regulatory and incentive programs are initiated.
- Timeframe Definitions:
  - **Short-term:** 1-5 years
  - **Mid-term:** 5-10 years
  - **Long-term:** Over 10 years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PROBLEM STATEMENTS, STRATEGIES AND POTENTIAL PROJECTS

PROBLEM STATEMENT #1. The Fiesta Tech Center Sub-Area suffers from a lack of a core anchor development that is attractive for jobs and entertainment. The area does not have an identifiable, cohesive sense of place.

STRATEGY #1. Work with the owners and developers of the Fiesta Mall to repurpose this property as the core anchor development centering on high-quality employment growth and with owners and developers of other properties in the area to implement supportive redevelopment activities.

Project #1a. Utilize Government Property Lease Excise Tax (GPLET) as an incentive for redevelopment.

Project #1b. Coordinate with property owners to invest in additional public infrastructure improvements (i.e. road, intersection, access improvements, pedestrian improvements, streetscape improvements) into and within key sites.

Project #1c. Utilize the market data from this study (available in the Appendices) to develop, implement and acquire support of the transition to a major employment area building on the strategic location of this area.

Project #1d. Establish a site demolition assistance program which would help property owners to reduce their costs of demolition through utilizing city resources to demolish buildings and/or construct site improvements to ready properties for redevelopment. This would incentivize consolidation of ownership by decreasing costs to developer for redevelopment.

Project #1e. Review and update the Fiesta District Design Guidelines to reflect the change in primary use from retail to office and reflect design standards more appropriate to an employment district (i.e. signage, technology, energy efficiency standards).

Parking behind buildings and along pedestrian-oriented street

Transition from mixed use buildings along southern to residential buildings behind

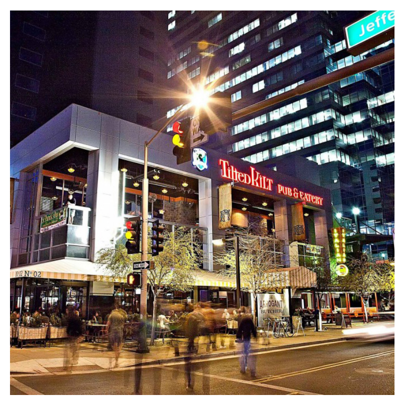
Buildings adjacent to right-of-way

Mid-block pedestrian crossing at Southern Avenue

Primary redevelopment opportunities:

- new corner anchor development
- buildings oriented toward Southern Avenue
- parking in back of buildings and connections into neighborhoods
- public plazas and spaces between buildings

FIGURE 6. Priority Redevelopment Site Options



Case Study: Cityscape, Phoenix AZ

A 1.2 million SF mixed-use development in Downtown Phoenix utilized GPLET to **pay nothing in property taxes**, and a $57 million reimbursement for public improvements. The project includes four buildings; 50,000 square feet of parks and open space; and 3,000 below-grade parking spaces; retail and entertainment; restaurants; hotel; 224 residential apartments; and a 600,000 SF office tower. Cityscape has created **unprecedented residential and employment growth in a live, work and play destination**.


Case Study: Belmar, Lakewood CO

A declining regional mall (built in 1966, closed in 2001, and functioned as Lakewood's defacto commercial and civic center) on a 104-acre site re-zoned and **transformed into a 22-block mixed-use development that serves as Lakewood's new downtown**, and a model for mall redevelopment. Phase I opened in 2004, and at full buildout, it will include 1.1 million SF of retail, restaurant and entertainment space, 800,000 SF of office and hotel space (250-room hotel), 1,300 residential units, and 9 acres of parks, plazas and other public spaces. **Some retailers received subsidized rents** to withstand increases in rents.

Financial Mechanisms

The City of Lakewood partnered with Continuum Partners for redevelopment. The $850 million project was **financed with a combination of government bonds, federal grants, and equity** from Continuum. Green bonds were utilized to encourage developers to use energy-efficient technology and building materials, as well as brownfield incentives. Bonds are primarily backed by tax increment financing (TIF) and a 2.5% project improvement fee (PIF) imposed on retailers. To offset the PIF, the City waived 2% of the 3% sales tax on the site. Continuum will be reimbursed for the public infrastructure by 2028. Three metropolitan districts were established on the site to assist in the financing, operation, and maintenance of the extensive public improvements, which issue bonds to fund capital improvements. Mill levies within the commercial and residential districts are also used to operate and maintain capital/public improvements.

Revenue Generation

Belmar generates $200 million a year in retail sales, or 2.5% of the town's total sales tax revenue ($17 million annually). This amount is **four times the tax revenue generated by the old mall**. In addition, a 2017 ULI case study indicates that retail, restaurant and entertainment rents, and residential rentals and sales are "unprecedented in the local market".

Lessons Learned

- Grid design scaled for city blocks
- Gridded, narrow streets and wide sidewalks encourage pedestrian activity
- Density and mix of uses increase walkability, diversity and market advantage
- Flexibility of zoning supports market-driven development
- Distance from rail transit limits potential
- Innovative financing arrangements enabled project completion


Case Study: Skysong, Scottsdale AZ

A mixed-use development project that serves as an example of a regional mall redeveloped into a large-scale employment center. Skysong will include over 1.2 million square feet of commercial space and is located on 42 acres. In 2005, **ASU, the ASU Foundation, and the City of Scottsdale joined together** to redevelop the property in hopes of revitalizing the area by attracting tech firms.

The development consists of four quadrants each encompassing the project's primary goals: **collaboration, imagination, innovation, and technology**. A tensile structure is incorporated into the center that contributes to the brand and placemaking. This serves as a rich architectural element and is designed to produce 50,000 square feet of shade for outdoor meetings, networking, and idea-sharing. It also includes a 325-unit apartment complex, which cost $44 million to develop.

Financial Mechanisms

The City raised over **$81 million through municipal bonds** to acquire the site and pay for needed infrastructure improvements, including two parking decks. Plaza Companies was the center's master developer in 2006 and USAA Real Estate was brought into the transaction as a joint venture equity provider. The City then transferred legal control of the site to the ASU Foundation on a 99-year ground lease subject to the conditions that they construct at least 150,000 square feet of new office space every three years and repay the City's principal investment over time as the project generates positive cash flow.

Job Creation

ASU agreed to occupy 80,000 SF on a long-term basis, and plan to use space as an incubator and accelerator, and to accommodate the needs of over a dozen academic units. This concept also proved attractive to many tech-driven companies with early tenants including American Solar, Canon and Ticketmaster. Each of these tenants occupy from 9,000 to 30,000 SF at market rates.

Lessons Learned

The development has become a more suburban office concept than might have been envisioned. It offers limited transit options and pedestrian access to the site. Parking ratios exceed 5 per 1,000 SF. These conditions reinforce the project's image as an auto-centric employment center primarily serving a daytime population.

PROBLEM STATEMENT #2. The Southwest RDA is comprised of development that is the result of an outdated urban design model, consisting of low-end commercial and housing properties and lot sizes that are not attractive to new business investment.

STRATEGY #2. Develop and implement tools and programs that will encourage more appropriate lot sizes, allow for flexibility in redevelopment options, provide for enhanced design, allow efficient use of secondary access (aside from arterial access) and increase densities and intensities.

Project #2a. Create a tiered and time-limited incentive program for the consolidation of property. Increase incentives based on a tiered system of acreage consolidation. Incentives will be time-limited to encourage consolidation to happen earlier and could include construction of public infrastructure including driveways and access roads, pedestrian infrastructure, etc.

Project #2b. Establish a site demolition assistance program to spur redevelopment. Refer to Potential Project #1d.

Project #2c. Review and evaluate the impact of current zoning code requirements and propose modifications as needed to implement this strategy.

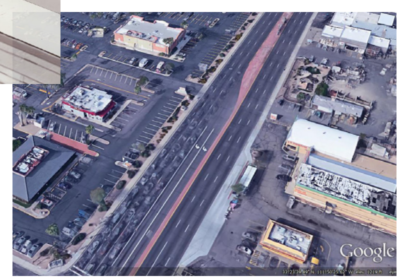
Project #2d. Work with the property owners of the large shopping areas on the west side of Country Club Drive at Southern Avenue to create mixed use developments that balance vehicular and pedestrian circulation and establish an eastern anchor to the Fiesta Tech Center Sub-Area **(Figure 7)**.

Project #2e. Work with the properties adjacent to Fiesta Mall to encourage redevelopment that creates high-quality employment opportunities **(Figure 8)**.

