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#### **CALL TO ORDER**

[Time: 00:00:01]

Mayor Lane: Good afternoon, everyone. We have all the councilmembers here with us today. I would like to call to order the October 13<sup>th</sup>, 2015, work study session. And we will start with a roll call, please.

#### **ROLL CALL**

[Time: 00:00:11]

City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor David Smith.

Vice Mayor Smith: Present.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer.

Acting City Manager Brad Hartig: This is Brad Hartig.

City Clerk Carolyn Jagger: Oh, I'm sorry, Brad. And you are here?

Acting City Manager Brad Hartig: Yes, I am.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. Of course, this is a work study session and this is a more casual nature, so we are down in the pit with everyone. The idea here, frankly is to make sure that we have an opportunity to discuss the issues a little bit more thoroughly than we might have the opportunity when the finished products come to us on the dais. So we are looking to have that conversation with staff. That's our primary objective in these sessions. And so I want to welcome the staff members that are here for us as well.

I will say that even though it is -- it has been historically always an opportunity simply to have that conversation with staff on issues, several years ago we did initiate, I see that we have no cards. I will make a mention of it. We do have public comment, three minutes for five individuals, even though we want to maximize the time we have with staff in this conversation. So I will leave it go at that, since we have no public comment cards and not looking to see any right now.

**ITEM 1 – MCDOWELL ROAD CORRIDOR STRATEGIC PRIORITY UPDATE**

[Time: 00:01:57]

Mayor Lane: Our first order of business is the McDowell Road corridor strategic priority update. It's for discussion and possible direction to staff regarding the vision for future revitalization efforts and the tolls to be used in that process. And I think we have before us directly in front of me, Mr. Randy Grant, our planning and development services director and I think also I'm presuming you are playing a role since we are sitting here, Danielle Casey, the director of economic development. So Mr. Grant then, if you would like to go ahead and start that.

Planning and Development Services Director Randy Grant: Thank you Mayor Lane, members of council. This evening, we are going to be discussing three things, the first is kind of a general overview, a context of the economic recovery that's occurred along the McDowell road corridor and the second is the discussion to elect or employ or not, to stimulate revitalization and third is the discussion of the acre and a half parcel of SkySong that the city has control of as a result of the Sky Song agreement. So we'll just start right in.

The presentation is two parts. The McDowell Road corridor, the current context and the anticipated changes in the next 1 to three years, I will give an overview of that and then Danielle will talk about the counsel vision and the input we are requesting from you on that and then tools that we can discuss that might be employed. You will recognize the strategic priority to work with residents and businesses and SkySong to revitalize the McDowell corridor. This is what the council directed us to undertake and this is largely what we will be discussing here with you this evening.

I would like to talk about the policies that have gotten us to this point, because there is a consistent theme among the policies that the city has been utilizing in the area. The first is Los Arcos redevelopment plan which will expire in 2016, in January. And this is the discussion that we had that led to the strategic priorities and the actions that we have taken in furtherance of that. A couple of things I would point out open this, exploring regulatory changes and zoning changes to increase height in specific areas. As a result of the task force recommendations in 2010, the city adopted the planned unit development, P.U.D. ordinance, which allows additional flexibility and it's a direct result of the discussion in the McDowell road corridor and the revitalization, the task force recommendations.

So there are a number of things that have been done. As Danielle will point out, some of those depend on the underlying redevelopment designation, and one of the ones 9 incentives that we might provide as a community in terms of flexibility and zoning regulations is difficult to do if you don't have

a redevelopment designation. So -- and next is the economic development strategic plan that Danielle was responsible for promoting and adopting. Again, innovation, revitalization, reinvestment, knowledge workers, young people and families, all of the things that we're seeing occur in the area.

Just from a global perspective, as in the remainder of the economy, the economic conditions in the McDowell Road corridor are increasing and we have seen a dramatic increase. If you look at the 2010 taxable sales in the McDowell Road corridor, its 220 million, its 310 the same period in 2014, the tax collected on that is up about 35% from 3.7 million to 5.12 million. So we are seeing an increase in the activity that's occurring in the area. Some of that activity is occurring with revitalization of buildings and new tenants, some is activity on vacant properties. The vacant properties include some of the former auto dealerships that are included among McDowell Road and it's no secret that that was a major economic engine in terms of tax revenue. We're not back to where we were in the 2001 to the 2005 area and we probably will not get there in terms of taxable sales. High dollar items such as automobiles bring in a lot of sales tax revenue. But the activity that we're seeing in vacant properties now is somewhat on a smaller scale. Business by business, we are seeing people go into such as Hometown Buffet and revitalize and create new restaurant from it. We have seen them go into a restaurant space on McDowell. We have seen the Pitre Buick dealership that's now under construction with Las Aguas apartment and we have seen the Mark Taylor and the SkySong apartments, both of which are in excess of 90% occupancy.

And the Mark Taylor has actually increased its rent once since it's opened because there's such a demand for it and we can talk about -- and one of the things we do want to talk about is -- is this the type of revitalization that we want to see happening along McDowell? But the reality is, it's changing the demographic slowly but surely. The demand for residential remains strong and property owners that have had long-term leases for owned properties outright are as we have seen in other parts of the community and other communities, holding on to it for the cash flow value. So at some point, the property values will rise to the point where people will be motivated to -- to sell properties for redevelopment. A lot of properties that we have seen along McDowell are family owned, old time -- old ownerships that are continuing to generate cash flow.

Some of the things specific to McDowell, we have had a proposal that I know you have seen for 64<sup>th</sup> street and McDowell, the auto mall for mixed use development. They have gone out to their credit early with the neighbors to discuss the proposal. We don't see that as a really fast turnaround in terms of redevelopment of that property, but we are seeing in a number of other properties, we are seeing the activity that precedes the actual building permits. So we are seeing the interest that's going to result in -- in construction. Building permit fee reductions in April, we have 100 permits that have taken advantage of that. The value is about \$5 million within the area that qualifies for the fee reductions. So we consider that to be a success. It's aimed primarily at residents and small businesses, and we think that generation of activity in those sectors is critically important.

New restaurants have come in somewhat as a result of the increase in the population in the area that they are expecting to become customers. The SkySong restaurant building is going to the development review board on Thursday. As I mentioned, the multifamily, we have had interest in retail center development. The Papago Plaza was sold in September and we're expecting to see

some plans come in for that. What we are seeing in the short term is an interest in maintaining that property with perhaps a facelift and redevelopment at some point in the future.

The things that have occurred from a public sector standpoint, that you don't really notice and I drive down Thomas Road a lot, and you don't notice what an improvement it is until you look at a picture of what it was before, and the change is dramatic. Some of those things are fairly subtle in terms of their impact on revitalization, but it isn't a secret that public reinvestment stimulates private reinvestment and the fact that that streetscape and the McDowell road bridge are so much improved is -- can do nothing but help the expectations of the property owners.

We have also seen expansion in transit service. Again, resulting from your expectation on the critical objective for McDowell Road. There's improvements in the routes and the frequency. We are working with adjacent communities to improve transportation services and we are working with the city of Tempe to explore and we share that order with Tempe what we can do along the edge to improve both sides of the boundary.

I'm not going to spend a lot of time with this, because we have talked about most of these projects, but you can see a lot of projects along McDowell that have -- that have undergone the one stage or another of revitalization. I would point out that the McDowell Road corridor designation goes north to Thomas. So there are properties along Scottsdale Road and Thomas, such as the Paddock Pools that is under construction now as a fee simple ownership product. Bahas which is the 777 Plaza is under construction. A lot of economic revitalization stimulates more economic revitalization. When people see that reinvestment is occurring on an adjacent property, they are more likely to do so on their own.

So this just shows some of the properties fronting on McDowell. Mark Kia made a reinvestment. They moved over to McDowell and Papago Plaza. SkySong. A smaller project that's over on the south side of McDowell Road on the wash, 77 on the park, really an interesting revitalization, and reuse of an existing property that's situated perfectly to take advantage of the wash frontage. And if you have an opportunity to go through that project, it's really -- it's really very interesting.

Anticipated changes. General Dynamics has office space that they are looking at marketing, several companies have been interested in that and that interest continues. We talked about the Papago Plaza remodel, the 64<sup>th</sup> Street McDowell redevelopment. There are additional residential projects planned along McDowell. The ones that we are seeing right now are proposed to be fee simple for sale product. So it's a little different than the multifamily that we had seen in the past. And a departure is possible for some of the existing dealerships, unfortunately. The evolution of the area dictates that auto dealers like to associate with one another and when there's no longer a critical mass, they tend to look for opportunities to locate adjacent to other dealerships. So we may see the continuation of the evolution of that trend.

In terms of SkySong, it's 95% commercial occupancy. 90% for greater residential occupancy on the multifamily family, building 4 is underway. There's currently more than 1,000 employees on site. And another announcement this morning or ribbon cutting this morning. Ruby Ride services

available for students and businesses and efforts are underway to connect with the community through additional events and activities. One of the things that we heard from the McDowell Road corridor task force, if you reach unite to the adjacent neighbors and get their input, they will become activates. We have seen the Gateway Alliance that has taken on the mantle of doing some outreach work and we see everything along there as being very successful. With the favorable economic conditions and the current activities we anticipate revitalization will continue. It will be -- will be it slow, and to some extent property by property with some of the larger dealerships bucking that trend and actually coming in with larger properties.

The end of what I'm going to be presenting this evening is to kind of ask what else would you like to see? What is your vision for McDowell road? Because as the late Yogi Berra said, "when you don't know where you are going, any road will do." We would like to get firmed up the vision that you have so that we can put the things too place that will achieve it. And we have talked a lot in the past globally about revitalization. We would like to ask you to be as specific as you can in giving us some direction as you can on that as we move forward. With, that I would like to turn it over to Danielle Casey.

[Time: 00:16:31]

Economic Development Director Danielle Casey: Thank you, Randy. Like a well-oiled machine, we will hand it off. Obviously we have done some preplanning. Randy is exactly correct. Our goal tonight is to be in front of all of you and ask you, and it can be visionary. It can be very high level thinking and conceptual, but we want to understand with enough specificity, what do you want McDowell to look like. If it looks great now, that's good for us to know. If there are some things you would really like to see, some images or different types of developments that would be very important to see or not see along the corridor, very helpful. Then what staff can do is great, if we want this to happen on the corridor, this is what may take to do that whether it's tools or strategies or resources or community partnerships, et cetera.

What I will run us through very quickly and, again, the intention for some of this information is not to get into the weeds on some of these tools but to give you a high level overview of how functionally some of these do work for purposes of discussion and just general understanding of those tools and then again, opening it up to get input from all of you on that vision of the corridor and what is still missing. What does success look like? If the top priority is achieved, what does the picture look like in the future.

I will go very quickly through a few more slides and hopefully we can open that up and get all types of great ideas. Some of tools that are available, we look at best practice communities. We look at what our neighbors are doing and what folks are doing across the country. In terms of stimulating or supporting revitalization or economic development, there are redevelopment plan tools. So redevelopment plan, as you all know, we do have a redevelopment district designation right now that will expire in January and truthfully is largely not available for additional utilization right now anyway because it is 20 years old and it sends outdated state statutes saying you need to update that every ten years. So we are a little out of date. That's a tool looking at revitalization, whether you exercise

any of the powers that the redevelopment plan district allows you or not.

I have good examples of that in other communities where a previous community, my council had actually passed a specific resolution saying this is great. We have this tool but here's the things we will not do with it, to communicate that to the residents.

[Time: 00:19:06]

Mayor Lane: If I might just ask for a clarification, I'm not sure if anyone else heard this maybe the same way I did. The redevelopment plan expires in January.

