

MINUTES OF THE REGULAR MEETING OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held in the Council Chambers, 88 E. Chicago Street, on Monday, July 6, 2015

THE MEETING WAS CALLED TO ORDER BY MAYOR JAY TIBSHRAENY at 7:00 p.m.

The following members answered roll call:

Jay Tibshraeny	Mayor
Kevin Hartke	Vice-Mayor
Nora Ellen	Councilmember
Rick Heumann	Councilmember
René Lopez	Councilmember
Terry Roe	Councilmember
Jack Sellers	Councilmember

Also in attendance:

Marsha Reed	Acting City Manager
Nachie Marquez	Assistant City Manager
Kay Bigelow	City Attorney
Marla Paddock	City Clerk

INVOCATION: Vice Mayor Hartke led the invocation.

PLEDGE OF ALLEGIANCE: Councilmember René Lopez led the Pledge of Allegiance.

CONSENT:

VICE MAYOR HARTKE asked for a brief presentation by developer Mike Perry on item number 5, the Development Agreement with DC Land, LLC.

Presentation is listed under item number 5.

MOVED BY VICE MAYOR HARTKE, SECONDED BY COUNCILMEMBER SELLERS, TO APPROVE THE CONSENT AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY (7-0).

1. MINUTES:

APPROVED the following Chandler City Council Meeting Minutes:

- 1a. Executive Session of June 22, 2015.
- 1b. Study Session of June 22, 2015.
- 1c. Executive Session of June 25, 2015.
- 1d. Executive Session of June 25, 2015.
- 1e. Regular Meeting of June 25, 2015.

2. REZONING: Reseda Ord. #4645

ADOPTED Ordinance No. 4645, DVR15-0008 Reseda, rezoning from Planned Area Development (PAD) for Church and School to PAD (Single-Family Residential).

3. REAL PROPERTY EXCHANGE: Chandler Blvd. & Hartford Street Ord. #4649

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 4649 declaring certain real property as no longer necessary for use as public roadway; authorizing the exchange of said real property to an abutting property owner for new public roadway and authorizing the execution of all documents necessary to complete the roadway exchange.

BACKGROUND

San Marcos Hotel, LLC, leased retail space on the northwest corner of Commonwealth Avenue and San Marcos Place to Crust Restaurants with the intent of a ground floor restaurant, Crust, and a downstairs restaurant, Prohibition.

The downstairs restaurant has one ingress/egress, which does not meet current fire code. Curtain portions of public roadway are needed for stairwell access to the downstairs portion to create a secondary ingress/egress.

Additionally, San Marcos Hotel, LLC, is the owner of real property that the City desires to acquire for use by the public as a public roadway on Chandler Boulevard. The property is located on the south side of Chandler Boulevard just west of Hartford Street and is needed for public right-of-way.

It is the intention of the City of Chandler and San Marcos, LLC, to exchange the roadway through the execution and recording of two quitclaim deeds for the stairwell.

4. AGREEMENT: San Marcos Hotel Res. #4881

ADOPTED Resolution No. 4881 authorizing the execution of the agreement and release of waterline easement with San Marcos Hotel, LLC, and transfer of improvements in place in order to extinguish waterline easements that are no longer needed for public use at the San Marcos Hotel.

BACKGROUND/DISCUSSION

A waterline, located on the San Marcos Hotel, was constructed and the easement dedicated for public purposes through a document recorded in 1986. At the time, the waterline connected to other elements of the City water system, as well as other private property in the area. A second document with an amended legal description was recorded in 1989.

In the last 30 years, hotel structures and site improvements have been placed on the surface of the easement, which significantly interferes with the City's access and ability to maintain the portion of waterline still in use.

The San Marcos Hotel has agreed to enter into an agreement to release the waterline easement and accept the improvements in place. Staff has reviewed and approved the legal descriptions and confirmed that the easement area is no longer needed by the public.

5. DEVELOPMENT AGREEMENT: DC Land, LLC

Res. #4884

Mike Perry, 575 W. Chandler Blvd. Suite 123, stated he is a member of the development team, a partner and the architect on the project. He explained the proposal is a unique multi-family residential development just south of the San Marcos Resort on Commonwealth, between Essex, Dakota and California streets. He gave kudos to several staff members that have been involved in working through issues on this project. He noted this development has a sky bridge because the development is split by Dakota Street. Dakota is proposed to be punched through to be a reliever street for the area. They are looking at building a pool on this second level to connect the development in a very unique way. He reviewed the renderings and noted the highlights of the project.

ADOPTED Resolution No. 4884 authorizing a Development Agreement with DC Land, LLC, relating to real property located between Commonwealth Avenue to Boston Street and Essex Street to California Street and authorizing the Mayor to sign all related documents as approved by the City Attorney.