Breaks between buildings lead to plazas against greenways

Buildings move forward to edge of greenway

Soft edge as greenway with low maintenance plantings and LID best management design



Primary redevelopment opportunities:

- integration and reuse of existing buildings
- parking in back of buildings
- public plazas between buildings

FIGURE 7. Commercial retrofit template diagram/ massing model

High-density, higher-end residential to serve students and business employees

Pedestrian connections between college and business campus

Multiple stories create street enclosure

Small-scale mixed-use with adaptable first floor can be residential or commercial

Primary redevelopment opportunities:

- completes Fiesta Tech Center Sub-Area
- develops current retail and utilizes underutilized parking
- preserves existing buildings
- redevelops existing buildings

FIGURE 8. Strip mall redevelopment template diagram/ massing model

PROBLEM STATEMENT #3. While once a center of commerce and economic activity, the Southwest RDA has been in economic and aesthetic decline for many years.

STRATEGY #3. Coordinate with property owners to actively promote the cleanup, sale or removal of privately-owned properties that are abandoned or declining.

Project #3a. Establish an infill incentive district to encourage redevelopment.

Project #3b. Amend regulations and fines for nuisance complaints and property maintenance standards and noncompliance.

Project #3c. Supplement code enforcement to identify noncompliance and monitor issues and steps toward resolution.

PROBLEM STATEMENT #4. The existing mix of uses is not appropriately balanced for the market and location and is therefore underperforming.

STRATEGY #4. Modify zoning and market the area to encourage technology, office, health care, higher education and other desired business uses.

Project #4a. Modify development standards and/or zoning ordinance to require a mix of uses, while giving preference to office uses that support the Fiesta Tech Center Sub-Area as an employment center, but also include supporting uses aimed at attracting and retaining visitors.

Project #4b. Apply the Form-Based Code to allow the flexibility for a mix of uses. As property owners “opt in” to this floating zone (or a zone that can be used in specific locations to plan for future land uses that are desired in the community), they can be eligible for other incentives (i.e. density bonuses, building height increases, expedited development review, etc.).

Project #4c. Market the area to promote its strategic location and updated flexibility in zoning and use standards.

PROBLEM STATEMENT #5. The area does not take adequate advantage of its location adjacent to US 60, or with respect to major community institutions such as Banner Health and Mesa Community College.

STRATEGY #5. Create gateways along US 60 at its interchanges emphasizing the importance of this area.

Project #5a. Provide high-level site designs to direct redevelopment, including gateway hotel anchor/greenway and green edge and streetscape enhancements on Country Club Drive between US 60 and Southern Avenue and gateway retail at Southern Avenue.

Project #5b. Create guidelines for gateway development including the implementation of streetscape, lighting and signage improvements and the incorporation of unique public art along the US 60 right-of-way and key parcels at US 60 interchanges that creates a level of interest and serve as an attractant to passersby.

Project #5c. Explore the market feasibility of major developments within this area to determine highest and best use (**Figure 9**).

Primary redevelopment opportunities:

- Creates a welcoming gateway at US 60
- Provides alternative and complementary flagship hotel formats

FIGURE 9. Gateway redevelopment template diagram/ massing model

PROBLEM STATEMENT #6. There has been a problem of neighborhood decline, crime and transience in the area.

STRATEGY #6. Supplement the level and increase the visibility of public safety activities along the corridor to enhance the overall aesthetics and increase public sense of well-being.

Project #6a. Review zoning districts to encourage quality redevelopment projects.

Project #6b. Encourage businesses to participate in public safety programs such as Community Policing Through Environmental Design (CPTED).

Project #6c. Establish a beautification program for the Country Club Corridor Sub-Area through the Capital Improvement Plan (CIP).

Project #6d. Create and utilize improvement district funding to enhance municipal services within the Southwest RDA and supplement code enforcement efforts to make a difference in crime, trash and beautification.

Project #6e. Implement programs that encourage communication and engagement to enable residents in keeping their neighborhoods clean and safe.

Case Study: East Colfax Avenue, Denver CO

The East Colfax Business Improvement District (BID) serves as an example of its success in improving a corridor's cleanliness, safety and economic viability with the support of about 200 businesses. Property and business owners voted for an annual assessment to fund economic development, public improvements, safety, and advocacy activities. The Denver Office of Economic Development also awarded a $150,000 grant to offset startup costs and fund a streetscape master plan for the district.

PROBLEM STATEMENT #7. The Country Club Corridor Sub-Area is predominantly vehicular-oriented, with little to no streetscape and amenities, minimal transit opportunities and increasing vehicular – pedestrian conflicts due to traffic volumes and number of access points.

STRATEGY #7. Implement pedestrian and vehicular safety improvements, much like Southern Avenue, throughout the area, including expansion of transit services, access-control enhancements and where feasible, encourage a wide, meandering pathway and buffered landscape strips.

Project #7a. Develop an Access Control Plan to reduce curb cuts and identify areas for appropriate medians.

Project #7b. Where lots permit and sidewalks need replacement, encourage a wider, meandering sidewalk network and landscape.

Project #7c. Revise Sign Code and implement sign replacement program targeting the removal of pole signs and multiple signs per site.

Project #7d. Construct limited medians with treatment incorporating new landscaping that provides height and public art.

Project #7e. Create a standardized landscaping palette and lighting (similar to the Southern Avenue Streetscape Improvements).

Project #7f. Identify and implement north-south transportation and/or pedestrian connections into surrounding neighborhoods.

Project #7g. Investigate a new bus route, similar to the Downtown Buzz, that provides transit opportunities to the overall RDA, Banner Health and Mesa Community College.

TABLE 2. Summary of Potential Projects

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
Problem Statement #1. The Fiesta Tech Center Sub-Area suffers from a lack of a core anchor development that is attractive for jobs and entertainment. The area does not have an identifiable, cohesive sense of place.				
Strategy #1. Work with the owners and developers of the Fiesta Mall to repurpose this property as the core anchor development centering on high-quality employment growth and with owners and developers of other properties in the area to implement supportive redevelopment activities.				
1a	Utilize Government Property Lease Excise Tax (GPLET) as an incentive for redevelopment.	Incentive	$25 - $50k	Short-term
1b	Coordinate with property owners to invest in additional public infrastructure improvements (i.e. road, intersection, access improvements, pedestrian improvements, streetscape improvements) into and within key sites.	Capital Improvement	$3 - $5M for new road construction for gateway boulevard, $545 - $825k for streetscape	Mid-term
1c	Utilize the market data from this study (available in the Appendices) to develop, implement and acquire support of the transition to a major employment area building on the strategic location of this area.	Promotion	$50 - $100k	Short-term
1d	Establish a site demolition assistance program which would help property owners to reduce their costs of demolition through utilizing city resources to demolish buildings and/or construct site improvements to ready properties for redevelopment. This would incentivize consolidation of ownership by decreasing costs to developer for redevelopment.	Incentive	$50 - $100k	Short-term
1e	Review and update the Fiesta District Design Guidelines to reflect the change in primary use from retail to office and reflect design standards more appropriate to an employment district (i.e. signage, technology, energy efficiency standards).	Regulatory	$150 - $200k	Short-term

TABLE 2. Summary of Potential Projects (Cont.)

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
Problem Statement #2. The Southwest RDA is comprised of development that is the result of an outdated urban design model, consisting of low-end commercial and housing properties and lot sizes that are not attractive to new business investment.				
Strategy #2. Develop and implement tools and programs that will encourage more appropriate lot sizes, allow for flexibility in redevelopment options, provide for enhanced design, allow efficient use of secondary access and increase densities and intensities.				
2a	Create a tiered and time-limited incentive program for the consolidation of property. Increase incentives based on a tiered system of acreage consolidation. Incentives will be time-limited to encourage consolidation to happen earlier and could include construction of public infrastructure including driveways and access roads, pedestrian infrastructure, etc.	Incentive	\$50 - \$100k	Short-term
2b	Establish a site demolition assistance program to spur redevelopment. Refer to Potential Project #1d.	Incentive	\$50 - \$100k	Short-term
2c	Review and evaluate the impact of current zoning code requirements and propose modifications as needed to implement this strategy.	Regulatory	\$100 - \$150k	Short-term
2d	Work with the property owners of the large shopping areas on the west side of Country Club Drive at Southern Avenue to create mixed use developments that balance vehicular and pedestrian circulation and establish an eastern anchor to the Fiesta Tech Center Sub-Area.	Incentive/Study	\$50 - \$100k	Mid-term
2e	Work with the properties adjacent to Fiesta Mall to encourage redevelopment that creates high-quality employment opportunities.	Incentive/Study	\$50 - \$100k	Mid-term

TABLE 2. Summary of Potential Projects (Cont.)

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)

Problem Statement #3. While once a center of commerce and economic activity, the Southwest RDA has been in economic and aesthetic decline for many years.

Strategy #3. Coordinate with property owners to actively promote the cleanup, sale or removal of privately-owned properties that are abandoned or declining.

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
3a	Establish an infill incentive district to encourage redevelopment.	Regulatory	\$50 - \$100k	Short-term
3b	Amend regulations and fines for nuisance complaints and property maintenance standards and noncompliance.	Regulatory	\$100 - \$150k	Short-term
3c	Supplement code enforcement to identify noncompliance and monitor issues and steps toward resolution.	Capital Improvement	\$100k per year per employee	Short-term

TABLE 2. Summary of Potential Projects (Cont.)