Economic Development Director Danielle Casey: Correct.

Mayor Lane: So if we don't renew it, it's -- these tools that may be associated with redevelopment are not available to us?

Economic Development Director Danielle Casey: Correct.

Mayor Lane: Will we go over those or will we decide whether we extend it?

Economic Development Director Danielle Casey: Mayor, members of council, our intent was not to make a firm decision on that, but really to get --

Mayor Lane: Well, we can't make a decision on it, but we can give guidance. If one of the components are that -- I should say one of the components is that we need to -- that one of the decisions we need to make is whether we extend it or not, that is part of what this discussion would be about?

Economic Development Director Danielle Casey: Mr. Mayor, thank you. The primary idea is to get a vision for the corridor and then determine -- added this information for purposes of information and then come back and see whether the tools are required to achieve your vision.

Mayor Lane: So if the tools were required we would have to make a decision on extending it?

Economic Development Director Danielle Casey: Correct. Or some direction going forward at least for further exploration or not.

So utilizing redevelopment districts, in state statute allows for stakeholder commissions. They offer property tax relief and land assemblage at, again, you can explore the nitty-gritty of that, those are some of the things and that's what we are seeing with different projects in downtown Phoenix, for example, being assembled and developed. That's largely how they are developing those and creating those projects. There are also revitalization districts that state statute allows now, that can be initiated by property owners. So the property owners in the community could decide to form and petition and move forward to council a request to create a revitalization district that allows for

different investments and infrastructure. There are city operational funding for marketing. So we really don't have a marketing budget at all or really permanent full-time staff. Randy and I are having full-time discussions about moving forward in future fiscal years and how could our teams partner and what resources would be critical to market the McDowell corridor in any way above what we are presently doing which is fairly limited and fiscally frugal. There's property investment or utilization as well and that is my little teaser when we get to the 1.5 acres later. The property that the city owns anywhere on the corridor but then the 1.5 acres we will speak about in a little bit is a tool. It's a tool that the city council should it decide to leverage for whatever purpose to achieve visions along the corridor is there and available to you.

So moving forward this is a little bit of weeds on redevelop districts and how that works. So I will not roll into this, but the message here was really again a redevelopment plan can also be something that is allowed for and has very strict guidelines in state statute about the different things you need to address and the level of public engagement that's required. I have been through this before, from soup to nuts and it is very extensive in the engagement you need to have with the community to develop this, and certain elements that have to be addressed. So talks about all of those different things but it really sets out a process for a council to lay out and adopt a redevelopment area plan.

Another plan is not a redevelopment with tax initiatives. I think it's important to know. And as Randy has mentioned, sometimes it can lead to greater flexibility where right now, it can be more restrictive to the point that instead of encouraging certain uses you are restricted to holding certain areas to -- the planners say it so much better. Great.

Any other comments on that? Could you say that better for me?

[Time: 00:23:15]

Planning and Development Services Manager Randy Grant: I can't. But just elaborate on one point. We did look at tools that could make redevelopment of properties more flexible. And we ran into the obstacle that whatever we had would expire in 2016. We didn't have a plan to that obstacle but we did explore it.

Economic Development Director Danielle Casey: I already touched on some of this. One thing that was interesting that we had explored over the past two years were enhanced grant funding opportunities and utilization of community development block grants and many communities really across the U.S. It's a fairly standard practice in utilizing those for facade improvement programs. So CDBG, you can use that to facade storefronts. We are not able to exercise even in the current redevelopment because it has not been updated. Just a thought there again. There's ways to direct funds that we're receiving from the feds, if that is of council interest or not. It's a common practice in many communities and downtowns especially. These are some other examples of tool usage. So different tax abatements and tax utilization in redevelopment areas. Some of the projects -- I just always like to call back, because we always get the questions maybe not from you all, but from community members, well, look at that really neat project that they did over there and why didn't we get that or why didn't that happen?

So, again, some good examples. Cancer Treatment Centers of America in Goodyear is a nice example in the valley. The Arizona Center downtown and then really pretty much everything that's happened open the lakeside in Tempe, Hayden Ferry Lakeside and all of those have been through utilization with redevelopment plans.

I probably shouldn't go here, because it's very far in the weeds. Whenever we talk about redevelopment in downtown, the concept of eminent domain, those concerns do come up. There's actually a private property rights protection act that stipulates clearly that no properties can be eminent domain for anything other than a public purpose. So when I went through it, I had quite a few citizens that were concerned that we would take property and put commercial office space and do development of that kind and state statute absolutely precludes that. I don't think any community would really want to do that. These are the current boundaries of designated area in our Los Arcos redevelopment area right now. So I'm kind of going into where we are at today with this. And the area, again, as it stands now is going to expire soon. There was a single central business district designation overlaying it, which is another piece that allows for some of the powers of redevelopment, but some of the projects that were created using this includes SkySong, McDowell village senior center and the Lowe's development.

Again, so getting back to those tools and then, again, reminding you that there are many other opportunities and different tools as Randy has alluded to a little bit, there were also some other long range planning team concepts that we talked about, such as thinking about doing a specific plan for the area, and I can -- I'm looking to Randy, because this is really for a planning expert, but looking at a specific man or maybe a city initiated P.C. district. So there are other district overlays and tools that we could possibly use in the area as well to encourage reinvestment and redevelopment that have all different levels of influence and ability to get things done like he said, some don't necessarily encourage the process as much. Yeah?

Planning and Development Director Randy Grant: That's correct. And the P.C. district that was used to apply to SkySong, is a district that's used on larger -- much larger acreage in northern part of the community and allows for great deal of flexibility. The ordinance was amended to allow that acreage to come down for properties that are within a redevelopment designation and that's why a smaller property, it's 160 acres in the north part of the community. It was reduced significantly in order to utilize that flexibility for that project.

Economic Development Director Danielle Casey: So to wrap it up and then throw it out there and hear all kinds of great comments, we, again, wanted to share all of this information with you to give you a picture of what things looked like today, kind a high level view and a project specific view as to where McDowell is and then get feedback and vision, are we on the right track? Are where we need to be? And can we get to that vision? We are looking to council to tell us when McDowell road no longer has to be a strategic priority because it's doing really well. So getting some of that feedback from a vision standpoint and then even though we have introduced some of these tools for discussion tonight, we could even take some of that vision back and then return to council at a later time, and then tell you how any of those might apply or not apply or affect reaching where you would like to see

this area go.

[Time: 00:28:39]

Mayor Lane: Thank you both for that presentation and one thing I would want to stress really to the council here with us and frankly to the direction that the work study is meant to impart to you, there won't be any decisions made tonight, but we will be taking issues by issue and making sure that there's a consensus of opinion as to the guidance that would be expressed to you. So it will -- we will be in a majority position and determination, you know, what those kind of things we are looking to do. And to that point, this makes it a little more difficult, I suppose, when we think about those broad visions that we will might aspire to. There may be a variety of broad visions here at this -- among the seven of us. So it's going to be interesting to try to quantify that with any -- with any even consensus vote.

But I would want -- I want to stress that I think that there are a number of things that we need to talk about here, certainly as you have already pointed out. But I think critical to it, the entire discussion is really the last thing you just mentioned Danielle, and that's the definition of success. Frankly, this has been a tremendous amount of development in relatively downturn economy on the corridor and frankly relative to even the time prior to the downturn in the economy, it's been at rocket speed. And as we look at some of the things that were developed during the redevelopment period, and using those tools, they pale in comparison, really, with the exception of one major, major investment and, of course that is on SkySong, the largest subsidy we ever let from the city. They pale in comparison to what's been developed independent of that.

So with that comment, and I will have other comments too, but I certainly wanted the council to weigh in on how they -- what their thoughts are initially, as far as I suppose if we were to start with the definition of it, I would like to really get a sense as to where everybody sees the McDowell road corridor. I know that we have determined by previous meetings that this is a priority issue for us, and there's a seemingly some kind of bleak portrayal of it. We are seeing things develop in the area and a lot of investment that's been attracted to the area without in any way debasing our tax basis open the properties that are there.

Yes, Councilwoman Klapp?

[Time: 00:31:10]

Councilwoman Klapp: Well, I think there's been great improvement on the corridor but I don't think I would call it success yet. There's still a lot of work to be done. There's a vision statement in our strategic plan that already says what we aspire to do for McDowell Road. So I don't know if I can impart any greater vision today, because I think that, you know, I may have a decision of McDowell road, for example, being one where we'll probably see businesses that grow too big for SkySong that would go along the corridor. So it would hopefully develop into a tech corridor for those kind of businesses, but I don't want -- I don't believe that it's the vision of just the council that's important here, that I believe it's the vision of the businesses that are already there, the stakeholders of the land is there and the neighbors that are there, probably more important than what my vision is. I can say

what I hope to see, but I believe those people that actually own property have certain hopes of the area as well, and so we need to be asking them, as much as asking us.

So in a nut shell, I believe it needs to continue to be a focus and continue to be a priority. There have been great improvements, probably success would partly be if I'm talking to people that are looking to invest in Scottsdale if they would even consider McDowell road and I ask them that. And most of them say, oh, no, I'm looking downtown. I'm looking in northern Scottsdale. There's a few development people or people that are looking at investment that are looking along the corridor, but I don't think it's top of mind.

So I wouldn't call it the most successful development area in the city yet, because we haven't brought along the community that will actually invest in to the properties and want to do some other things that we might see were important. We have some great developments already occurring, but there needs to be a better excitement from even people outside of Scottsdale about the corridor and maybe their opportunity to go in and do some reasonable development as well.

Economic Development Director Danielle Casey: Thank you very much, Mr. Mayor, Councilwoman, I think one of the pieces that would be important as well for us, when we talk about tools in different ways we can impact the corridor, I think it's important that Randy and I mention, because we were discussing as we were looking at the presentation, the ability to influence the effort, we are utilizing everything in our basket right now. Do we continue on that path, or is there something else you want to explore because we want to explore that to a greater extent than what we have in our little bucket of tools to get to. Again, for example, redevelopment projects, Papago Plaza, without any involvement or participation is going to remodel. It will look much better. They will add some pads. We are talking to them about the great commercial space that they have, if you haven't been there, it's on the west side facing McDowell road and we are enticing some tech companies to go over there, but because of purchase prices and other development realities, it doesn't make fiscal sense for them. They wouldn't make the return to fully redevelop the property because of a number of planning and other factors. So that's where we kind of go, okay.

You know, is a reface and a facelift for that project and an enhancement, a redevelopment -- not a redevelopment, but a renovation where we are comfortable with and good with, and went support that all day long and we are that with our current tools and that's just an example of any property on the corridor again, where what we have at our capacity right now, I think we are exercising to the full extent from planning tools and utilization, all the way down to again maybe what we have in terms of marketing to promote the corridor.

[Time: 00:35:36]

Councilwoman Klapp: The example you just used is one where I would say it would probably be partly the intention of the current owner, you know. All the tools in the world may not incent an owner to want to do anything more than put a facelift on it and then turn around and resell it, and I wouldn't be surprised if that isn't the intention. Yes, all of us would like to see it to be a fabulous center, believe me. I know what I would like to see, but I don't own the center. Someone else

does. And they are going to decide what they want to do so do they want to put a lot of money into and put it into -- and make it into something that is iconic for the corner or do they want to just put a new face on it, probably hold it for a few years and sell it to somebody else who will probably tear it down and start over again. So that means -- the incentives are great, if we have some in our bag to do, but on the other hand, it really depends on the intention of the owner and what they really want to do with the property. So that's just my feeling about that one example.

