

**Mesa Town Center:
Northeast Quadrant Analysis**

Prepared for:

The City of Mesa, AZ

Prepared by:

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I. Executive Summary

- The Northeast Quadrant Study strives to illustrate the complex interrelationships between a host of planned and existing development components including: An expansion of Mesa Community College's Downtown Campus to include an Advanced Technology Center, the Centennial Center Complex and its future, the planned Mesa Aquatic Center and its role, the City Block and the City of Mesa's need for additional space, the South Center Campus and its role in future development, the Escobedo Neighborhood and surrounding area, the Mesa Post Office, the Mesa Library and its plans for expansion and potential linkage to Mesa Community College, Redevelopment Site 7, and Redevelopment Site 17.
- In many respects, downtown Mesa is poised to benefit from a domino effect associated with catalyst projects that can trigger new development in various forms. The City of Mesa can maximize the potential economic and fiscal benefits by judicious and forward-looking actions that cause the chain reaction to occur more quickly and in a concentrated area. The completion of the Mesa Arts Center is, in many ways, the initiator of the chain reaction described in the report. The potentials associated with Mesa Community College's plan for expanding its Downtown Campus to include an Advanced Technology Center is another key driver of the chain reaction.
- A third important element in the chain reaction will be the disposition of the Centennial Center Complex, which includes the Rendezvous Center, Centennial Hall, Centennial Conference Center, and the Centennial Amphitheater. Various future scenarios are described in the report, and each alternative will have a different potential impact on virtually every other downtown component described herein. The analysis finds that the "do nothing" option is not one of the alternatives.
- A review of recent strategic thinking by the City of Mesa regarding its Economic Development goals indicates that a focus on advanced technology programming in the downtown quadrant could serve as a "driver" for the city's overall economic development. Building on the current programs in advanced technology offered by MCC in the downtown area, the College's further enhancement of advanced technology education and training, especially when pursued in partnership with educational institutions such as Mesa Public Schools, East Valley Institute of Technology, A.T. Stills University, ASU, and ASU East through a consortium such as the East Valley Think Tank, could serve as a significant attractor of advanced technology business partners to Mesa.

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- The vision for Mesa Community College's Downtown Campus is based on four "pillars" to be anchored at an Advanced Technology Center, which in turn will have significant economic and programmatic implications for Mesa Town Center. The Center will include a Network Academy that features software development, bioinformatics, cyber forensics, and network security functions. It will also host the Business and Industry Institute, which will focus on industry partnerships with companies such as Cisco, Sun Microsystems, Microsoft and Novell. Another "pillar" of the Downtown Campus will involve community outreach, embodied by the Center for Public Policy and a focus on changing demographics and community education. Mesa Community College will also develop community partnerships such as arts programs, and offer shared services that may involve the Mesa Library, a Life Options Center, and a tech center for children.
- The Mesa Community College Downtown Campus development strategy is broken out into two phases, with Phase I focusing on physical expansion at the downtown at Centennial Way location, adjacent new development of a "high performance" building that will feature technology, adaptive reuse of the Irving School (old MAC), and agreements with the Mesa Library, developers of sites 7 and 17, the Mesa Aquatics Center, and other asset infrastructure within downtown Mesa. Phase II will involve additional new construction in the downtown core, possible occupation/acquisition/utilization of the Centennial Complex depending on the City of Mesa's decision with regard to its disposition, and a continued expansion of programmatic linkages with entities throughout the downtown.
- Phase I projects provide for an additional 80,000 to 160,000 square feet of College space in two buildings, and also incorporate structured parking for between 500 and 1,500 cars. Phase I capital costs are projected to be approximately \$24 million, which would include Centennial Way 4th floor build-out, development of the high-performance building, Irving School restoration and improvement, and other expansion elements. This capital cost estimate does not include parking, which will likely be accommodated within the City of Mesa's general parking development program. Total economic activity/impact associated with Phase I development of Mesa Community College's Downtown Campus and Advanced Technology Center is estimated to be approximately \$55 million.
- The Centennial Center Complex was the subject of a Task Force report, with which Hunter Interests concurs. Essentially, the Complex is at a cross-roads and the City of Mesa must make a determination not only with regard to the existing facility's future, but perhaps more importantly, whether or not Mesa is going to compete for group business (conferences, conventions, meetings, tradeshows, exhibitions, etc.) in the future. The report sets forth various scenarios for consideration, ranging from developing a new or expanded

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facility (in concurrence with the Task Force Report) to demolition of the existing complex and withdrawal from the group business/convention market. An essential recommendation of the report is that the Centennial Center requires a financial analysis in order to determine the most prudent course of action, even if the result is a decision to close the facility.