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
Problem Statement #4. The existing mix of uses is not appropriately balanced for the market and location and is therefore underperforming.				
Strategy #4. Modify zoning and market the area to encourage technology, office, health care, higher education and other desired business uses.				
4a	Modify development standards and/ or zoning ordinance to require a mix of uses, while giving preference to office uses that support the Fiesta Tech Center Sub-Area as an employment center, but also include supporting uses aimed at attracting and retaining visitors.	Regulatory	$100 - $150k	Short-term
4b	Apply the Form-Based Code to allow the flexibility for a mix of uses. As property owners "opt in" to this floating zone (or a zone that can be used in specific locations to plan for future land uses that are desired in the community), they can be eligible for other incentives (i.e. density bonuses, building height increases, expedited development review, etc.).	Regulatory	$150 - $200k	Short-term
4c	Market the area to promote its strategic location and updated flexibility in zoning and use standards.	Promotion	$50 - $100k	Short-term

TABLE 2. Summary of Potential Projects (Cont.)

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
Problem Statement #5. The area does not take adequate advantage of its location adjacent to US 60, or with respect to major community institutions such as Banner Health and Mesa Community College.				
Strategy #5. Create gateways along US 60 at its interchanges emphasizing the importance of this area.				
5a	Provide high-level site designs to direct redevelopment, including gateway hotel anchor/greenway and green edge and streetscape enhancements on Country Club Drive between US 60 and Southern Avenue and gateway retail at Southern Avenue.	Incentive/ Study	$50 - $100k	Short-term
5b	Create guidelines for gateway development including the implementation of streetscape, lighting and signage improvements and the incorporation of unique public art along the US 60 right-of-way and key parcels at US 60 interchanges that creates a level of interest and serve as an attractant to passersby.	Study	$100 - $250k	Short-term
5c	Explore the market feasibility of major developments within this area to determine highest and best use.	Study	$50 - $100k	Short-term

TABLE 2. Summary of Potential Projects (Cont.)

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
Problem Statement #6. There has been a problem of neighborhood decline, crime and transience in the area.				
Strategy #6. Supplement the level and increase the visibility of public safety activities along the corridor to enhance the overall aesthetics and increase public sense of well-being.				
6a	Review zoning districts to encourage quality redevelopment projects.	Regulatory	\$25 - \$50k	Short-term
6b	Encourage businesses to participate in public safety programs such as Community Policing Through Environmental Design (CPTED).	Promotion	\$25 - \$50k	Short-term
6c	Establish a beautification program for the Country Club Corridor Sub-Area through the Capital Improvement Plan (CIP).	Incentive	\$50 - \$100k	Short-term
6d	Create and utilize improvement district funding to enhance municipal services within the Southwest RDA and supplement code enforcement efforts to make a difference in crime, trash and beautification.	Regulatory	\$50 - \$100k	Mid-term
6e	Implement programs that encourage communication and engagement to enable residents in keeping their neighborhoods clean and safe.	Promotion	\$25 - \$50k	Short-term

TABLE 2. Summary of Potential Projects (Cont.)

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)

Problem Statement #7. The Country Club Corridor Sub-Area is predominantly vehicular-oriented, with little to no streetscape and amenities, minimal transit opportunities and increasing vehicular – pedestrian conflicts due to traffic volumes and number of access points.

Strategy #7. Implement pedestrian and vehicular safety improvements, much like Southern Avenue, throughout the area, including expansion of transit services, access- control enhancements and where feasible, encourage a wide, meandering pathway and buffered landscape strips.

PROJECT #	PROJECT DESCRIPTION	TYPE OF PROJECT	ORDER OF MAGNITUDE COST	GENERAL TIMEFRAME (YEARS)
7a	Develop an Access Control Plan to reduce curb cuts and identify areas for appropriate medians.	Regulatory	\$200 - \$300k	Mid-term
7b	Where lots permit and sidewalks need replacement, encourage a wider, meandering sidewalk network and landscape.	Incentive	\$100 - \$200k per block	Mid-term
7c	Revise Sign Code and implement sign replacement program targeting the removal of pole signs and multiple signs per site.	Regulatory	\$100k for the study, program minimum of \$1 - \$3m	Mid-term
7d	Construct limited medians with treatment incorporating new landscaping that provides height and public art.	Capital Improvement	\$400 - \$650k per block	Mid-term
7e	Create a standardized landscaping palette and lighting.	Regulatory	\$50 - \$100k	Short-term
7f	Identify and implement north-south transportation and/or pedestrian connections into surrounding neighborhoods.	Capital Improvement	\$800k - \$1m	Mid-term
7g	Investigate a new bus route, similar to the Downtown Buzz, that provides transit opportunities to the overall RDA, Banner Health and Mesa Community College.	Study	\$25 - \$50k	Short-term

FUNDING AND FINANCIAL OPTIONS

OVERVIEW OF PRIMARY FUNDING SOURCES

Multiple funding sources are available for improvements and redevelopment in the project area. The primary options include the creation of one or more improvement districts; issuance of various types of bonds; Government Property Lease Excise Tax (GPLET); and potential grant or foundation funds. The following sections discuss some of the advantages and disadvantages of each revenue source, along with the appropriateness of each source to various capital or operating needs.

Potential funding sources are discussed in more detail in this report and are organized as follows:

- Improvement Districts
- Infill Incentive Districts
- Government Property Lease Excise Tax (GPLET)
- Bonds
- User Fees
- Grants, Foundations and Donations
- State of Arizona Incentive Programs

IMPROVEMENT DISTRICTS

Improvement districts are governed by Arizona State Statute, Title 48 (48-501-48-558).

MUNICIPAL IMPROVEMENT DISTRICTS

The creation of a municipal improvement district may be appropriate for improvements within the Southwest Annexation Area. A wide variety of improvements may be considered including construction or reconstruction of streets, railroads, sidewalks, crosswalks, curbs, gutters, manholes, parkways, fire protection facilities, sewers, waterworks, lighting, parking, roads, etc.

If Mesa determines that it is beneficial to form a district, and after the final resolution of any protests made pursuant to section 48-507, Mesa would submit a petition to property owners to form the district that is signed by owners of more than one-half of the taxable property units within the area of the proposed district and that is signed by persons owning collectively more than one-half of the assessed valuation of the property within the area of the proposed district. Property that is exempt pursuant to title 42, chapter 11, article 3 is not considered in determining the total assessed valuation of the proposed district and owners of property that is not subject to taxation are not eligible to sign the petition.

Section 48-631 states, "Municipal corporations may incur a bonded indebtedness to provide for a fund to be called a “general improvement fund.” This fund may be invested or reinvested in any bonds issued for work and public improvements, the cost of which in whole or in part is to be ultimately paid by assessments levied against lots or land benefitted by the improvements. These bonds are referred to as “investment bonds.” These bonds must be approved by voters in a manner similar to other bond elections which require a simple majority for approval."

In order to be sold in the market, improvement bonds generally require a 3 to 1 ratio of property value to the cost of the improvements being made (i.e., the par value of the bond).

COMMUNITY FACILITY IMPROVEMENT DISTRICTS (CFD)

Community Facility Improvement Districts are a type of municipal improvement district as described in section 48-702. These districts require a petition signed by the owners of at least 25 percent of the land area proposed to be included in the district. These districts may not only improve public infrastructure, similar to other districts, but may also reimburse the municipality for providing enhanced municipal services in the district. They may collect user fees for the use of public infrastructure within the district. Before adopting a resolution under this section, a general plan for the district shall be filed with the clerk setting out a general description of the public infrastructure improvements for which the district is proposed to be formed and the general areas to be improved.

Several types of bonds may be issued for community facility improvement districts including general obligation bonds, revenue bonds and assessment (“improvement”) bonds. User fees and charges may be enacted in order to create a revenue stream to cover the payments associated with a revenue bond.

The District can also call an election authorizing the district board to levy an ad valorem tax on the assessed value of all the real and personal property in the district. While the additional taxes may be useful in making improvements in the district, they may also put the district at a competitive disadvantage for attracting new businesses to the area.

REVITALIZATION DISTRICTS

Revitalization Districts are also allowed under Title 48 (48-6801-48-6819). If the public convenience and necessity require, and on presentation of a petition signed by the owners of at least fifty-one per cent of the net assessed value of the property proposed to be included in the district and a petition signed by at least fifty-one per cent of the property owners in the area proposed to be included in the district, the governing body of one or more municipalities may adopt a resolution declaring its intention to form a revitalization district.

Projects within a revitalization district may be funded through the sale of bonds of the district, special assessments, grants or contributions and user/landowner fees. Revenue bonds of the district may be issued, with repayment coming from either revenues of the district or municipality in trust for the district. These bonds are not eligible for repayment through property taxes. Special assessment lien bonds may also be issued and bond anticipation notes may be issued.