Planning and Development Services Director Randy Grant: Mayor Lane, Councilwoman, Klapp, you mention something that's very interesting. In terms of the cache of downtown, if you were here 15 or 20 years ago, I mean, you could set off a concussion bomb and not hurt anybody in downtown. It was pretty empty. As I result of a number of things, including the economy, but also some city policies, there were some incentives that allowed some of those businesses to come back. It was very difficult to even locate in a tenant space with some of the regulations that were in place at the time. So my long-term vision would be that I would hope that we would see McDowell go the same way as downtown and it would have the cache at some point that the downtown now has.

[Time: 00:37:30]

Mayor Lane: Thank you, Councilwoman. Councilwoman Milhaven.

Councilwoman Milhaven: Thank you, mayor. So McDowell corridor was regional draw for people who wanted to buy cars and go to the mall. And it's all retail, all up and down from 64<sup>th</sup> street all the way to the Pima road. So when I first got on council, I had no hesitation to approve the Mark Taylor project because retail follows rooftops. It was no longer a regional draw. So there weren't -- and the people who lived in the area, they -- the density was not enough to support neighborhood services at the time. I remember going to events in 2010 and people were saying we would just like a sit down restaurant. It was basic neighborhood services couldn't be supported by the neighborhoods around it. So we knew that we needed to add rooftops in order to support more retail and I think that's what we are starting to see now. When we looked at the Las Aguas project, I certainly was supportive, I was a little enthusiastic because it's sort of the question then becomes if retail follows rooftops, how many rooftops do we need to support how much retail?

And so I think that's really a question -- I don't think that the council can answer today, but I would sure love to know, how do we figure out what the ideal mix should be for how many rooftops and how many -- how many -- and how much retail commercial office do we know? So I don't know what the right mix is. I suspect we need more, but I don't know how much more. So that's one thing I think I would love to get some guidance from staff about, is how do we figure out what that right mix is from an economic perspective, in terms of tax revenues and things like that, that would support.

The other thought I have around this is not so much about Papago Plaza because I think the owner is going to do that. But we have empty car dealerships and we are gonna have more empty car dealerships and what we have run into in the past is any change in zoning, any change in zoning meets with a legal protest, that -- that is a disincentive from anybody doing anything with their property. So I don't know how we get around that to say, if there's not a commercial use, give them a commercial

zoning, do we just look at empty storefronts?

And then the third question I have in my mind and I think back to, Randy, you touched on it a little bit with what happened downtown and the remarks that Danielle gave me for the mayor council breakfast last week talked about we don't have enough class a office space in downtown to meet the demand. Could -- and I know some of that is the live/work and it's the walkability and there's a lot that makes that special. Is that a reasonable goal for McDowell? Could that be some place -- you know, some folks have said, no, we don't think so because it's not as walkable. There might not be a market for class a office space. Maybe there's some market for class a. So I think this comes full circle and says, what's the right balance for us in terms of rooftops to support the retail? And to continue to support the jobs and economic prosperity that we see in the downtown? So my answer to your question is just more questions and what's the best way for us to answer that?

Mayor Lane: Thank you, Councilwoman. I'm sorry. Thank you Councilwoman.

Councilmember Korte: Thank you, Mayor. Let's talk about the impact of the multifamily housing options in the McDowell corridor area. So we know that the average household income across Scottsdale is approximately about \$100,000 per household. We also know that the average household income in the southern part of Scottsdale has been around \$45,000 or \$50,000, and in the neighborhood. The Mark Taylor San Travesia apartments, the average household income that they are attracting is \$110,000. And what that is doing is it is bringing those individuals with more discretionary income not on fixed incomes, not retired. The -- certainly the millennial working class highly educated talented workforce that we have been talking about in Scottsdale for a long time, and what a success. And so that is a success and -- and we're going to see more of that with some of the other fee simple projects that are coming on board.

But you ask, what is the vision? Well, I agree with Councilwoman Suzanne Klapp that we're not done yet. I would really like to see a greater diversity of uses. There's a large percent of vacancy of office buildings. What could that be? And so let's look at some of the geographic values of McDowell road, and geographic values include the proximity to the airport, and that proximity to the airport. I mean, we are 10 minutes from the airport in you drive the right direction and what a great value and what a great asset that is to Scottsdale, if we could create some conference hotel opportunities within the McDowell road area. I think it would be great for our tourism. It would be great for our businesses.

Let's look at our proximity to A.S.U. We certainly have experienced the value, the successes with SkySong. But how about attracting some type of legacy college, having an academic campus bring in -- you know, have students and faculty, a whole new use of wherever that would be.

You know so I'm thinking big, right? And then, of course, we talked about proximity to downtown. We're seeing downtown creep south, and we're seeing the McDowell corridor creep north and when those two meet, and they will, it's going to be a great synergy and so if we continue to visualize McDowell corridor as our second downtown, when those two meet, it's going to be a fabulous thing and maybe that's a point of success. But to do that is going to be a little bit more difficult than

downtown because we're looking linearly, right?

So if we can better create those connection points, and it's in transportation. It's in transportation at all levels. So the walkable, bike able path ways, the recreational opportunities, the connectedness from Indian wash, to Papago Park, and you can go all the way to downtown and then swing back around in a pretty safe way. I also think that we need to look at the McDowell corridor as, perhaps a hub for some type of high capacity transit. And I'm not saying that it is a light rail. I'm not saying what it is, but we need to start talking and have the dialogue in this community around high capacity transit.

Because we are a different community than we were 10 years ago or 12 years ago. And we need those options, not only for potential students or residents, but the elderly. In order to do this, I think we need to look at reducing the risks for investors and it, of course, starts with reducing permitting fees, but I think that whole issue around legal protests, I think some conversation needs to be had around it. I don't know what that is. But we need to reduce the risk for investment and reinvestment on McDowell Road that is attractive to investment. Thank you.

[Time: 00:47:05]

Mayor Lane: Thank you, Vice Mayor. I'm sorry. Councilman Smith.

Vice Mayor Smith: Thank you, Mayor. And thank you all for the presentation and for challenging us to think. I realized looking back to what you reminded us was the vision, that was adopted by council, I wasn't on council at the time, but it's certainly a noble vision, but they concluded by saying that we foresee an area that offers unique neighborhood boutique retail services and I don't think we have made a lot of progress in achieving that. We have one new restaurant. Two more on the way, I guess. But -- and I have made the comment in previous meetings that you know, maybe if the neighbors had known they had to have, you know, 600 new apartments, they would have said, I will just cook dinner at home, rather than have a new restaurant. It needs to stimulate something more than that.

And so if I were to give you something to focus on, just try to focus on that last line of the vision that says what we really see the area doing. The other -- you made a comment in one of your slides that -- and I guess it was one that you did, Randy that said the demographic shift in the area is positive but slow. What exactly did you mean by the demographic shift?

Economic Development Director Danielle Casey: Mayor?

Vice Mayor Smith: Let him answer for himself.

Economic Development Director Danielle Casey: We did collaborate on the slides so all throughout, it's a little bit of information from both of us. That's actually a very interesting question and one of the things we haven't had the resources to do yet, but we were talking earlier that it would be very interesting to work with the area association of Realtors to get in to at a very granular level, not just

with multifamily, but with all of the properties that have changed hands and looking at the residential demographic income changes. So we know many of the communities in southern Scottsdale are being bought and remodeled and people are coming in and investing in the properties.

We did a quick -- well, I will back up even more. When we were working with the retail brokers that were trying to prelease Papago Plaza for the now new owner and out there kind of hitting the streets at retail conventions and talking to folks, this he called us and said, you know, the demographics don't work for a lot of retailers we are trying to and some of the higher end retailers we would like to bring into the area, the income levels aren't enough and then the population growth isn't strong enough and the daytime workers aren't quite where they need to be yet. That's the message they gave us. Do you have any information you can pull together to help answer and combat that question? We know a lot is going on.

So we pulled information on every multifamily project, every new project coming online that we could think of in the area and tried to get a rough idea of when it would be built out and then into those numbers we backed in based on what they would tell us they thought their price points would be, what the income would probably look like for somebody living in that property. And what it does, in three to five years it takes the average income of the area, up maybe \$3,000 or \$4,000. So it moves the needle but the things we have planned open the books -- on the books right now are not that significant that all of a sudden it makes, you know, a real Ritzy grocer want to come into the area today. So that's -- that's exactly what we are talking about there. We are seeing the demographics trend positively and I think that number might be higher were we to do additional research into all the single family properties in the area and see what those income levels look like.

[Time: 00:50:53]

Vice Mayor Smith: To that point then, I guess I would say that, you know from my point of view, just focusing on the income level, it's maybe one ingredient but not the only ingredient to focus on because you are changing the demographics in a significant way, other than just income. You are changing by introducing more renters in proportion to homeowners and there's a different pride and neighborhood pride and property and whatever that exists between somebody who is renting a property and somebody who owns. And I would encourage you to think about more things than just the -- whether we are moving the needle on the income level. I'm not sure that that's totally the right factor.

The -- I guess if I were to give you guidance, Randy, you made a point and I certainly agree with it, that about all we can do is with public infrastructure. I mean, we can create the public infrastructure changes that incentivize private investment, and you specifically mentioned what we did on Thomas road and I think the -- the process may have been frustrating for some people, but the end result is a very, very attractive product and a very attractive remake of the public infrastructure.

And so if I were to give guidance, I would say, let's look for more and more and more opportunities to do what we can with the public infrastructure to create an inviting platform for the private sector to come invest. I think that's -- I certainly agree with -- I agree with really the things that have been said

so far. Councilwoman Klapp said the success, we'll know it when we hear investors making a decision and showing an enthusiasm for investing in McDowell corridor and McDowell Road, whatever area of the McDowell corridor. And I think that's true.

And I think the -- I think in connection with my other concern, I would -- I'm certainly in agreement with Councilwoman Milhaven that we probably need to stand back and figure out what is the right mix for demographics. What is the right mix of rental versus ownership and when do we tip the scales so that it's not a neighborhood of homeowners but it's a neighborhood of renters? Because we can sit up here and look at individual projects and make a decision, well, this one sounds good. This one sounds bad, whatever. But there ought to be some guidance that we're following and some template of expectation and that's why I certainly agree with that and I agree with the idea that we ought to be seeking a diversity of uses.

I want to see -- and I think what the people in south Scottsdale have expressed to me, they want to see is they very much value their neighborhoods. They very much value the interaction that they have with one another and the ability to move about their neighborhoods and I think if they have a frustration with the Mark Taylor project, and some of them do, if they have a frustration with that project, it's not that it's not a fine project and it brings in people that have a good income or whatever, but they don't feel like those people are part of the neighborhood. They are within walls of their compound and they have their own park. They have their own swimming pool and whatever. And they are not McDowell corridor folk, if you will. And I think -- I don't know how you achieve that magic of integration and maybe you can't. Maybe it's very difficult to do with rental property, but that's what I -- I hear them expressing, I hear them expressing a desire for open space.

So I would encourage my guidance would be as we look for ways to develop -- continue to develop the McDowell Road corridor, we don't try to cover every square inch with a building. Let's think about preserving the open space feel that had a been so valuable to the people down there. Maybe it's being sensitive to density or building height or whatever it might be. I think the -- well, maybe that's guidance enough. Do all of that, and then we'll let you know when you are done.

[Time: 00:55:56]

Mayor Lane: Thank you, Councilman. You know, I think one of the problems that we have on top of everything else, as we talk about how do we define success, would we recognize it when it came to us? I think there's a very different view of success. And I would want to say when we talk about demographics, it isn't all about income. It's about age groups. It's about job. It's a different technology workforce. It's a lot of different things. It's a matter of lifestyle, live, work and thrive within the same community for environmental reasons and for lifestyle issues as well. So there's a lot of things that the market takes into consideration.