- The Mesa Aquatic Center is an impressive and meaningful project, and Hunter Interests Inc. concurs with the business concept, which is to develop a world-class facility to compete with comparatively few such venue that exist. Beyond the strategy to create a facility that will draw spectators and a significant number of visitors to Mesa, the Mesa Aquatic Center offers multifaceted benefits to the citizenry including fitness, educational, recreational, and therapeutic opportunities. Based on a review of the Funding Feasibility Analysis and the Mesa Aquatic Center Business Plan, current events as they relate to closing the capital cost gap, and giving full weight to the beneficial and catalytic role the facility will play in downtown, Hunter Interests Inc. strongly recommends that every effort be made to implement this important project. To that end the report includes several strategic recommendations with regard to operational feasibility, site selection, leveraging of new development, and partnering.
- The City Block constitutes the City of Mesa's government center, and as the population continues to grow, the need for City services and associated employment base will also continue to grow. The space requirements for the City of Mesa will grow accordingly, and projections for this growth have been tracked. Studies have projected that by the year 2025 there will potentially be the need for nearly one million square feet of additional space than currently exists. A portion of this space can and should be provided within the City block through the construction of new office buildings that will replace small, low profile facilities, and add to the massing in downtown. This new development has implications on the South Center Campus (freeing this up for new development associated with the Mesa Aquatic Center and/or adaptive reuse by the private sector or possibly Mesa Community College), support for downtown restaurants and retail, IT service and programmatic linkages with Mesa Community College's Advanced Technology Center and other Downtown Campus components, and attraction of additional private development of office space.
- The South Center Campus is a former school complex now housing City of Mesa offices. There are currently no plans to move city offices from the South Center Campus (with the exception of the Arts and Cultural Division that will move into the new Mesa Arts Center). However, in the context of Mesa Aquatic Center development nearby, and in the future of the City Block, the South Center Campus may come to play a very different role in the future. Building and development recommendations included in the report suggest

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that a mixed use project could be pursued at this location if the Mesa Aquatic Center is built, and could include a hotel, sports-oriented specialty retail stores, a fitness center or racquet club, café and/or restaurant, and health-oriented service businesses such as therapeutic massage, acupuncture, etc. Depending on the size and makeup of the building(s) that could host a hotel and other elements, the private sector may invest between \$10 million and \$50 million, assuming that the Aquatics Center is built and acting as a catalyst for this development.

- The Escobedo Neighborhood and Surrounding Area has both historic significance and a physical relationship to downtown, and it is also important as it relates to new development on Site 17 and other projects referenced in this report. Central to the discussion of this area's future is the role of the Escobedo Apartments, the City of Mesa's only affordable housing complex. The complex includes five one-bedroom units, 62 two-bedroom units, 29 three-bedroom units, and four six-bedroom units. The complex is at something of a crossroads in that the aging buildings will require a significant renovation that is estimated to cost approximately \$3 million. There are two primary alternatives to the renovation. The first is to pursue a new model project that would incorporate approximately 100 affordable housing units with approximately 100 market-rate apartments. A second alternative would be to redevelop the complex and retain its historic character by preserving existing facades, updating the exteriors through paint schemes, modernizing the interiors and gaining additional square footage by building new spaces off the rears of the units. These projects may appeal to the selected developer for Site 17. A new 200-unit project might cost between \$10 million and \$15 million to develop and much of this might be structured as private investment.
- In terms of recommendations for Washington Park, Hunter Interests suggests that future plans for the Escobedo complex be prepared in a fashion designed to beneficially impact the neighborhood. In addition, the expansion of Mesa Community College's Downtown Campus and focus on changing demographics may very well offer opportunities for both residents and the college to benefit. Education, technology, language skills, and workforce training opportunities will be within walking distance, and MCC will have an opportunity to fulfill part of its downtown mission. The cost of improvements to the Washington Park neighborhood is undetermined at this time; however, Hunter Interests suggests that a relatively small amount of targeted funding could have a significant impact.
- With regard to the commercial node at the corner of University and Mesa Drive, Hunter Interests suggests only that its owners and tenants will benefit from the redevelopment of Site 17, and in some cases may wish to upgrade or improve their establishments in response to the presence of this new local demand source.