All improvement districts are required to submit annual financial reports as described in section 48-251.

Advantages of Improvement Districts:

- Concentrates on a specific area of a community where improvements specifically tailored to that geographic area are targeted and prioritized
- Those who receive the benefits of the improvements, pay for the improvements

Disadvantages of Improvement Districts:

- Difficult to get enough property owners to sign petition to participate when there are a large number of property owners in an area
- Increased accounting and administration requirements
- Annual reporting requirements

INFILL INCENTIVE DISTRICTS

Pursuant to Arizona Statute 9-499.10, and the City Code, a city may designate an infill incentive district in an area of the city that meets at least three of the following requirements:

- There is a large number of vacant older or dilapidated buildings or structures;
- There is a large number of vacant or underused parcels of property obsolete or inappropriate lot or parcel sizes or environmentally contaminated sites;
- There is a large number of buildings or other places where nuisances exist or occur;
- There is an absence of development and investment activity compared to other oareas in the city or town;
- There is a high occurrence of crime; and
- There is a continuing decline in the population.

If the City establishes an infill incentive district, it would need to adopt an infill incentive plan which may include the following:

- Expedited zoning or rezoning procedures;
- Expedited processing of plans and proposals;
- Waivers of municipal fees for development activities as long as the waivers are not funded by other development fees; and
- Relief from development standards.

Advantages to infill incentive districts:

- Encourage infill development in areas of decline
- Streamline development approvals
- May reduce development fees charged

Disadvantages of infill incentive districts:

- Requires the creation of an infill incentive plan

GOVERNMENT PROPERTY LEASE EXCISE TAX (“GPLET”)

The GPLET has been established by the State of Arizona as a redevelopment tool to initiate development by reducing a project’s operating costs by replacing the real property tax with an excise tax. GPLET is a state statute which allows a private party to construct new improvements on a parcel, transfer fee title of the land and improvements for government agencies to hold and then have it leased back to them. Government ownership of the land results in the parcel not being charged an Ad Valorem Property tax but instead, taxed an Excise Tax.

The excise tax is established for the building use type and is calculated on the gross square footage of the building. The excise tax can be abated for a period of eight years after a certificate of occupancy on the building is issued and if the property is located within a Central Business District and a Redevelopment Area. A list of GPLET projects in Arizona can be found on the State of Arizona, Department of Revenue’s website at https://www.azdor.gov/PropertyTax/GPLET.aspx.

Advantages of GPLET:

- Provides tax incentives to attract businesses to the local area
- Redevelopment plan and central business district requirements are already in place

Disadvantages of GPLET:

- Applies to new construction/improvements only

BONDS

IMPROVEMENT ("ASSESSMENT") BONDS

When proposed improvements, in the opinion of the governing body, are of more than local or ordinary public benefit, the governing body may recommend that these expenses be paid for by the benefitted property owners. Costs must be shared proportionately among the lots based on frontage to the improvements. Lots receiving no benefit may be exempted from the assessments.

Improvements may include streets, tunnels, subways, viaducts, railroads, sidewalks, crosswalks, curbs, gutters, manholes, steps, parking and parkways, pipes, sewers, waterworks, lighting, off-street parking and appliances (hydrants) for fire protection.

Improvement bonds are issued in the name of the municipality but are payable only from the assessments collected in the district. The assessment is a first lien on the property assessed subject only to general property taxes and prior special assessments.

The underlying rationale of an improvement or assessment bond is that only those property owners who benefit from the public improvements and ongoing maintenance of the properties will be assessed for the associated costs as opposed to other financing structures in which all City residents pay either through property taxes or increased service fees.

Improvement bonds require a higher interest rate in the market than do general obligation bonds, sales tax revenue or utility revenue bonds. Interest rates will depend on a number of factors including the ratio of the market value to the assessment bond amount, the diversity of property ownership and the perceived willingness and ability of property owners to make the assessment payments as they come due. Even with the best of special assessment credit structure, if bonds are issued they are likely to be non-rated and therefore would be issued at rates quite a bit higher than similar general obligation bonds that would likely be rated.

Advantages of Improvement/Assessment Bonds:

- Bonds are tax-exempt although the interest cost is not as low as a GO or revenue bond
- Only benefited property owners pay for the improvements or ongoing maintenance
- Limited risk to the City as there is no general tax or revenue pledge
- Flexibility since property owners may pre-pay their assessment prior to bond issuance or annually thereafter as the bond documents dictate

Disadvantages of Improvement/Assessment Bonds:

- Property owners can protest and may defeat the effort to create an improvement district and issue bonds if they do not want to pay the assessment
- Special election must be held
- Some increased administrative burden for the City

GENERAL OBLIGATION BONDS

General obligation bonds are a common resource for funding major capital facilities, such as a recreation center or sports park, that usually benefit the entire community. General obligation bonds, commonly referred to as "G.O. bonds," are generally the least costly form of financing for capital facilities. They attract the lowest interest rates in the market because they are secured by the "full faith and credit" - the unlimited pledge of the taxing ability of the community and therefore have the least credit risk to investors. Under Arizona State law, any bonded indebtedness secured by property tax levies must be approved by a majority of voters in a bond election called for that purpose.

Because the improvements discussed in this study are for a specific area of Mesa, it is unlikely that G.O. bonds would be used to finance improvements in the area, unless part of a larger citywide effort to upgrade infrastructure throughout the entire city.

Advantages of G.O. Bonds:

- Lowest cost form of borrowing
- 'New' source of revenues identified

Disadvantages of G.O. Bonds:

- Timing issues; must hold an election
- Risk of a "no" vote while still incurring costs of holding a bond election
- Possibility of election failure due to lack of perceived benefit to majority of voters
- Must levy property tax on all property even if some properties receive limited or no benefit from the proposed improvements
- Can only bond for physical facilities, not ongoing or additional operation and maintenance expense

REVENUE BONDS

Revenue bonds are secured by a specific revenue stream such as sales tax or utility revenues. Therefore, revenue bonds are not a likely source of financing for improvements in the Southwest Redevelopment Area.

Advantages of revenue bonds:

- Fairly low interest rates, although not as low as general obligation bonds
- Do not require an election to be held

Disadvantages of revenue bonds:

- Not a new revenue source
- Must maintain sufficient debt coverage ratios and meet bond covenants

USER FEES

Generally user fees are charged for recreation facilities, access to specific trails and facilities, toll roads, HOV lanes, public transit, parking, etc. If the Southwest Redevelopment Area were to charge increased fees for parking, this would be a new revenue stream that could be returned to the area to make needed infrastructure improvements to roads, sidewalks, curbs, gutters, structured parking, surface parking lots, public transit in the area, etc.

Advantages of user fees:

- New revenue stream
- Fees charged in same area where fees are used to make needed improvements
- Can provide for enhanced service levels

Disadvantages of user fees:

- Can be a deterrent to business growth in the area
- Administration, collection and accounting for fees

GRANTS, FOUNDATIONS AND DONATIONS

The following is a list of the top foundations in Arizona, in terms of annual giving amounts.

TABLE 3. Arizona Foundations and Annual Giving

FOUNDATION NAME	TOTAL ANNUAL GIVING
PetSmart Charities	$48,127,478
Arizona Community Foundation	$42,364,440
The Virginia G. Piper Charitable Trust	$19,537,183
Helios Education Foundation	$17,438,090
Freeport-McMoRan Copper & Gold Foundation	$16,192,387
Frederick Gardner Cottrell Foundation	$5,674,174
The Flinn Foundation	$5,471,065
Dorrance Family Foundation	$5,337,516
Research Corporation	$4,729,061
Community Foundation for Southern Arizona	$4,719,095
Arizona Diamondbacks Foundation	$3,276,037
APS Foundation, Inc.	$3,025,609
Del E. Webb Foundation	$2,612,089
Globe Foundation	$1,949,261
Cardinals Charities	$1,927,393

TABLE 3. Arizona Foundations and Annual Giving (Cont.)

FOUNDATION NAME	TOTAL ANNUAL GIVING
Phoenix Suns Charities, Inc.	$1,151,676
Marshall Foundation	$984,624
The George Mason Green and Lois C. Green Foundation	$520,438
Sundt Foundation	$510,962
Women's Foundation of Southern Arizona	$507,779
Coyotes Charities	$496,130
Alberta B. Farrington Foundation	$459,146
Every Voice in Action Foundation	$350,500
Harold and Jean Grossman Family Foundation	$287,125
The Whiteman Foundation	$242,996
The Lodestar Foundation	$211,145
The Bidstrup Foundation	$131,860
Robert T. Wilson Foundation	$77,507
Vitalyst Health Foundation	$72,500
The Allyn Family Foundation	$58,500
PICOR Charitable Foundation	$46,700
Theresa's Fund	$29,005
Turf Paradise Foundation	$15,125
Phoenix Greyhound Racing Foundation	$2,000

Source: Zions Public Finance, Inc., 2017

The following is a list of the top corporate giving programs in Arizona. While those listed in Mesa, and especially those located in the Southwest Redevelopment Area, would have the best chances of donating, other businesses listed below may be located in Mesa, although headquartered in another city.