BACKGROUND/DISCUSSION

CD Land, LLC, has purchased 18 parcels from Essex Street to California Street and Commonwealth Avenue to Boston Street comprising 5.5 acres to develop 200 high-density residential units known as DC Heights. The City of Chandler Planning and Zoning Commission approved rezoning on November 19, 2014, with City Council approving rezoning on December 11, 2014.

As part of their development requirements, DC Land is requesting that the City become the title owner of the property and improvements when completed. Immediately upon conveyance to the City, the City will lease back the property and improvements to DC Land for 25 years. This will take the project out of the normal real property taxes based on assessed value and provide for taxation of the leasehold interest by the Government Property Lease Excise Tax (GPLET) statutes. The tax rates for GPLET property is a specific dollar value per square foot assessment. The current rate for high-density residential projects is \$2.00 per square foot and is divided among all taxing jurisdictions as dictated by a formula outlined in the statutes. This rate will decrease 20% every 10 years after the completion of the project. Further, because the site is located in both the City's existing Central Business District and the City's Redevelopment Area, the site will also be able to take advantage of an 8-year abatement on all GPLET taxes as part of the requested incentives. Notices, required by A.R.S. §42-6206, were sent to Maricopa County Supervisor Barney, Chandler-Gilbert Community College Dr. Lujan and Chandler Unified School District Superintendent Casteel on June 22, 2015. The statutes require that the City Council wait 60 days after mailing of the notifications to pass the GPLET provisions in a development agreement so this portion of the development agreement will not be operable until the Council approves it by another resolution after expiration of the 60-day notification period.

In accordance with City Code, the project will be responsible for paying all required System Impact Fees as permits are issued for the buildings.

As part of the Development Agreement, the City assures adequate water and wastewater for the project, as well as reimbursement of street improvements surrounding the project on Commonwealth Avenue and Boston Street identified to be completed by the City in the CIP FY 2015-16 Budget. The Dakota Street extension between Buffalo Street and Commonwealth

Avenue, including improvements to the Canal (CIP FY 2015-16 Budget) will also be part of the agreement allowing for increased vehicular accessibility west of Arizona Avenue. Expedited plan review and minor deviations to development standards are also included.

Dakota Street, between Commonwealth Avenue and Boston Street, will be reimbursed in the amount not to exceed \$602,000 with the completion of Dakota Street and completion of sky bridge and pool. Four dedicated parking spaces and public parking are also addressed within the agreement.

6. IMPROVEMENT AGREEMENT: San Marcos Hotel LLC

APPROVED the Improvement Agreement with San Marcos Hotel LLC for improvements to Dakota Street and San Marcos Place and authorized the Mayor to sign the agreement as approved by the City Attorney.

BACKGROUND

The City wishes to acquire property rights from the San Marcos Hotel LLC, to facilitate the construction of Dakota Street from Buffalo Street to Commonwealth Avenue across the hotel property. The roadway is needed for traffic circulation within the developing downtown area. The improvements will include the construction of a new roadway along with on-street parking, lighting and landscaping. The new roadway will be designed, constructed and maintained at City expense except that the San Marcos Hotel LLC, will be responsible for future landscape maintenance along the new roadway. The City shall commence construction of Dakota Street no later than June 30, 2017.

As consideration for the grant of right-of-way necessary to construct Dakota Street, the City agrees to construct, finance, install and maintain improvements along San Marcos Place adjacent to the hotel property. The improvements will remove approximately eight (8) parking spaces along the west side of San Marcos Place and will be replaced with a landscaped area for outdoor seating within the City's right-of-way. The outdoor seating area will provide a buffer to the recently remodeled courtyard on the east side of the hotel. The appraised value of the Dakota Street right-of-way to be dedicated to the City is \$208,000 (\$8.00 per square foot) while the estimated cost of the outdoor seating area is \$112,000. This work shall commence before June 30, 2016, in accordance with this agreement. This proposed project and the removal of the eight parking spaces, has been vetted with the Downtown Chandler Community partnership (DCCP).

In addition, the hotel owners have determined that the installation of the Dakota Street Improvements will require the issuance of a Series 11 Arizona State Liquor License to allow for the continued operation of the hotel, golf course, and wedding venue. Per the terms of the agreement, the City agrees to pay the hotel's initial application costs for the liquor license in an amount not to exceed \$7,500. The City also agrees to reimburse the hotel's Series 11 Liquor License renewal fees up to \$2,500 per year for five years.

FINANCIAL IMPLICATIONS

The cost of improvements is estimated to be \$1,551,850 (includes design and construction of Dakota Street along with the design and construction of the San Marcos Place improvements as consideration for the Dakota Street right-of-way dedication). The project cost also includes an amount up to \$7,500 for the hotel owner's Series 11 Liquor License application. The funds are included in the approved FY 2015-16 Capital Improvement Program. The remaining \$2,000 per year for the liquor license permit will come from the Downtown Redevelopment Operating Budget.