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- The Mesa Main Post Office is a U.S. Postal facility that serves the downtown area, and there are 10 other stations that serve the rest of the City of Mesa. In terms of the Northeast Quadrant Analysis, the Mesa Main Post Office is viewed as an important downtown amenity that not only serves residents and businesses downtown, but to some extent attracts people to the Town Center. The Mesa Main Post Office is situated on land that is publicly owned, but subject to a long-term land lease. There is no indication at this time that there are any plans to close, downsize, or expand the facility. If by some chance the decision were made to move or close the Mesa Main Post Office, there would be sufficient lead time to determine a viable and suitable use for the facility and/or the real estate on which it is situated. These uses could include additional space for Mesa Community College, or conversion to a commercial enterprise of some type.
- The City of Mesa Library system consists of three branches including facilities at Dobson Ranch and Red Mountain. The main branch is a significant downtown cultural and educational resource that has many cross-beneficial relationships with existing and planned components of the downtown and surrounding community. Certain key future opportunities rest in the potential for the expansion of Mesa Community College, but the Mesa Library in and of its own right is positioned for future growth in its role in the community. An expansion could include a “Computer Commons” that would be a joint venture with Mesa Community College. The Library could also sell services to MCC.
- Redevelopment Site 7 was the subject of prior analysis by Hunter Interests that suggested a conceptual building program that would include 276,000 square feet of Class A office space at the corner of South Hibbert and Main Street, a five-story, 120 unit “urban lifestyle” apartment/condominium facing South Hibbert, and a 30,000 square foot mixed use project on South Mesa Drive. The project was the subject of a Request for Qualifications issued to a field of prospective developers in July 2003. Three teams officially responded, although subsequent interest now reaches nearly 20 different companies that have expressed a desire to participate in downtown Mesa development. Subsequent to the issuance of the RFQ, the City of Mesa is now considering a decision to build the City Courts facility on the portion of the site that faces 1st Avenue. This decision is contingent on bond passage in March. However, if built, the facility will have a significant impact on the viability of the conceptual building program—particularly the residential project. The report details alternative development scenarios that would allow the City to continue with the RFP process for these important and desirable projects on or near the current site.

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- Redevelopment Site 17 (30-acre site) is important for many reasons including its total area, role as a transitional element between historic neighborhoods and the downtown, public investment to date, and the opportunity it represents in terms of a catalyst for revitalization. The conceptual building program for the area was prepared by Hunter Interests based on site analysis, market analysis, financial feasibility analysis, and input from the community. The Master Plan concept was adopted by the City along with other recommendations in September 2002. Taken together, the various development components suggested for Site 17 represent approximately \$83 million in private investment potential for downtown Mesa. These include various multi-family residential components, a mixed use retail and office “village center,” four- to six-story office and residential components, and a health spa and wellness center. The development plan comports with Traditional Neighborhood Development (TND) and the New Urbanism design principles.
- The project was the subject of a Request for Qualifications issued to a field of prospective developers. The successful development of Site 17 is critically important to the overall Mesa Town Center Action Plan, and to the futures of several downtown components as described in the report. The City of Mesa should proceed with the preparation and issuance of a Request for Proposals on Site 17, taking into account the potential synergies with the Mesa Community College downtown expansion, impacts of the Centennial Complex determination, benefits to the Escobedo neighborhood, and other factors. The Master Plan for Site 17 remains viable regardless of the shifts in the downtown dynamic as described in the report, and is flexible enough to accommodate opportunities as they may arise.
- All components of the downtown as covered in this report have individual parking requirements. In some cases, parking needs are answered on site as part of an overall development plan (such as with Site 17), while in others they will be dependent on future policy decisions (such as with the Centennial Center). In terms of near-term development potential associated with Phase I of the Mesa Community College expansion, development of Site 17, completion of the Mesa Arts Center, and development of the Mesa Aquatic Center, the necessary parking supply either exists or will be provided, given new facilities under construction and certain changes in the on-street parking plan downtown. In all there are more than 4,000 parking spaces within walking radius of the City Block. The overall parking demand/supply issue is currently the subject of a City-wide parking management plan that will take into account current and future needs, including those suggested by the alternative future scenarios as described in this report.
- There are many recommendations included in this report that pertain to public policy, departmental decision making, private developer decisions, and other