TABLE 4. Arizona Corporations and City of Headquarters

CORPORATION	CITY OF HEADQUARTERS
APS Energy Services	Tempe
Arizona Cardinals	Tempe
Arizona Diamondbacks	Phoenix
Arizona Public Service Company (APS)	Phoenix
Arvizu Advertising and Promotions	Phoenix
ASARCO, Inc.	Tucson
Avnet, Inc.	Phoenix
Bank of Arizona, N.A.	Phoenix
Bashas Inc.	Chandler
Blue Cross Blue Shield of Arizona, Inc.	Phoenix
Central Arizona Water Conservation District (CAWCD)	Phoenix
Cold Stone Creamery, Inc.	Scottsdale
Coldwell Banker Success Realty	Scottsdale
Coyotes Hockey, LLC.	Glendale
Desert Schools Federal Credit Union	Phoenix
Empire Southwest, LLC	Mesa
Eurofresh, Inc.	Willcox
Fox Restaurant Concepts, Inc.	Scottsdale
Freeport-McMoRan Copper Gold Inc. (FCX)	Phoenix
General Dynamics C4 Systems, Inc.	Scottsdale
Harlem Globetrotters International, Inc.	Phoenix
Inentive Logic, Inc.	Scottsdale
Insight Enterprises, Inc.	Tempe
Inventure Foods, Inc.	Phoenix
John C. Lincoln Health Network	Phoenix
Kitchell Corporation	Phoenix
Lewis and Roca, LLP.	Phoenix
McMurray, Inc.	Phoenix
McMurry, Inc.	Phoenix
MicrobiaLogic LLC	Mesa

TABLE 4. Arizona Corporations and City of Headquarters (Cont.)

CORPORATION	CITY OF HEADQUARTERS
National Bank of Arizona	Phoenix
OpenWorks	Phoenix
PETsMART, Inc.	Phoenix
Phoenix Greyhound Park	Phoenix
Phoenix Suns	Phoenix
PICOR Commercial Real Estate Services, Inc.	Tucson
Salt River Project (SRP)	Phoenix
SCF Arizona	Phoenix
Scottsdale Insurance Company	Scottsdale
Snell Wilmer LLP	Phoenix
Sprouts Farmers Market LLC	Phoenix
SUMCO Phoenix Corporation	Phoenix
Summit Builders Construction Company	Phoenix
Televerde	Phoenix
The Arizona Republic	Phoenix
The Sundt Companies, Inc.	Tempe
Tucson Electric Power Company	Tucson
Turf Paradise, Inc.	Phoenix
US Airways Group, Inc.	Tempe
Ventana Medical Systems, Inc.	Tucson

Source: Zions Public Finance, Inc, 2017

Advantages:

- Those most involved and interested contribute to the associated costs
- Creates a sense of pride and ownership in the Southwest Redevelopment Area
- Partners with the private sector to increase business contributions

Disadvantages:

- Not a steady or consistent revenue source
- Cannot bond against these revenues
- May take time to build up significant interest and revenues
- Administrative costs of running a foundation unless done by volunteers

STATE INCENTIVE PROGRAMS

QUALIFIED ENERGY CONSERVATION BONDS

Qualified Energy Conservation Bonds (QECB) are qualified tax credit bonds. As a tax credit bond, holders of QECBs receive payments in the form of tax credits from the federal government. The tax credits permit an issuer of QECB to potentially borrow for "qualified conservation purposes" at rates of interest which may be significantly lower than rates of interest on taxable debt or even tax-exempt bonds. The credit rate is 70% of the credit rate that would allow the QECB to sell at par. The purpose is to enable states to issue QECBs to finance, among other purposes, retrofits of existing public and private buildings through loans, grants or other repayment mechanisms to individual homeowners or businesses.

ANGEL INVESTMENT

The Angel Investment tax credit provides credits to investors who make capital investments in small businesses certified by the Arizona Commerce Authority (ACA). The principal objective of the Angel Investment program is to expand early stage investments in targeted Arizona small businesses. The program accomplishes this goal by currently eliminating Arizona capital gains tax liabilities associated with the disposition of investments in small businesses certified by the ACA.

At the present time, this program has reached its $20 million tax credit cap and is currently unable to certify future investment.

QUALITY JOBS

Quality Jobs encourages the creation of high-quality jobs and business investment by providing tax credits to employers creating a minimum number of net new quality jobs and making a minimum capital investment in Arizona. The Quality Jobs tax credit offers up to $9,000 of Arizona income or premium tax credits spread over a three-year period for each net new quality job ($3,000 per year).

APPENDICES

4

BLIGHT STUDY FINDINGS SUMMARY

Arizona's law defers to local municipalities to make the determination saying only a "predominance" of certain factors needs to be present. Those factors are:

1. Dominance of defective or inadequate street layout
2. Faulty lot layout in relation to size, adequacy, accessibility or usefulness
3. Unsanitary or unsafe conditions
4. Deterioration of site or other improvements
5. Diversity of ownership (by block)
6. Tax or special assessment delinquency exceeding the fair value of the land
7. Defective or unusual conditions of title
8. Improper or obsolete subdivision platting
9. Existence of conditions that endanger life or property by fire and other causes

This study has carefully evaluated those factors on a parcel-by-parcel basis and has found that 147 of the 281 parcels were determined to have at least one blight factor, equaling 52% of parcels in the area and 62% of parcel acreage in the area **(Table A-1 and Figure A-1)**.

As shown in the blight analysis, a substantial number of blight conditions exist in the study area. Mesa City Council determined a finding of blight in September of 2016.

Read the full Southwest RDA Determination of Blight Executive Summary (2016).

TABLE A-1. Number of Parcels by number of Blight Factors

# OF BLIGHT FACTORS	PARCELS	% OF PARCELS	ACREAGE	% OF ACREAGE
1	81	29%	141	29%
2	44	16%	119	25%
3	16	6%	35	7%
4	6	2%	4	1%
Parcels w/ at least 1 Blight Factor	147	52%	299	62%
Total Southwest RDA	**281**	**-**	**483**	**-**