I would want us to consider the marketplace. I think one of the things that really stands out, as we look at it right now, and, you know this is an important thing for me to say, I suppose. We think about some of the things that happened under redevelopment and I don't think they are that massive to be resounding call for reinstatement of it or to follow the tools that we are talking about there.

Every time we implement some type of subsidy, that debases our tax base, it causes greater problems with the development of an area as well. What we have seen is the private sector, the free market actually exercising its judgment and how it investments in a community.

One thing that we invested in heavily was with the Scottsdale A.S.U. Technology and Innovation Center, now known as SkySong some 11 years ago. By conservative systems it was -- I'm talking about time, value money, with the period of initial investment only, we invested \$125 million. It's the largest public/private partnership we have ever been in and at the same time, we removed those 42 acres from the tax roll. That cost us somewhere in the area of \$2.2 million a year in tax base. So those are the things that we have to consider. That's a big investment for us.

Now, has it been the instigator? Has it been the motivator in establishing a commercial application and the evolution of that entire McDowell Road corridor? The evolution has moved away from some of the retail we talked about earlier and mentioned a number of different times. I think that's just what happens. You don't allow the marketplace to adjust and evolve; you will be left in the dirt on some of these things. That was a new invention. We invested in heavily with the A.S.U. Foundation. It has produced and it has been a motivator. It has been an instigator.

And that begets residential applications, which it's existing people or -- of course, you are talking about a age differential, as far as that workforce is concerned, but nevertheless, it begets that residential and the residential begets the retail amenities to support it, particularly when you are talking about a live, work and thrive environment. I see it working. Are we there yet? No, but these things don't happen overnight.

As I mentioned at the outset, I think our success over the last several years has been at rocket speed in comparison to the previous 20. And I think we just cannot continue to remake the world and our mission of it, and thinking before we allow some of the things we put in place to proceed. It doesn't mean we don't tweak it. But I think taking a whole different approach to it or trying to impose our will on to the mark I don't think is a -- market I don't think is a healthy thing to do. I think we stay within the bounds of the marketplace and continue with what we already invested in. I think those are important things.

So, you know, I said it earlier too, that we would try to give as precise and consensus kind of direction as possible. The last thing I would like to see is you be flooded with every idea under the sun, but -- and it sounds like by assertion, there's been some agreement on some things and I think there is. I hope you are able to weed that out and make sure that we have more than one person speaking about a direction on something like this. But personally, I think it's important that we stay with the marketplace, we are responsive to it. I think we are successful for McDowell Road corridor to this point in time and I foresee that it's going to be. And every day, it's hardly a week that goes by that we don't hear about some additional interest in those narrow commercial spaces that we have been so concerned about whether or not we could even down zone it or otherwise, or make any change. Things are happening and I think that we have seen a great deal happen in the last few and several years. And I think it continues on that pace. But it is a new marketplace too. It's not the same old marketplace. Yes. I'm sorry.

Planning and Development Services Randy Grant: Mayor Lane, you -- you said something that I was hoping to say first.

Mayor Lane: Sorry I took it from you.

Planning and Development Services Director Randy Grant: No. The demographic shift is as much age as anything. And as difficult as it is for me now -- I turned into my dad -- to think about making decisions for my personal taste, we're seeing a real shift in what people that are entering the marketplace value. 20 years ago, you didn't see an apartment complex without three tennis courts and now they are all sand volleyball and nobody is building tennis courts. It really is different in terms of the mobility and the biking and the access to walking and those kind of things. Those are the kind of things that today's people that are entering the housing market value and expect to see provided.

Mayor Lane: Well, thank you. And just from those comments, I hope you maybe have a few gems of guidance from my point of view, in any case. I wanted to mention that at this point in time. You know, there's one other thing and I know there's been an awful lot of emphasis on apartments. Apartments, to the demographic, it meets a challenge that meets the market. So where we stop on that, where we feel comfortable with that, certainly, I think all of us here feel that homeownership is a better way to go, but probably not unlike -- I don't know exactly everybody's history, but I had -- I was in an apartment when I got here to Scottsdale but I bought that house later on. That may have been extended from three to four years to 10 to 11 years with the current millennial generation for a variety of reasons. I have think that cycle is still there. And so I think it's -- it's a component. I think it's an important one. It's just it's a careful way to balance it as we go forward but also with consideration with that new demographic. Yes. I'm sorry.

[Time: 01:03:13]

Councilwoman Klapp: As you mentioned with the aging of the population, and the changes that it's bringing, I have known in talking to some people that moved in some of the other apartment complexes. I'm not too familiar with those in San Travesia, but the one on Lincoln and downtown. They are getting a lot of people would have sold their homes and moved into these apartments because they can live more easily and they are getting older and they don't want the responsibility anymore. I don't know if I would have predicted 20 years ago that as people get older they would move into apartments. So this is something new.

But these apartments that are being built in Scottsdale, including the one on McDowell road, are different than what we think of when we think of apartments they have all the amenities of a home and in many cases these apartment owners are finding that -- or the developers are finding that they are having to put in a lot more amenities and people are willing to pay for them. So they are not viewing these apartments in the same way that we saw them years ago. They are more like a home. They are a temporary home, but they are still a home. And so the higher income people are moving into them. And they seem to also like the concept of living in a mixed environment of younger and

older to go, rather than being segmented off into retirement communities. So that seems to be a new trend.

And so I think we are going to see more demand for that along McDowell Road, and I don't know if I want to say at this point how many is enough. It will be dictated by the market. They do the marketing studies. We don't have the money to do the kind of marketing work that developers do in determining whether a project will pencil out and will actually bring the people that they expect to bring to those complexes. So I don't really want to have us be too much into trying to skew the market in some way. I would rather find out what the market is, and try to make sure that as we have always argued sometimes in the past, take out of their way. Let the governments stay out of the way of the free enterprise system.

But the only thing that I didn't mention earlier, that I would like to see and this requires if money is available. I would like to see a little nicer looking corridor. Landscaping and trees and plants and things that, you know, seems to be valued in the northern part of the city, in many areas, along other scenic corridors. I would like to see McDowell Road be a scenic corridor as well. It certainly isn't today. We have done a good job on Thomas but McDowell is a much more major thoroughfare and this is the place where a lot of people pass through on their way to Tempe or to Phoenix and so we want people to feel good about passing through -- through our city and maybe wanting to stay. And that's -- that's my whole concept of I want people to be clamoring to either develop something there or move there, and that's when I will see success, when I hear people say, my goodness, I drove down McDowell road and it's gorgeous. Look at all the stuff they have done to it. It's changed so much from the way it was a few years ago and I also want to see that for McDowell Road, all the way down Scottsdale Road to our border.

I have think that road also needs some -- needs some great improvement with -- we have done some good things in streetscaping along Scottsdale Road, in that area, but it just needs to constantly be in the -- in the -- on our list of things we would like to see happen, and if we are working with development and if there is an incentive involved for them to build something, have them put some money on to McDowell Road to maybe landscape those berms that we will bought that are just like dirt right now. So that would be a nice thing to have landscaped. I think it would change the look of the area, and actually change the look of the park down there. And that means that the more you make it look better, the more there is pride in the neighborhood, and more pride of -- either pride of ownership of homes, there or those who rent apartments. They feel that we value that part of the city as with much as we do downtown or as much as we do Shea boulevard or, you know, northern part of the city, the northern Scottsdale road, all the other roads that are very beautiful. I want McDowell Road to be beautiful too.

Mayor Lane: Thank you, councilwoman.

Economic Development Director Danielle Casey: I know I have trumped many requests. Thank you for mentioning Scottsdale Road. I believe that's part of this discussion and thought, but many people always say, McDowell corridor but from a commercial perspective when we talk to commercial brokers or anyone who is looking, it's really that trek between downtown and McDowell Road, along

Scottsdale Road that is the biggest visual impediment right now. That's their biggest concern. So that area is critical as well. Thank you.

Mayor Lane: Thank you, Danielle and thank you, Councilwoman Klapp.

[Time: 01:08:28]

Councilwoman Milhaven: I think we all agree we want it to be beautiful.

Mayor Lane: No. No.

Councilwoman Milhaven: And I think we are like-minded but I want to circle back to something both the Mayor and Suzanne Klapp said, I'm not looking to impose will on the marketplace and I think we need to get out of the way, but I think one of the ways we allow the marketplace to decide and one the ways we get out of the way is to signal that we would be agreeable to uses that are not currently allowed in the zoning, and if we -- so, for example, if we -- because I know everything I'm hearing about inquiries from the marketplace is more residential. Everything I'm hearing is more residential wants to come to McDowell Road.

Do we as a council, would we like to see these car dealers be residential, developed as residences and let's be clear and not polarize about apartments or not apartments. Let's be specific. I would like to open conversation up along this line and say, we know you don't like renters. If the same product was a condo and it was owned would you have a different point of view? Or if it was single family development, you would have a different point of view? Or would you rather see the car dealers just say the C. uses that are the most intense commercial uses in the city, and unless it's a really intense commercial use, that we don't want anything else there? I think if we can come to some agreement -- are we okay with more residential? If so, what kind? And then what can you do from a planning and economic development thing to signal to the marketplace saying we would be agreeable to more residential and we will get out of the way. I sort of throw that conversation over to my colleagues.

[Time: 01:10:19]

Mayor Lane: Thank you, Councilwoman. You know, if I -- just a quick comment on that. There are a number of projects that are looking the area income levels this other than residential. I would say mixed use or some retail, some hoteliers -- hotels that are considered in it. Obviously with SkySong having a commercial market on commercial -- commercial office, it de incentivizes others to invest in that to a degree.

Councilwoman Milhaven: SkySong is building out but we know that demand for class a space is accelerating. If we seed we really want to see office here we don't want to see more residential, would it take us 20 years to get this? And are we willing to look at empty parcels for 20 years? If it took us five years to get there, okay, wait five years for it to catch up. That's where, what's the balance, and it will help drive that. I don't want to tell the market what to do but I want to be flexible

for what the market wants to do.

Mayor Lane: It's consistent with the idea of getting out of the way and we are in the job of providing the platform.

Councilwoman Milhaven: If we don't do anything any differently than what we have done, we will stifle the development along McDowell Road.

Mayor Lane: By virtue of decision.

Councilwoman Milhaven: If the body says all the current zoning and all the current process is good enough and we don't change anything, we are -- we are not going to see the improvement accelerate because there's uses that are not currently zoned that the challenge to get permission is so huge, they are going to go someplace else.

Mayor Lane: You know, if I might -- and I -- I'm sort of -- this is a conversational kind of situation but I do want to say, I think I'm in agreement with you, but the concern that I have is that we are not talking about policy. We are talking about votes. We are talking about whether or not -- and I think you mentioned it earlier, whether or not a legal protest and I think Councilwoman Korte also mentioned the idea, whether that discussion needs to take place because other communities handle that differently than we do and whether that's become an obstruction. I don't know that it's necessarily on the basis of, you know, a policy, other than existing ordinances and the inability to move away from some of those, even in down zoning situations. I think I understood you to say that.

Councilwoman Milhaven: And that may be the extreme case. It might be a lot of stuff between where we are today and going all the way down the road to there. That's the extreme.

[Time: 01:13:10]

Mayor Lane: Thank you. Let me think. Yes. Councilman Phillips.