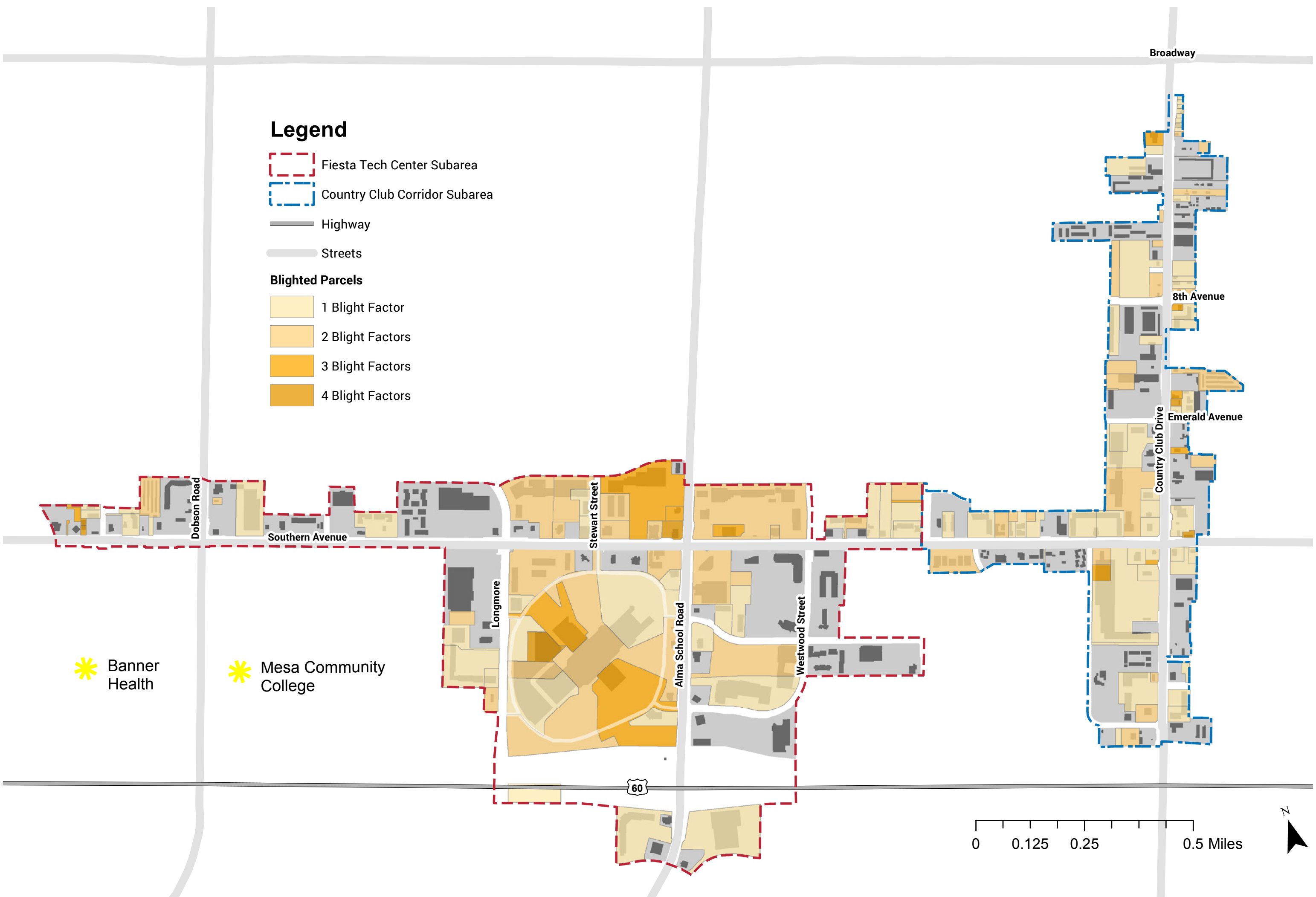


FIGURE A-1. Blight Study Results

MARKET SUMMARY

The Market Analysis was completed in order to evaluate what the current trends are in the Southwest RDA, what the perceptions of broker and developers are, the valuation of office and retail properties, feasibility of uses and recommendations.

EXISTING CONDITIONS

There is currently around 3 million square feet of office in the City of Mesa, with around 300,000 square feet of available space and a vacancy rate of 10.4%. The average rent for Class B space is $17.50 per square foot and $15.60 per square foot for Class C space.[4] The overall trends in the Mesa office market currently existing are:

- Declines in vacancy rates for all office-product type from 2015 to 2016.
- Class C market weighs heavily on the overall vacancy and achievable rents. Some of the Class C space has been vacant for several years.
- Net absorption is limited, with 2016's 4th quarter showing some negative indications. Nonetheless, there is a positive trend for the entire year.
- Employment growth seen in 2015 slowed somewhat in 2016, resulting in reduced net absorption figures.

In retail uses, there is over 4.5 million square feet in the Southwest RDA, with 875,000 square feet of available space and a vacancy rate of 19%. Brokers note that numerous tenants in the study area have month-to-month lease or near-term expirations that could moderately increase the vacancy rate.

BROKER AND DEVELOPER PERCEPTIONS

Broker and developer perceptions of the Southwest RDA submarket include:

- The best case scenario for retail is to take much of the existing supply off the market.
- There will be no significant change unless the mall property is redeveloped.
- There is some sense for new office space, but likely not at heights larger than 6-stories.

4 As of the end of 2016's 4th quarter, as reported by Colliers International, CBRE, LoopNet, NAI Horizon and Newmark Grubb Knight Frank,

- Surface lots are undesirable, but parking structures are difficult to make financially feasible.
- Focus on adding jobs and the retail will follow.
- Fiesta Mall has the potential to be redeveloped into a vibrant employment center.
- The overall vacancy needs to decline significantly if the area is to become desirable for new uses.
- Commercial uses should be built closer to the right-of-way with rear parking areas that are accessed from side streets.
- Vacant retail properties along Longmore should be considered for redevelopment to office or residential uses.

VALUATION OF OFFICE AND RETAIL PROPERTIES

Valuation scenarios were run for office and retail uses in the Southwest RDA compared to the City of as a whole. For the office valuation scenarios, the following are conclusions that should be considered by the City:

- Rates in the study area for office space are generally 8-10% lower than most other areas of Mesa, as well as nearby, competitive markets.
- Capitalization rates, reflecting the risk associated with the area, are on average 25 base points higher in the study area than in Mesa general. Higher rates of return reflect lower overall values.
- All else equal, developers will pursue properties that lead to higher valuations.
- Construction costs will be similar at competitive sites, resulting in greater returns for property in more desirable areas. When the variations in land values are accounted for, the difference in costs and value will show the amount of profit available.
- If certain development is desired in the study area, incentives will need to be considered to compete with alternative properties.

Tables A-2 and A-3 display the comparison of valuation considerations for office in both the study area and Mesa general. The valuation considerations that stem from the scenario development are:

- Difference in the two scenarios is shown at roughly $250,000. If differences in land costs are taken into consideration, then the study area office example shows a reduced value of near $150,000. This is profit that a developer will not receive in the study area, as compared to nearby markets. Consequently, incentives will need to be considered such as:
  - Quicker approval process.
  - Reduced utility or hook-up fees.
  - Reduced property taxes through use of the GPLET, which essentially charges an Excise Tax instead of an Ad Valorem Property tax
  - Pre-lease agreements that provide for reduced risk (lower overall rates of return).

TABLE A-2. Valuation Considerations for Office in the Southwest RDA

OFFICE SPACE	BUILDING AREA (SF)	ESTIMATED MARKET RENT (SF)	ANNUAL
Total Leasable Area	10,000	$15.00	$150,000
Expense Reimbursements			$25,000
Potential Gross Income (PGI)			**$175,000**
Vacancy Loss (5.0% of PGI)			($8,750)
Effective Gross Income (EGI)			**$166,250**
Operating Expenses			
Taxes, Utilities, Admin., etc.			($55,000)
Management			($6,650)
Reserves			($1,663)
Total Operating Expenses			($63,313)
Net Operating Income (NOI)			**$102,938**
Capitalization Rate			7.00%
Estimated Market Value			**$1,470,536**
Per Square Foot (Stabilized)			**$147.05**

Source: Zions Public Finance, Inc., 2017

TABLE A-3. Valuation Considerations for Office in Mesa General

OFFICE SPACE	BUILDING AREA (SF)	ESTIMATED MARKET RENT (SF)	ANNUAL
Total Leasable Area	10,000	$16.50	$165,000
Expense Reimbursements			$25,000
Potential Gross Income (PGI)			**$190,000**
Vacancy Loss (5.0% of PGI)			($9,500)
Effective Gross Income (EGI)			**$180,500**
Operating Expenses			
Taxes, Utilities, Admin., etc.			($55,000)
Management			($7,220)
Reserves			($1,805)
Total Operating Expenses			($64,025)
Net Operating Income (NOI)			**$116,475**
Capitalization Rate			6.75%
Estimated Market Value			**$1,725,556**
Per Square Foot (Stabilized)			**$172.56**

Source: Zions Public Finance, Inc., 2017

For the retail valuation scenarios, the following are conclusions that should be considered by the City:

- The amount of vacant retail space in the study area suggests that no new development would be supportable, unless on prime locations.
- Significant variation in achievable rental rates, with pad sites having the highest costs, to lower achievable rents for in-line and big box suites.
- Most brokers indicate that concentrated (higher density) residential development, as well as the addition of offices, will translate into an eventual need for retail.

TABLE A-4. Valuation Considerations for Retail in the Southwest RDA

OFFICE SPACE	BUILDING AREA (SF)	ESTIMATED MARKET RENT (SF)	ANNUAL
Total Leasable Area	10,000	$14.00	$140,000
Common Area Maintenance Reimbursements			$11,000
Potential Gross Income (PGI)			**$151,000**
Vacancy Loss (7.5% of PGI)			($11,325)
Effective Gross Income (EGI)			**$139,675**
Operating Expenses			
Common Area Maintenance			($11,000)
Management			($4,190)
Reserves			($1,397)
Total Operating Expenses			($16,587)
Net Operating Income (NOI)			**$123,088**
Capitalization Rate			8.00%
Estimated Market Value			**$1,538,600**
Per Square Foot (Stabilized)			**$153.86**

Source: Zions Public Finance, Inc., 2017

Tables A-4 and A-5 display the comparison of valuation considerations for retail in both the study area and Mesa general. The valuation considerations that stem from the scenario development are:

- The difference in the two retail scenarios is shown at near $220,000. Accounting for changes in land value, a developer could receive nearly $175,000 more in profit at an alternative location.
- For retail development to be more attractive, capitalization rates need to decline. This will occur with the following:
  - Reduction in the local area vacancy rate to less than 10%.
  - An increase in jobs in the immediate area.
  - Removal of older, vacant buildings with redevelopment (which will also lower the vacancy rate).