Councilman Phillips: Way down here. Can you hear this? You lose your train of thought and I have a whole bunch of broken thoughts here. You know, SkySong, they are the ones making all the money. I don't see us getting anything from SkySong. I don't think they should be in the conversation. And Danielle, you know I have told you that in the past. Good for SkySong, they are 90% full. Good for them. What are we getting for it? The mayor even mentioned, it's \$2 million in retail we are losing every year and plus the \$2 million that we give, and we are losing \$4 million. We are getting \$4 million back from what? They have their own restaurants and their own apartments. They have their own businesses. It doesn't really benefit us in any way that I can see. But going along with that, there's a conversation coming up after this. Maybe there's an answer to that and hopefully that will work.

Redevelopment, you know, everybody here sounds like they are saying, now is the time to get out of the way. Danielle, I think you and planning have done a great job on McDowell. I have think things

are getting better there. We can only do so much, if we continue doing what we are doing. I think it will take care of itself. I'm all for getting rid of the redevelopment project. Randy, you brought up downtown a long time ago, how dead it was and how great it was now. That's because we got rid of the redevelopment. Once we did, that then business started thriving and I think it's time for McDowell to let it stand on its own two feet.

The Mark Taylor apartments, you know, when you guys voted for that, I don't think I was on the council at the time, but I was for it. The reason I was for it is because I saw that those apartments were going to cost more than it cost to live in a home down there. So I was hoping that that's what would happen, is was that people would move in on those apartments and realize they are paying \$1,200 a month and they can get a house in the neighborhood for \$1,200 for my wife and my new kid and a backyard and all of that. And that will redevelop all of those homes. People will come in and rebuild them.

And along that line -- and I don't know if people really are for this idea or not, and I think we talked about it in the past. They are even creating historic districts so, that you know, architects and planners and all of these, you know, doctors and lawyers and stuff like to take old homes, like to remodel them, like to be in those historic districts and they get a sense of history and it raises the property values immensely. That's something we should look at, as far as getting some of those areas going. I was just down on -- God, around Thomas and -- Thomas and Miller and there are all of these old brick homes and I see people putting stucco over and it panels over it. You want to keep those brick homes. You can sandblast them or something, and, you know, you get the concrete floors and bring it back to the nice historic area. And I think that helps the pride of ownership.

A couple of questions I did have. I have heard that the Pima community was talking about have car dealerships off Pima road. Is that true or not?

Economic Development Director Danielle Casey: Yes, there should be information, I believe, actually notice -- public notice for public hearing and there are plans for a dealership on -- it is off of Pima road, just about here. I got my map. So I can look at it.

Councilman Phillips: McKellips?

Economic Development Director Danielle Casey: No, sir, it's further north. It's going to be right at Indian school and -- Randy, help me out here.

Councilman Phillips: Oh, it's way north.

Economic Development Director Danielle Casey: Indian school and Pima. That could be 10 to 12 dealership complex. The last we spoke to them, they are under non-disclosure with dealers and negotiating all of their terms but there is a sign in the ground at this point. So it's out there for public consumption that they are looking to move forward on this project, and so we don't know to extent that it affects or does not affect our existing dealership but from a conservative standpoint, it should affect some brands even in the McDowell area or around the valley. There could be some from any

number of areas.

Councilman Phillips: And had they done that, maybe the Heard dealership would still be there. And this may create more development in Pima Road and come down to McDowell. And speaking of which, there's supposed to be a QT gas station on the corner of McDowell and Pima. Is that ever going to come to fruition?

Planning and Development Services Director Randy Grant: There's one approved. We have never had a pre-application meeting with them. So it's --

Councilman Phillips: So they are waiting for demographics or something too?

Planning and Development Services Director Randy Grant: I'm not sure.

Councilman Phillips: So that's the same thing and another reason why I like the Mark Taylor was to bring people in the area for the same very reason and for the reason that David Smith brought up, is hopefully -- we were hoping that that would bring his little retail shops in, that the people want along there. Somewhere along the line, we have to have the small business. It can't just be big business and, you know, the redevelopment district that helps big business but it hurts the small bid and it hurts the residents and you know how I feel about tax districts too. I won't get into that.

And then also, 64<sup>th</sup> street, you know, they had some open houses about redeveloping that and I believe was that condos or apartments?

Planning and Development Services Director Randy Grant: It's mixed use with some multifamily office, small amount of retail and potentially a hotel.

Councilman Phillips: A hotel, okay. So, you know, there's more vitality going on. So if I heard everybody correctly, it sounds like -- I'm not going to say it's a consensus but it sounds like we are moving in the direction of we have done everything we can do, and keep doing what we are doing and let everything work out and it will take care of itself. That's my opinion.

[Time: 01:19:19]

Mayor Lane: Thank you, Councilman. Yes, Councilwoman. Oh, I'm sorry. It was you, yes. Councilwoman Littlefield.

Councilwoman Littlefield: Well, I feel very uncomfortable to try to consider myself a visionary for McDowell Road. I am a market-oriented type person and I believe the market is the best way to see what it will bear, as far as successful development down the road. I think I agree very much with what councilman Smith and Councilwoman Klapp said, on their assessments of things. And I also believe that we should not try to impose our will and vision on residents who don't want it. And basically, we need to listen and not just to the older residents. We need to listen to them too. What do you want? What do you see? What do you miss when you live down there and you work

down there and what don't you have that maybe we could fulfill a need like that?

I don't want to dictate to residents what they want and what they should want and what they need to be happy with, thank you. I don't think that's our job. I think sometimes our efforts to revitalize south Scottsdale in general create more problems than solutions. And so we need to be very careful that we don't go charging through on our white horses and leave messes behind.

I know a lot of residents have told me over many years that they want retail. They want shopping. They want a grocery store. And even a small boutique-type grocery store might be something that would be very, very viable in Papago Plaza because you are building up clientele and the people that would be shopping in that kind of a place. And it's not all youngsters. It's older people. It's a mix of ages. And so something like that might be very, very beneficial to the entire neighborhood.

So I would be very -- I would like to look at it, anyway, and ask the people who have bought the Papago Plaza, they want to put a facelift on it, if they want to do something like that.

Economic Development Director Danielle Casey: Mayor, Councilwoman, they are talking to all of those different retailers and ones that are more boutique-oriented are higher end that many of the residents will ask for and comment on, won't go there, because when they do their analysis as councilman Klapp has said, they are far more sophisticated have great tools. That's a little bit of our delta and our challenge. They are telling us from a market perspective that the numbers aren't quite there to satisfy what the residents want but we continue to try to put together any assumptions together. We are reaching out to them and try to contribute in any way possible to make those arguments to attract those retailers surely. And those developers would love that because they do tend to pay a little bit higher rent, unless they are an anchor shop that know they don't have to pay higher represent because they are driving the development, and then -- so it's a whole retail development pro forma issue. But, thank you, and that's a good focus area.

Councilwoman Littlefield: Well, I know that a lot of people in the residences that live in that area, not just SkySong, but other areas surrounding it, because it's very heavily residential, they don't have any shopping there. They have to go to Tempe marketplace. We are not only losing that kind of commercial. We are losing all the tax base that those purchases and that purchasing power brings in conglomerate. So I think that's something that we could be looking at.

I think that Councilman Phillips is right. We need to have the small business. We need to work on trying to retain those businesses that are most needs in that area. And I think that the best way to do something hike that is, again, looking at what the market will bear. I'm really glad about Papago Plaza. I think that's a perfect location for a retail center that could be very vibrant and alive and a kind of go-to place for residents who want to spend time there, not necessarily high-scale expensive, but a very boutique kind of place that is attractive to people to be there. So I would prefer that.

As far as wanting to see the other things that have been discussed here, I think it's all worthwhile looking into, but I think in general, I agree mostly with what councilman Smith and Councilwoman Klapp had to say. Thank you.

[Time: 01:24:38]

Mayor Lane: Thank you, Councilwoman. Councilwoman Korte.

Councilmember Korte: Thank you, Mayor. I think creating that sense of place is going to be critical and probably the most difficult, and I believe SkySong adds to that sense of place. I remember when it was a mall that was very dark and vandalized for many, many years. It has been, shall we say, quite the story for Scottsdale, but to see that they are moving into phase 4 and into some retail area, they are 90% occupied in office, and 97% occupied in their apartment building, that's an incredible success and they attract 1,150 employees every day. That's a great success and that's an important catalyst for redevelopment within that -- within our corridor of McDowell. But that sense of place is going to be tough, and it's all around utilizing our city-owned assets, creating open space and pocket parks, shaded corridors, of course, the bikeways and the pedestrian ways.

And also the neighborhoods. I believe councilman Smith talked about neighborhoods. We all talked about neighborhoods and valuing the historic nature of these neighborhoods, the mid-century architecture. So what more can we do to incent the revitalization of these neighborhoods? And I think that's a good question? What more can the city do to motivate these neighborhoods to feel better, look better, put some money into it. What is that? And I think that would be a worthy cause.

I agree with Councilwoman Milhaven, in that if we keep doing the same things, the same way, we are going to be going backwards. We got to reinvent. We've always got to be changing. We always got to be doing things differently, because, you know, we don't live in a vacuum.

We have competing neighbors, and all you need to do is look across the -- the Salt River and see what Tempe has accomplished and while we don't want that height. I know that. We sure would like to have northern trust and northern trust was looking at two sites in Scottsdale and one in Tempe. They chose Tempe because of their transportation system, and because of their inclusivity and the philosophy of inclusion. Those are the two reasons that they chose to go to Tempe. Those are the things we need to consider as we move forward. So how do we change the way we are looking at things and better compete with our neighbors?

And the third item up there is what additional tools? I believe that we need to keep the tools in the tool box when we need them. So whether it's the GPLET or the revitalization districts or the redevelopment districts or plans, property tax relief, tax increment financing, block Grants, whatever -- whatever that is, I think we need to keep those in the tool box so that we can remain competitive in the valley and -- and also be attractive to new investment.

[Time: 01:28:32]

Mayor Lane: Thank you, Councilwoman. Yes, Councilman Smith.

Vice Mayor Smith: Thank you, Mayor. You are hearing a lot of opinions and you are asking obviously our opinion and I just want to underscore something that Councilwoman Littlefield said and that is above all, listen to the residents because it is their property values that we are trying to enhance and it's their quality of life that we are trying to improve and you are going to hear opinions from business people who want to make an investment and they are going to say, oh, the best thing to do is change the zoning on this so I can do, x, y or z. That may or may not be what the residents want. You will hear from new folks wanting to move into the town.

Everybody talks about the millennials and I think if you are going to attract the millennials, you have to listen to their needs but on the other hand, I would encourage you, if you are going to change the demographics of the area, down there, talk to the residents and see what they want. It's not what new people want coming into town. It's not what business wants. It's not even what the seven of us want. It's what those folks want because it is their community we are trying to enhance and preserve and grow. So if you take no other message away from me, it is that message.

[Time: 01:30:11]

Mayor Lane: Thank you, Councilman Smith, Councilwoman Milhaven.

Councilwoman Milhaven: I agree we want to listen to the residents and do what they want. If they say I want more business services in my neighborhood and we are hearing businesses saying there's not enough people that make enough money for me to put a shop in your location. Then we need more people who make more money to live down there to support the retail that they want. And while folks -- it's regrettable that people go to Tempe to shop, we need to recognize that the future of big box retailers is not on McDowell Road. The freeways have bypassed McDowell Road. We have Tempe Marketplace and we have Mesa Riverview. We are not going to attract big box retailers to McDowell Road. Even if we ask the residents what do you want? We don't want to go to Tempe for a big box retailer and we want more boutiques, the answer is without more people who make more money, you are not going to get those things. I have think we have to go back to macroeconomics 101 and say it's supply and demand and that's going to get us what we want.

Economic Development Director Danielle Casey: And if I could, councilwoman, one of the other pieces also to consider then that they look at is daytime population. One of the reasons that downtown is doing really neat things right now is because so many of those restaurants and places close to locations like the galleria are covered up at lunch. I don't go to Chop Shop anymore because there's a lot of young people eating lunch. [ Off microphone comment ] A daytime population is important, and there can be -- it's a big concentration and a big movement for live, work, play, for people living adjacent to where they are working, but then also, you know, nearby residents within a 10 to 15 minute commute will spend money and do tend to spend more money closer to where they work.

[Time: 01:32:15]

Mayor Lane: Thank you, Councilwoman. Councilman Phillips.

Councilman Phillips: You just made me think of something, and that is -- and I thought of this before, but it popped up, when you go south on Scottsdale road, and then you hit before Osborn, you know where the split is, it seems that's where it dies and I don't know how we can fix that to a point where businesses can keep continuing south, because it seems like they don't want to go any further south than that divide, you know?

Planning and Development Services Director Randy Grant: Mayor, Councilman Phillips, one thing that we have discussed is the potential to extend downtown down to Thomas. That would allow some of those properties to get the benefits of the flexibility of downtown standards. I think that's a very realistic option and could be something that we would be very effective.

Councilman Phillips: And you are realigning Scottsdale road then? Is that what you are talking about?

Planning and Development Services Director Randy Grant: No, it's extending the boundary that ends at Earl now down to Thomas so that the businesses would be in the downtown.

Councilman Phillips: Oh, the planning boundaries. Okay. But it just seems like even when you are driving south, when you hit that turn, that's the end of it.

Planning and Development Services Director Randy Grant: Right.

Councilman Phillips: You feel like, oh, no, I'm getting away from Scottsdale.

Planning and Development Services Director Randy Grant: It's interesting that Earl is the boundary and so there is some of that, that the downtown has an image that people are more willing to invest in right now.

Councilman Phillips: So you don't want to consider something about realigning a street to get that thought out of your mind and you are still continuing down Scottsdale road? Do you see what I mean? Once you make that turn, then you have to make a left. Here's -- you are somewhere else.

Planning and Development Services Director Randy Grant: I don't know about realigning the road.

Economic Development Director Danielle Casey: It is what Randy is talk about is there are tools in place in the downtown area that allows the businesses to investment more in public art and invest more in different public programs and services so they can develop the properties to a slightly greater density and that's why you see that visual stoppage because that's where that allowable area ends as well. So it's also -- when we talk about some of the planning tools and the other flexibility, allowing the market to decide what it wants to do but providing greater flexibility for them when they come in, can be a driver that's not a subsidy in any other way but you are allowing for flexibility, allowing for the market to come in and say this is what will work if you can allow me to do it, obviously within a significant amount of reason, to Scottsdale standards.

[Time: 01:35:14]

Mayor Lane: Thank you, Councilman. Councilwoman Klapp?

Councilwoman Klapp: Yes, I should add in because there's conversation recently about asking the neighbors and asking the people who live in the area what they want and I would like to just remind everybody that we did have a conversation a couple of months ago about a branding exercise that was taking place in south Scottsdale. That has begun. And there are people now out in parks and neighborhoods, surveying the people who live there and have businesses there, and so we won't know the result of that until sometime next year, but there will be -- there will be a survey of about 4500 people as I understand it. So that's going to be a pretty good database for us to be taking a look at what do people really want?

What do they think of the neighborhood? How do they think about it? What would they like it to be? Those type of questions would be answered and that would be helpful for us to be thinking a little bit more about what is the area now? What could it be based on some of the answers to those questions?

[Time: 01:36:20]

Mayor Lane: Thank you, Councilwoman. I think that -- oh, I'm sorry. Councilwoman Littlefield.

Councilwoman Littlefield: I just had a question for you guys. I know part of the problem with McDowell Road per se is so many parcels are oddly shaped, the sizes are wrong. And they are individually owned by different people. One of the things that it impressed me, I went to the open house in 64<sup>th</sup> Street and McDowell when the gentleman who assembled all of those properties to go put an open house together to show what his plans were and what he thought and the neighbors came and talked about it. I was impressed that he had done that because he really made a big difference on what could be designed on the proper there, which is basically the gateway, if you will into Scottsdale.

I was wondering if you could tell me, has that process happened along McDowell Road in any of these other parcels that are small and chopped up and difficult to organize into a united whole if you will?

Planning and Development Services Director Randy Grant: Mayor Lane, Councilwoman Littlefield that is an accurate representation. The auto mall is under one parcel but they were owned by the same person you are right. There are a lot of properties that are too shallow or too narrow, to be able to stand on their own. And until one comes in and buys a few of them, it's difficult to achieve anything more than a property by property revitalization. The marketplace will take care of that, because someone would have a vision about a larger project will assemble the properties. There's not a lot that we can do, other than make sure that the development standards allow for those things to occur but we don't have much influence into assembling the properties. I was really wondering if that process had started, if you noticed any kind of movement in that direction.

Economic Development Director Danielle Casey: At the risk of touching something that might be touchy as a staff member, when we look at projects like that, like Randy said and we actually at reports, previous reports from the years back, looking at McDowell being even their comments at the time were you can wait, and at a certain period of time, the property values will get low enough and folks will come in and purchase and likely assemble property and that's how these things naturally evolve. I'm not seeing the proper values lower enough.

Randy mentioned on a few of the commercial projects there are many may be vacant and have current leases that they are getting money for. They have no natural incentive or need to redevelop the property and if they were to redevelop it, what are the values considering the redevelopment options are very limited and so this is where the touchy part is. This is why when we look at statutes, whether it's a redevelopment plan or it's an area specific plan which is another tool, that provides a little less flexibility but it does help to get community input, those are governed very specifically so you do get community input. Numbers of public hearings and community citizenry sessions requirements for notice and communication to all the property owners and any boundary areas, requirements for planning and zoning review, et cetera. But those are the purpose of some of those plans because they do eventually allow for communities and municipalities to assemble property. I'm not making any suggestions either way. Those some are of the redevelopment powers that if you look at downtown Phoenix and different areas of other communities, that's where the government has come in, and said, okay, this isn't happening on its own. So we are going to utilize some of those planning tools that have been approved by the local community because they want to see this redevelopment take place and they can assemble some properties and then -- and then put them back out to the market. That's how some of them are making that happen faster than it naturally will happen in the community on its own. So just clarifying that those are some of the differences.

Councilwoman Littlefield: Just to be very clear, I would rather have that happen naturally.

[Time: 01:41:05]

Mayor Lane: Thank you, Councilwoman. I think we have of pretty much gotten the information so we can consolidate and see where the consensus lies on the issues. I want to thank you very much. There's one closing comment and I don't think it's entirely -- it's not inconsistent with some of the things that have been said when we talk about the platform and how we as government are creating a platform for people to thrive in, on all levels, residents, businesses, and the entire scope of it. Whether we talk about the type of activities on the land but one thing that I think is -- and it was mentioned earlier, so I'm just sort of in support of this. We have done some great things -- I'm sorry, great things on the streetscapes as it relates and I know we have done some certainly on Scottsdale Road which has been an enhancement, even an area that has been a difficult area to sell. And that has encouraged them to look at the redevelopment opportunity for them that's valuable.

I think McDowell Road is developing into -- I think into a great community. With a mix of uses and certainly with residential right within the community and the live, work and thrive. I don't know what we have planned right now, but if I were to say this may be something further we can do, with

regard to McDowell Road, how do you make it functional and at the same time, a little bit more of a neighborhood, it's no longer the thoroughfare it once was to go with downtown. So that's one of the reasons that the car dealerships, you know, I don't think that's inconsistent with anything that was said. So I wanted to throw that out as well.

I will close on this subject. Thank you very, very much. It be interesting to see how you put this together and maybe at least give us a clue as to how you see this coming back to us.

Economic Development Director Danielle Casey: Thank you.

Mayor Lane: Thank you.

**ITEM NO. 2 – SKYSONG 1.5 ACRE CITY OF SCOTTSDALE-OWNED PARCEL**

[Time: 01:43:45]

Mayor Lane: We are on the second item, SkySong 1.5-acre city of Scottsdale-owned parcel. And it's presentation, discussion, and possible direction to staff on the location and the disposition of the 1.5-acre city of Scottsdale-owned excluded parcel shown as floating parcel on Exhibit a-2 of ground lease number 204-119-COS as amended with A.S.U. Foundation, Scottsdale LLC. So with that, please welcome number one, it's good to have you here, and if you would.

Public Works Director Dan Worth: Mayor, council, in the last presentation, one of the slides that Danielle talked about was the potential tools and one is property investment. They have some items to potentially leverage our goals and one of the most significant ones is the 1.5-acre parcel that we own somewhere within the confines of the SkySong site. That's what we will be talking about for the next few minutes.

Similar to the discussion that we just had, I'm going to give you some historical context and the status of the SkySong development, in the parcel within the SkySong development and halfway through, we will have a discussion like we just had clarifying some of the goals that you may want to direct us to pursue as we figure out exactly what we are going to do with this parcel. And, again, similar to the last presentation, this is Deja vu all over again, the --

Mayor Lane: You will be a Yogi. Man, I tell you, you are full!

Public Works Director Dan Worth: We are going to be talking very conceptual terms about potential uses. We want to find out what kinds of things you are interested in exploring, what we are not going to be talking about is specific decisions or tools. We want to get feedback from you on what the desire is and then we will come back at a later time with how we may implement that either through the existing lease or whatever other means would be appropriate.

This graphic is through existing lease through the third amendment. The existing lease is about 150 pages long and it mentions this parcel about three times. There's not a lot of guidance on what this

parcel is. It's mentioned in one of the recitals at the very beginning of the lease and the language I'm going to quote says location is generally outlined on Exhibit A.2. That's what it says about the location. That's Exhibit a-it.

That's the second place. The second is what it's not. It's a list of restrictions. It says that the landlord, the city doesn't have any infrastructure obligation for the excluded parcel. We have the infrastructure obligation for all of the parcels that is incorporated into the SkySong lease and it also has a lease of 27 subparagraphs of uses that it cannot be used for. Basically it says if the lease says that a particular use is not available to A.S.U. Foundation, for the leased area, it's not available for this parcel, unless we get them to give us permission. And the kinds of restricted uses, 27 paragraphs of similar type thing. And it doesn't exclude us from doing that. So if your heart is set on a pawnshop, we can do that, but we need permission from the A.S.U. Foundation. Those are the only mentions in the entire lease about this parcel and what it -- what it is or is not or where it is exactly located. The graphic shows a little bubble on the lower left-hand corner, the southwest corner of the site. Approximate location, that's what it's labeled as. And -- and that's it.

I will talk about how the slate is developed. This is actually a graphic from the zoning case, the most recent zoning change that you approved for the site and earlier this year. This was a submission that was made in January of this year. And you can see the northern half of the site, it's a big blank slate, it's the area that the additional height was included in the zoning case applies. The lower portion of that is largely developed with one exception and I will go into the site development in a little bit of detail here. This is actually what's been built so far and what's in the short-term future overlaid open a very conceptual diagram. Does this cursor actually -- figured out how to make an arrow appear. I have to talk about it and it appears.

You can see the first three, one, two, three, phases of office and then the fourth phase, number four, is actually under construction now. When that fourth phase is completed, they will be at about the halfway point on the required office square footage for the entire SkySong development, 600,000 square feet out of a 1.2 million square foot requirement. You can also see in the lower right portion of the site, the apartments and the first of two garages. The garages are public parking, at least a portion of them. Part of the infrastructure requirements the city paid for. And then the red rectangle is the proposed site for their restaurant building which is currently working its way through the development review process. So that's near term development.