TABLE A-5. Valuation Considerations for Retail in Mesa General

OFFICE SPACE	BUILDING AREA (SF)	ESTIMATED MARKET RENT (SF)	ANNUAL
Total Leasable Area	10,000	$15.50	$155,000
Common Area Maintenance Reimbursements			$11,000
Potential Gross Income (PGI)			**$166,000**
Vacancy Loss (7.5% of PGI)			($12,450)
Effective Gross Income (EGI)			**$153,550**
Operating Expenses			
Common Area Maintenance			($11,000)
Management			($4,607)
Reserves			($1,536)
Total Operating Expenses			($17,142)
Net Operating Income (NOI)			**$136,408**
Capitalization Rate			7.75%
Estimated Market Value			**$1,760,103**
Per Square Foot (Stabilized)			**$176.01**

Source: Zions Public Finance, Inc., 2017

FEASIBILITY OF USES

Retail in the area is likely not financially feasible until market conditions improve with reduced vacancy and/or significant employment gains in the local market. Office uses are currently financially feasible, although returns are superior in neighboring markets. Office may be more justified through renovation of existing, vacant structures since cost will be less than new construction; however, some functional obsolescence will persist such as potentially excessive parking, inefficient building system configurations, general layouts that do not conform to office preferences, etc. Construction that can be built under market conditions are lower cost, moderate cost and higher cost office, as well as lower cost, moderate cost and higher cost rental housing.

With office uses, solid employment growth will continue to fuel demand for new office space. Some Class B and C space will remain vacant as tenants have flexibility to move up to Class A space, or redevelop alternative uses to office. Space needs for office are also declining per employee.

Significant new construction of retail uses is likely not feasible in the study area, unless it includes redevelopment of existing space or is situated at prime locations. Smaller and mid-sized sites in the study area require direction from the Fiesta Mall before they will see redevelopment.

RECOMMENDATIONS

Recommendations based on the results of the Market Analysis are as follows:

- Focus on job creation, particularly in field of technology. Call centers are service-related uses are also in high-demand, but do not always create the incomes that spur supporting, commercial development.
- Market the area's transportation connectivity, the educational opportunities and the significant opportunities for redevelopment.
- Allow for zoning flexibility to encourage redevelopment and reuse of retail sites for office conversion/construction.
- Most likely financially feasible scenarios will keep office construction to three and four stories in most places. Higher building heights could be supported at the Fiesta Mall site in a business park or campus headquarters scenario.
- Provide flexibility with parking ratio requirements, as office are getting more employees into smaller spaces, thereby resulting in more cars per building.
- Parking garages are not financially feasible at most locations for higher density residential use. Consequently, density needs to consider impact and availability of

surrounding surface parking, or, interior courtyards.

- Properties at the northern side of the intersection of Alma School Road and Southern Avenue are desirable from a locational perspective. Their success requires an adopted plan for the Fiesta Mall. Their eventual redevelopment should encourage buildings constructed closer to the rights-of-way, with rear-accessed parking amenities. Currently configurations at the intersection provide for poor visibility and exposure and connectivity with surrounding uses.
- Future retail at the Fiesta Mall should be focused on smaller users and should be situated primarily around the periphery of the project.
- The Fiesta Mall should be aimed on eventual office development, with a business park setting or headquarter campus a likely scenario.
- Higher-density residential could be supported at the Fiesta Mall site, but highest and best use suggests that a focus on office development would result in greater returns and impact on the study area.
- The mall area could become an employment center for the region, keying on the locational advantages and proximity to educational opportunities.
- South Country Club Drive could be focused on smaller, more local users, based on current uses and site configurations.
- South Country Club Drive should show design standards that create connectivity between neighboring uses, including frontage requirements, landscaping, signage and setbacks.
- Significant redevelopment is unlikely due to the number of smaller parcels and the limited depth of most sites.

Read the full Southwest RDA Market Study Summary Overview (2016).

LAND SUMMARY

The average parcel size in the Southwest RDA is 1.73 acres. The dominant land use in the Redevelopment Area is retail at 42%, as illustrated in **Figure A-2** and seen in **Table A-6**; however, with Retail having the highest instance of vacancy according to the Market Analysis, the mix of land uses presents an opportunity for increased office space with 9% of the RDA classified as Employment.

Although the RDA is not focused on residential land uses (8%), the surrounding context is heavily residential which, as redevelopment occurs, can become better connected to the Employment and Retail uses in the Southwest RDA.

TABLE A-6. Breakdown of Land Uses in the Southwest RDA

LAND USE	ACREAGE	PERCENTAGE
Retail	337	70%
Employment	44	9%
Multi-Family Residential	36	7%
Open Space	16	3%
Office	12	2%
Transportation	12	2%
Industrial	10	2%
Vacant	8	2%
Single Family Residential	5	1%
Multiple Use	2	0.4%

Source, City of Mesa, 2016

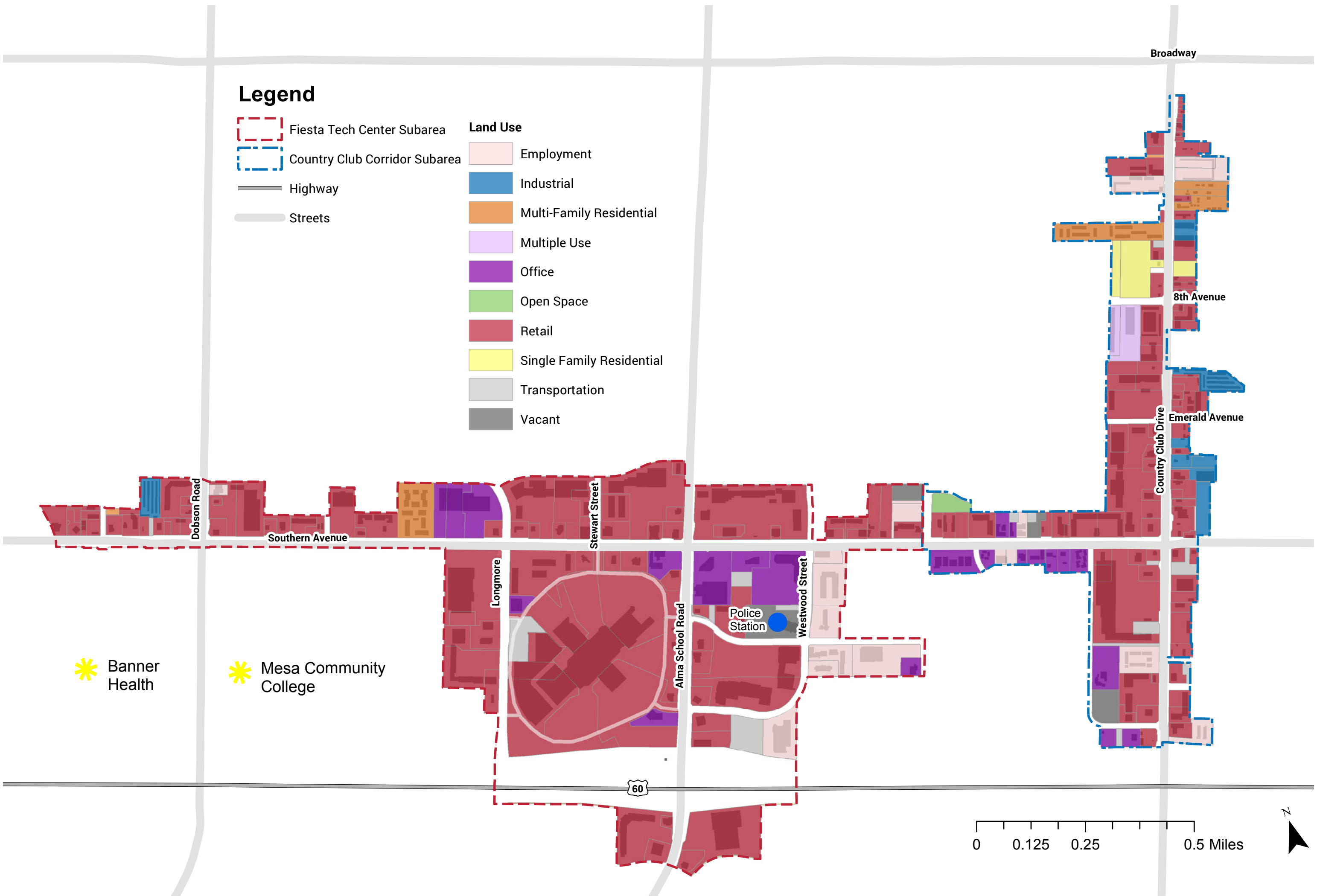


FIGURE A-2. Redevelopment Area Existing Land Use

Zoning in the Southwest RDA is generalized, with 80% classified as Limited Commercial as seen in **Figure A-3 and Table A-7**. There is a 68% difference between the amount of Limited Commercial zoning and the second largest classification of General Commercial (12%). The smallest classification category is General Industrial at 0.3%, which is the only zoning category that includes office/employment uses. With the focus of redevelopment in this RDA being its growth as a vibrant employment center, there is the opportunity to rezone for the purpose of prioritizing office over retail uses.