You can see all of the northern half of the site has some potential conceptual ideas on what the future development might look like, but nothing has been finalized and then this last corner here, labeled future office is very close to the location where the bubble appears on the exhibits, the lease agreement and it's fairly close to one and a half acres in size, coincidentally. So the 1.5 acres will go somewhere open this northern portion or in this corner. The areas that are not yet developed. And I will turn it over to Danielle.

[Time: 01:51:07]

Economic Development Director Danielle Casey: Thank you very much. Mr. Mayor,

councilmembers, these are some of the SkySong tenants and we do have extensive list of all the occupants. I think it's great to see that so many of these, and that's why it's in the strategic plan talking about technology and innovation along the corridor because so many of these firms are focused in the technology and information and communications and tech of the 55 companies and A.S.U. units in their total list, there are 19 companies that are specifically in that ICT sector. So about 50% of what's at SkySong is information communications and technology. I just thought we would share that, because it was interesting. And moving forward, much like the last presentation, we are working to get a better understanding on utilization of this property, not necessarily how to dispose of it or not to dispose of it or what that structure would be but how would you like to leverage this piece of dirt that could be located at a variety of locations and that's still up for sporting out.

And these are just to kind of throw spaghetti on the wall and get your brains going so we can get some input. Is it an economic development goal? Is it to focus on innovation? Is there a serious concern about just focusing on fiscal return for the property? Or is there more of a focus that we should leverage it for community benefit, whether that be, again, employment, economic development or other community amenities.

And we put together some busy information for you, but, again, just more examples, public uses and we have got some pros and cons just off the top of our head as staff, what these could potentially be for each of these uses. We have done necessarily have anything in our master plan for that right now, but as Mr. Worth mentioned, if you want to check into the cash store, we can do that too. We would need to be able to respond to some direction. More office space, it would be about 52,000 square feet of additional office space development for a footprint of that size. It could compliment current uses, but, you know, it's not necessarily anything unique to what's already going on at SkySong and that's neither good or bad. It's just a question for council. Retailer or entertainment, obviously it could serve some neighborhood needs.

We talked about the demographic issues that could take some time. It could compete with other retail plans or not and then again developing that site by itself at 1.5 acres could require some participation or communication again with the master plan of the site. And so, again, we have thrown out hospitality possibly a researcher, institutional use, thinking about higher education and other institutions and partnerships along those lines, even business -- I have to put as an economic developer, I have to put in business accelerator or incubator uses to try to promote entrepreneurship. I at least cannot throw that in there for your consideration.

Again, you will see some of the pros and cons for each just as a cursory view. And then so how do you think this could advance and that would allow us to go back and do a feasibility analysis and do some pretty strong economic impact comparisons to tell you what those uses that we hear or maybe preferred would bring to the community because you pointed out as well, what is the impact to some of these projects and things that are going on. This is a piece of property that council has the ability to influence and guide with how it interacts with the community. With that, I will stop.

[Time: 01:55:06]

Mayor Lane: Thank you, Danielle, and thank you, Dan. It goes back many years, 11 years as it is right now and the conversations about the 1.5 acres. It was something for the city to use as somewhat of an offset for the A.S.U. Foundation as a small item that the city could recover on eventually. So I think in my mind, that the city would build a small hotel on the site as at least an initial conversation even though I'm not particularly interested in the city building a hotel. I think that's something that the city of Phoenix has taught us is not a good path. Nevertheless, it may be something that given -- and I know that this is not really spoken about a great deal. There's loss of activity and the recovery on the lease is just for the original cost of the infrastructure and the purchase of the land that the city made. So I'm at least a little bit concerned on the continuation of anything that would end up taking this off the tax roll. Every time we do that, it ends up burdening further our businesses in the community with that tax obligation missing from this property. And this is a pretty particularly big piece of valuable land in this area. So it's something I would like to see us sell but it might be on the specific directions just on the exclusions that may be in the lease contract. I think it's something we may want to consider an RFQ and something that would be complimentary, certainly, but productive as well for the community.

We talked about the fact that there's a lack of alternative office space. I'm not sure that that's the thing that someone would be interested in investing in. I'm not necessarily inclined to go with parks. I think it's a misuse of funds on that. So my preference would be just to start this off and there undoubtedly will be some other conversation on this. My thing is to identify it first and I think frankly as closely as I can see in the organization, I realize it was just a cloud and undefined, but that space is open. I think as Vice Mayor Smith has mentioned, we have less and less opportunity to define it and frankly put a value on it. So I think it's important that we look at that, and I would personally, I think that location in the entire parcel is probably intended to be and should be the parcel that we are talking about. That's an easy one. I mean, that's only on the basis of anything else. There's probably other considerations on it, but I would think towards that in the first place. And then next would be for us to consider what direction we would like to go within an RFP on the development of that property.

Economic Development Director Danielle Casey: Mr. Mayor, if I could and Dan, please weigh in on this. One of the reasons that we are asking how you would like to utilize the property because that could influence the location that is best suited for it on the project. That's kind of why we are giving you a little bit of a vague chicken and egg story. If it were office or a hotel, that could be very different in the way it incorporates. So if that's helpful.

Mayor Lane: I do understand that, but -- and we do want to be complimentary with the overall site. We do not want to be a pawn shop or anything that would be, you know, directly contrary to what that's all about.

One of the things that when this lease was put to go and when the agreement was put together, this was meant to be an incubator. That's not something that did not materialize. It didn't work. I'm not inclined to reinvest in that at the present time, even though there may be environments where that works, an awful lot of community are hung out to dry with some of those projects too as far as costs are concerned. I don't look to follow in those footsteps.

But to your point a chicken and egg scenario is exactly what you are describing. Maybe we designate the property and then research and consider what we would put an RFP out there to build. But I think one of the things is finding the piece of property. Is there some way that we can put it under the shades in the middle or otherwise, I don't know. But anyhow, I -- but the dilemma is just as you described, it the chicken and egg kind of thing.

I think you have to pick one or the other first. And my choice would be to pick the spot first. But that's my thoughts on it, but -- and I may come back to reframe that if I need to, but nevertheless, that's it. Yes, Councilman Phillips?

[Time: 02:00:45]

Councilman Phillips: Thank you Mayor and I would like to say thank you to Councilman Smith for finally bringing this to a discussion. In the question being, if we are going to have that southwest corner or northeast corner, is that our decision or is it something that we have to negotiate with the A.S.U. Foundation?

Public Works Director Dan Worth: Councilman Phillips that's not laid out in the lease agreement. That's the subject of negotiation. And hopefully we can come up with a mutually agreeable solution, so there's nothing spelled out.

Mayor Lane: Pardon me, we are looking for our opinion as to where this is, in the start of negotiations.

Public Works Director Dan Worth: Certainly looking for your guidance and what your preferences are, but as Danielle was pointing out, and you repeated it, I mean, you can pick the location, and have uses follow from that. You can pick a use and there's a location that falls from that and either way it's possible.

Mayor Lane: Okay. All right. Pardon me for the interruption, councilman.

Councilman Phillips: You're forgiven.

Mayor Lane: Thank you.

Councilman Phillips: So you have all heard me bad mouth the A.S.U. Foundation and SkySong and what are they doing for the residents and I talked to them a few times why don't you have a discussion or a dialogue or a community council or invite them or something, it's just never happened. So what I was alluding to earlier and what I would like to see in using Danielle's analogy and throwing the spaghetti on the wall, what I would like to see is have a dialogue with the A.S.U. Foundation to maybe possibly give them that parcel in a return they build a community center, which will bridge us, the community and the A.S.U. Foundation, bridge the gap between the two. So that they can have activities that bring people into SkySong and the local community and instead of being this private

entity that nobody seems to understand what is going on there. That would be one way to get rid of the property.

I would probably look at the southwest corner of it as well. If that idea doesn't stick, I would be willing to sell it also. I would like to see the community center there and maybe A.S.U. would be willing to agree to build that to give them the property to have a community center for the locals. So thank you.

[Time: 02:03:24]

Mayor Lane: Yes.

Councilwoman Milhaven: My thinking is much in line with yours, that this whole project is being developed, for us to pick a use out, I don't think cities make good developers anyway. So my inclination is to lease it rather than sell it, just because it will be awkward at some future date for several generations from now and the parts of it are leased and parts of it are sold and I would imagine give and when we heard about negotiating the location, with SkySong folks that they also have some interest in what might happen to this property. So in terms of -- so I'm agreeable to selling or leasing.

I would like the use -- I would like to see -- I would like to see an economic development use that is -- is there a way that we can catalyze some additional things with how that's used. I don't know if it's an incubator or something else. I would like Danielle to take a look at that. And then I would imagine, if we change the SkySong lease, I would love to see the city treasurer be involved in that as well, take a broader perspective on that. So I'm okay to lease the space and use it for economic development and maybe relook at the SkySong lease yet another time. Yes, thank you.

[Time: 02:04:52]

Mayor Lane: Thank you Councilwoman. Vice Mayor Smith.

Vice Mayor Smith: First off a question to you, Dan, how did we end up with apartments on this parcel? Is that something that was -- came to council and council said aye and they went forward or is it something that was their design or --

Public Works Director Dan Worth: This was at the request of A.S.U. Foundation. It was a discussion that came to council for approval in the form of the first amendment to the lease agreement, that allowed them to build a certain number of apartments and made adjustments to the amount of money that the city would need to spend for infrastructure for the rest of the site. It's changed for that.

Vice Mayor Smith: Well, I knew apparently I wasn't here long enough to catch that one, but, you know, unfortunately, the mayor has made the point that we have invested in this property, we the citizens have invested in this property, I guess a time adjusted \$125 million or whatever. And visually looking at the acreage, 20% did something but subsidize apartments and that seems -- I'm not trying to revisit the decision that was made years ago, if was a council decision, but it's obviously different than

the intent of the agreement and the expressed intent of the agreement, which was to create a center that occupied by organizations and businesses, that have and maintain a character orientation or focus on creativity, technology, and/or innovation and it's my understanding from talking to the people at SkySong that the predominant attendant residences of this apartment complex are not people in the center. It's just -- it's an apartment complex. And it's people from all walks of life and all parts of city choose to live there.

To me, that, you know, unfortunately is a misguided use of our taxpayer money, but I don't want to see us use another chunk of this land for development. So my first recommendation is going to be that we not do anything, in a development sense with our floating 1.5-acre. I don't think that we should be building a hotel to compete with hoteliers.

I don't think we should be building an office building to compete with office people, and so my preference would be one of two things, as some expressed, put it back on the public tax rolls and get some money from it. That's my second choice. I would love to see this property, this acreage used in a way to compensate the citizens of south Scottsdale for the comprise that they made, and I think they did make a compromise.

They now have and they are going to have even taller buildings to look at, and I -- I'm not sure that it has brought them the restaurants, the trader Joe's, the activities that they had hoped for. It may be a success. I'm not judging whether it's a success. I'm only judging whether the residents have lost something in the process.

I make no mistake about the fact that I was not keen on the idea of granting a 90-foot allowance for the -- whatever the number was, for the buildings on the northeast -- the northwest corner of this parcel. But that's a compromise that is going to impact the residents down there. They are the ones that will look at this big, tall building every time they drive down McDowell road. They are the ones who are compromised by losing the vista views.

And so I'm going to say what I would like to see. And let's see if you can deliver it. I would like to see our 1.5 acres converted into a pocket park or a public park or whatever name you want to give to it. And I would string it around the corner of McDowell road, the signature intersection in this whole area. And if that forces this 90-foot building to scoot back on the property, so be it. It would be in a sense a forced setback but it would create a park environment for the people of the McDowell corridor and in a sense be a compensation for them for -- and, you know, I'm mindful of the fact that the only reason looking at this 90-foot tall building on the corner of Scottsdale -- is it 90 feet? Was it 90 feet?