TABLE A-7. Breakdown of Zoning in the Southwest RDA

ZONING	ACREAGE	PERCENTAGE
Limited Commercial	372	80%
General Commercial	55	12%
Residential Multiple Dwelling District 4	11	2%
Office Commercial	9	2%
Neighborhood Commercial	6	1%
Light Industrial	6	1%
Residential Single Dwelling District 6	3	1%
Residential Multiple Dwelling District 2	3	1%
General Industrial	2	0.3%

Source: City of Mesa, 2016

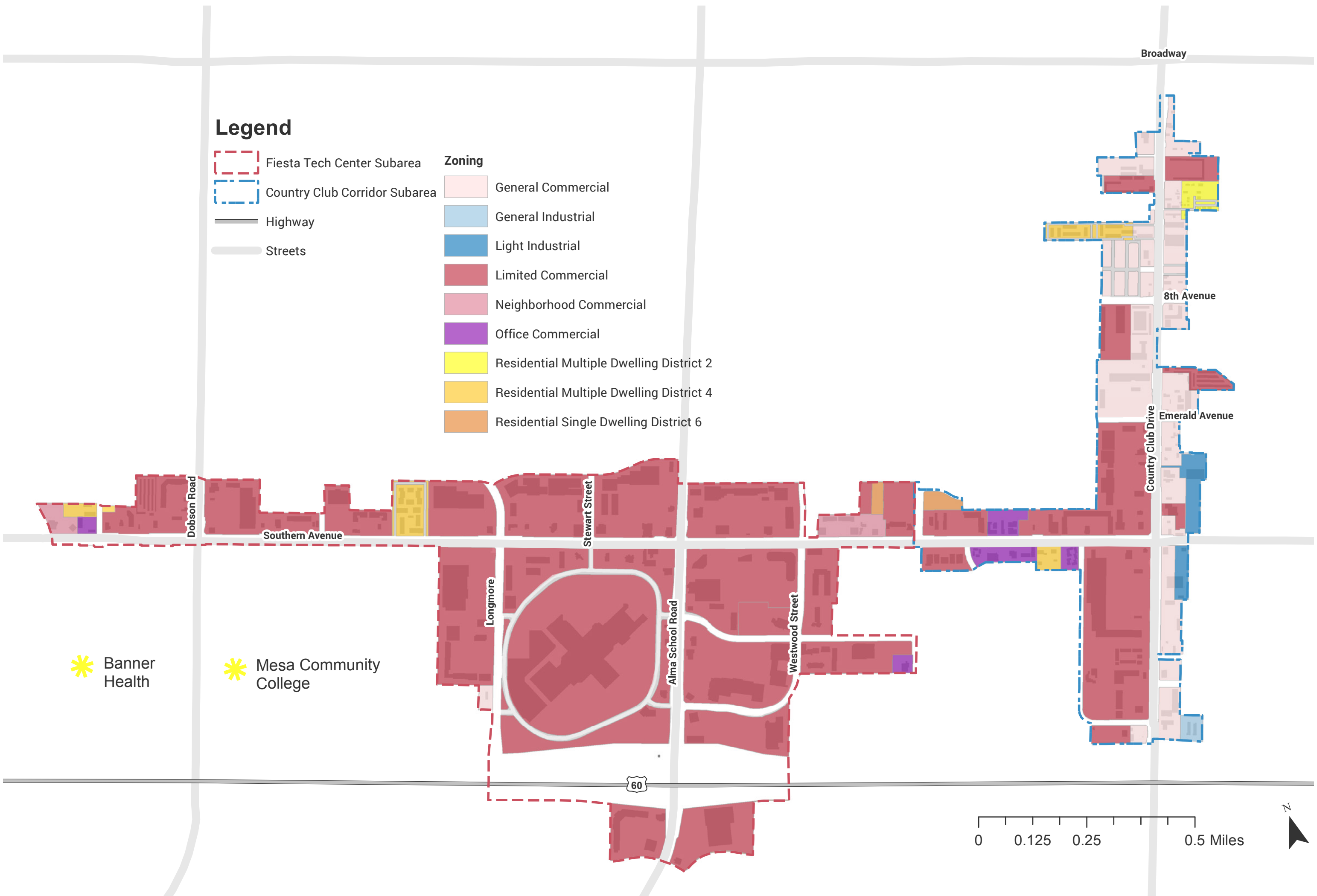


FIGURE A-3. Redevelopment Area Existing Zoning

There is also limited Open Space and amenities present in the area (3%), providing insufficient spaces for the community to gather and for visitors and residents to live, work and play in the RDA. **Figure A-4** illustrates that 37% of the Southwest RDA is not located within ½ mile of a park, indicating that the area is underserved with public gathering and green spaces.

FIGURE A-4. Redevelopment Area Existing Amenities

Figure A-5 illustrates the Character Area designations for the Southwest RDA from the Mesa 2040 General Plan. Areas identified as Mixed Use Activity Districts and Employment in both the Fiesta Tech Center and Country Club Corridor Sub-areas are consistent with the redevelopment goals of the priority sites identified in this Plan. Supporting a mix of uses, these activity centers could be centralized around employment centers while providing retail and residential uses that sustain this focus. They also further emphasize the desire for the RDA to become a walkable, vibrant, urban destination that retains visitors and residents.

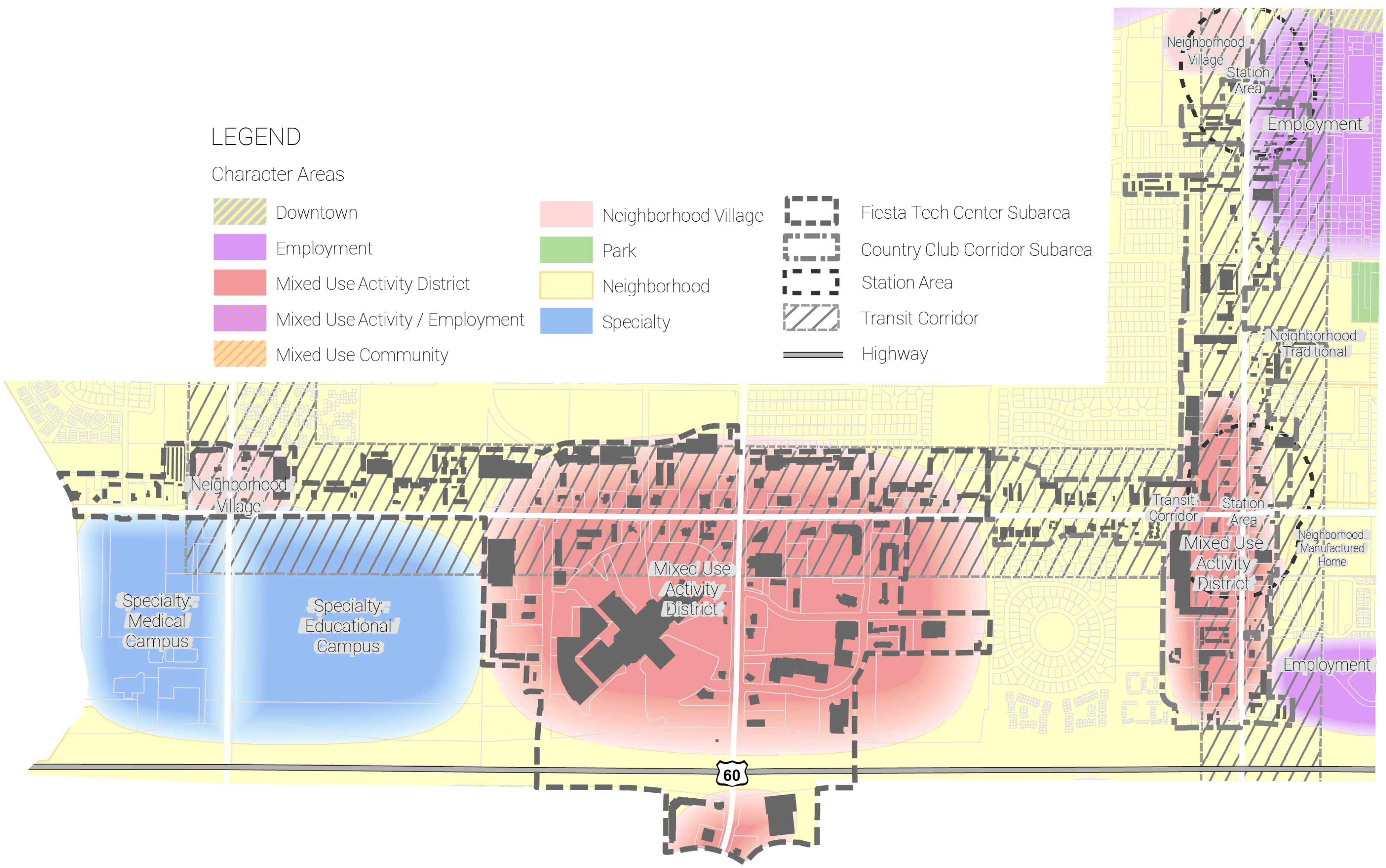


FIGURE A-5. Redevelopment Area General Plan & Character Area Designations