Public Works Director Dan Worth: That's correct, 90 feet.

Vice Mayor Smith: The only reason that they are looking at a 90-foot building on McDowell and Scottsdale road is because at some point in time we decided to use 20% of the whole land for completely unrelated purpose which is to build apartments. And I suspect that's the only way that they can squeeze in 1,200,000 square feet of property as was defined in the contract. So we have a project here which is morphing into something that was not envisioned originally, and now it is having,

I think an impact on the neighborhood that will not be favorable and so that's -- and that's what I would like to use the land for.

At this point, I'm not particularly keen on trying to get real estate taxes from some other developer on this. We spent a fortune on this property. I would like to see for some of that money to go back for purely community enjoyment. Thank you, mayor.

[Time: 02:11:09]

Mayor Lane: Thank you, Vice Mayor. Councilwoman Littlefield, sorry.

Councilwoman Littlefield: Thank you. Yes, I seconded Councilman Smith's request to bring this forward to talk about it, because I was afraid as the development on this project, SkySong goes forward, we were going to -- it was going to get lost in the shuffle. And that it kind of is floating around somewhere and nobody knows exactly where it is and it gets developed and there it goes and it's gone. And it is land that is owned in effect by the citizens of Scottsdale and we are responsible for at least keeping track of it, I guess and figuring out what we are going to do with it.

I don't really have a particular focus on what should be done. I like the idea of having it on a street side, where there's access for whatever we do with it and go access for it. I like Councilman Phillips' idea of a community center.

I had an idea of, well, since this is high tech incubator area here in SkySong, maybe our high tech department would like to have its emergency situations and computers over there and away from where we are now. So it's an off-site scenario for emergency technology. That was just a thought I had since it goes to SkySong.

I like a park. Park is a good idea. And I like having an open corner there so that it doesn't just look blocky, so the people don't drive up and there's a building here and you turn and there's a building here and it's nothing but high rise building. It's too Boston or too New York. We have to stay Scottsdale. I like the idea of a set back of a park. Whether we want to take 1.5 acres, that's a lot of park which may be very pretty there.

I'm open to many ideas. I'm open to ideas that the staff can bring back for this, but I want to make sure that we bring it to mind that that is here. It is owned by the city. And that we should be doing something with it for the benefit as councilman Smith says of the citizens. Thank you.

[Time: 02:13:36]

Mayor Lane: Thank you, Councilwoman. Councilwoman Klapp.

Councilwoman Klapp: I'm okay with the location on the southeast corner or the southwest corner. Yeah, it is the southwest corner. That's been identified by several other people, but I have a question. Hasn't our 1.5 acres appreciated in great value over the course of the years?

Public Works Director Dan Worth: It's appreciated as all the other land in the area has appreciated. I'm not sure that it's appreciated over the price that we paid for it.

Councilwoman Klapp: I understand that. I'm not arguing that at all. As a piece of land -- and here's what I'm getting at what I'm getting at, is as this project develops and you fill in more buildings and you fill in more buildings that piece of land becomes more valuable as all of those buildings get built, and all the infrastructure is put in. So I would be in favor of selling that piece of property, but not yet. I would just hang on to it, and let it continue to increase in value, because as the rest of the development is completed, that's going to be more valuable. So why sell it now? I think it's premature to -- I mean, it's great to identify where it is, but it's premature to sell it, because this project will become more and more valuable for somebody who wants to buy it.

And so my recommendation would be identify it, hold it, for future sale but don't do it at -- you know, I don't see any -- what's the need to rush out and do an RFP? Let's just identify it. We have 1.5 acres there. Decide what we want -- when we want to sell it, based on valuations or when is the best time to sell it?

Economic Development Director Danielle Casey: And Mr. Mayor, Council, one of the things to be cognizant of, as the rest of the site does develop, the ability to work with the adjacent developer, who already has the entire site built out, and has most of the parking would also affect the value we would get for that property.

So to put it in very blunt terms, the value for the property would be greater if SkySong is amicable to working well with whoever buys the property. If they were not, for some reason -- and I'm absolutely not suggesting that, but, you know, there may be some strong need for that property owner to drive highest and best use.

Councilwoman Klapp: Can that be worked out with the A.S.U. Foundation that, you know, it's our property and so we want to be able to sell it to somebody that's going to, you know, be able to use it in whatever fashion that we -- we're going to have some restrictions on what can go there. On the other hand, it seems to me that there's no -- I still don't see the need to sell it yet. That's my point. Is if there comes a point where we believe it's best to sell it, because of whatever is going to be surrounding it, that's okay, but today, just because we identified that corner doesn't make me feel -- I mean, this is just kind of like money in the bank. Just leave it in the bank, and let it grow. And at the point we feel that it's the best time to sell it, that's when I would sell it.

Economic Development Director Danielle Casey: Thank you. And those are things we can talk to SkySong and the A.S.U. Foundation about now, in partnership. Thank you.

[Time: 02:17:05]

Mayor Lane: All right. Thank you Councilwoman. Councilwoman Korte.

Councilmember Korte: Thank you, Mayor. We spent an hour and a half talking about our vision for McDowell corridor. And I think every one of us in some way referred to creating a sense of place, something that, you know, looking like downtown, connectivity, shaded areas, pedestrian walkways, bike ways, connectivity, and what a better way to fulfill some of that vision by maintaining this as open space.

So what does that open space look like? Well, it could be a pocket park and it could be on that corner or it could be placed over towards on the east side for the multi-housing going on across the industry. Or perhaps it could be a linear park that is a cross through, you know, that connects the Indian bend Wash with Papago and is part of that linear parkway that passes through somehow -- somehow through SkySong. I don't know. But I think it's an opportunity for us to use this as a point of -- as an amenity and a point of beautification for McDowell Road.

[Time: 02:19:51]

Mayor Lane: Thank you, Councilwoman Korte. Councilwoman Littlefield?

Councilwoman Littlefield: Yeah, I don't have a problem with the park. I think that's a good idea. I think it would accent not only SkySong, but all of the street line going forward. And it would also be an opportunity for possibly public art to be put in there, things like that, to beautify it.

So if we don't have any specific need to be addressed by the use of this land, my wish would be that we identify it, that we make sure we keep it and hold it as available to us, and I like also Councilwoman Klapp's idea of holding it as it increases in value, there's no point in selling something cheap. We can go ahead and make more money on it. Or use it for a park. I like that. Thank you.

[Time: 02:19:49]

Mayor Lane: Thank you, Councilwoman Littlefield. Well, you've got a certain diversity of thought on this, of course. You know, I would just say that there is something we need to consider with regard to recovery on this. I mean, we have a substantial investment or a lease that is with all terms and conditions complied with, 196 years. So it's a one-time opportunity, I suppose, really, to hopefully work in a cooperative level with anybody who might have an RFP to develop this property.

I'm not sure if I'm -- I think that the idea -- I'm not trying to dismiss this, other than saying the idea of putting a linear park through is going to be subject to a great deal of difficulty when you think about the design within SkySong right now. So I -- but that may be one thing, and one of the obligations we're looking at right now is to try to find out where it is, where this acre and a half is. And if we weave it through the hallways of building one, you know, it might be a problem for SkySong.

But in any case -- so I'm -- I'm certainly of a mind and I will say it again, that there's a certain amount of consistency or a consensus on the idea that we identify it, and whether we hold it immediately or whether we consider the second part of that chicken and the egg type situation and determine at a later date. Hopefully we would always have a cooperative partner given their commitment to them.

Obviously we changed that contract. One was the contract itself. The other one was the apartments. And I don't know what else got changed.

Public Works Director Dan Worth: I think the last amendment that you approved was number 6.

Mayor Lane: Number six, okay. Pardon me. Frankly, I immediately forgot the last one as far as the height is concerned. There's been a great deal of accommodation to A.S.U. with regard to the use of property. A lot of that is in effort that it's successful. The effort has been made that we do everything we can to make it successful. That's not always the greatest path for us, but we certainly want to make sure that it does do the job that it was set out to do.

So I'm -- I'm certainly of a consistent mind that I think we need to identify it and I'm not sure exactly -- it doesn't seem like there was a whole lot of variation, other than some different kind of part, that the location of it, at least as far as the start of conversation.

You had a response first?

Economic Director Danielle Casey: I think what's good, what is very good for staff on this is that we are seeing consistency in feedback. We can go back and put together 3 to 5 different scenarios and each of those scenarios could identify a property and identify why that certain location is identified and put a little bit of economic impact to that and how it could work. And so when we are talking about a public space or community center or open space, there's ways that we could partner with private entities or do it ourselves, et cetera. So there's a lot of different ways that then the development project could occur to serve the community. And so I think us exploring that when we bring back that information, and end at that same time, say, okay, great.

If we want to have a pocket park or a community center, this is a location that makes a lot of sense and how we can engage locations. There's an issue if we want to build a community center, how do we structure that financially? That's something that the city is paying for. How does it work? And there are many different ways that we can do that and maybe look at some cost recovery at the same time. So this gives us the opportunity to really put some pencil to paper on creative scenarios to accomplish the pretty consistent goals we have heard today.

Mayor Lane: And I agree with some of the -- at least the idea of considering some of the options once it's identified. This was a comment about how we would pay back the community for some of the inconvenience or some of the concerns that we may have. I don't know if we can work this. Just taking the value of the land and putting it against your property taxes would reduce everybody's property tax somewhat, putting it back on the tax rolls would also have a desired effect in the same realm. But anyway, I didn't notice. Councilman Phillips, you asked to speak first.

[Time: 02:24:30]

Councilman Phillips: Thank you, Mayor. And what I was talking about earlier, to reading the land issue, SkySong for them to build the community center. That's where the money would come from,

they would agree to build it and then give them the land for it. But there's other things we can do. Like the granite reef senior center has property that they were supposed to build a pool on years ago. Never happened. Give them the land and build the pool. Let's see what they are willing to do for us to get the property.

The reason I pushed my button earlier. The bottom line is that this really has to benefit the local residents because they are the ones that agreed to this SkySong long ago, when it was first decided with the 3 acres up front for retail, that they basically got screwed out of. Let's not completely forget about them. Let's do something there.

Unfortunately, I don't really agree with the park. I don't think that's a good area for the park. I have to think we need to find a better use for that. Thank you.

[Time: 02:25:38]

Mayor Lane: Thank you, Councilman. Vice Mayor.

Vice Mayor Smith: I was only going to be sure that staff understood, this is not just a financial exercise. When many of us are talking about the return we would like to see on this investment, it's very much an intangible return, and, you know, whether it's a community center or a park or whatever, you know, it may not have a financial return but I don't think that's what some of us are striving to achieve here. We want to look at the return and all in many different terminology.

Mayor Lane: Thank you, Vice mayor. Yes, I'm sorry. I didn't know whether that hand was up or not, Councilwoman.

Councilwoman Littlefield: I like the idea that Councilman Phillips had that we would give back the land in terms of them building something we wanted to or community, a, that takes away the capital cost of construction for us, and it also makes a unit -- a united whole for the parcel at SkySong that they own and operate that. Has some benefit to it. Thank you.

Mayor Lane: Thank you, Councilwoman. Seeing no further comments on it, I hope you assembled and will be able to collate these thoughts into a direction. Thanks so much. All right. We have no other items.

## **ADJOURNMENT**

[Time: 02:27:11]

Mayor Lane: So I would ask for a motion to adjourn.

Council: So moved.

Mayor Lane: And seconded. We are adjourned. Thank you very much.