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aspects of determining the future of downtown Mesa. The report contains a discussion that sets forth additional recommendations that were formulated through consultations between City of Mesa management staff and Hunter Interests Inc., and the assimilation of observations, findings, and projections developed during the course of completing the Northeast Quadrant Analysis. In summary, they include the following:

- The City of Mesa should initiate a process to create a comprehensive Development Agreement with Mesa Community College to structure a relationship that will result in an expanded Downtown Campus and Advanced Technology Center. A joint task force comprised of officials representing the City of Mesa, Mesa Community College, and other appropriate parties should be formed to guide this process.
- Hunter Interests recommends that the Maricopa Community College District on behalf of Mesa Community College enter into negotiations with the City of Mesa, pursuant to the comprehensive Development Agreement mentioned above, to enable these various policy recommendations to be implemented in a timely fashion. It is also recommended that the Maricopa Community Colleges take the appropriate actions to secure the capital and operational funds needed to accomplish the policy actions it agrees to, through the Development Agreement and subsequent negotiations.
- The City Council should adopt a resolution(s) that requires the City of Mesa to take action with regard to the disposition of all components of the Centennial Complex. As referenced in the report, disposition could include expansion, new facilities, or closure. The report suggests that a decision on the future of the Centennial Complex should be made by July 1, 2004, following preparation of a strategic plan that fully evaluates the options and cost implications, and economic impact/consequences associated with various development tracks.
- The City of Mesa should pursue development of the Mesa Aquatic Center on its current site in view of its ability to cause revitalization and adjunct development to occur in this portion of the downtown, and more generally because of the wide range of benefits to the community. It should be the policy of the City of Mesa to solicit anchor tenants (possibly Mesa Community College and/or other educational institutions) and sponsorship/rights deals in order to close the projected operational deficit.
- With regard to Site 17, Hunter Interests recommends that the City of Mesa proceed immediately with a Request for Proposals from developers for this important project. It is suggested that the RFP encourage contact between prospective developers and Mesa Community College officials in order to explore mutually beneficial opportunities.

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- With regard to Site 7, bond passage in March will be a determining factor in future development. Generally, Hunter Interests recommends that the City of Mesa proceed with a Request for Proposals from developers interested in the office/residential projects as conceptualized—with the understanding that another nearby site could be an alternative location for one or more of the building components.

II. Introduction and Methodology

The City of Mesa and Mesa Community College retained Hunter Interests Inc. in July 2003 to conduct a survey and analysis of current conditions in order to facilitate planning and policy decisions regarding downtown development. The study area focuses on the northeast quadrant of the City's core, but more generally encompasses the greater downtown area. The study strives to illustrate the complex interrelationships between a host of planned and existing development components including: An expansion of Mesa Community College's Downtown Campus that will include an Advanced Technology Center, The Centennial Center Complex and its future, the planned Mesa Aquatic Center and its role, the City Block and Mesa's need for additional space, The South Center Campus and its role in future development, the Escobedo Neighborhood and Surrounding Area, the Mesa Post Office, the Mesa Library and its plans for expansion and linkage to Mesa Community College, Redevelopment Site 7, and Redevelopment Site 17.

In many respects, downtown Mesa is poised to benefit from a domino effect associated with catalyst projects that can trigger new development in various forms. The City of Mesa can maximize the potential economic and fiscal benefits by judicious and forward-looking actions that cause the chain reaction to occur more quickly and in a concentrated area. Indeed, this process is analogous to achieving critical mass, wherein an atomic nucleus is induced to release an enormous amount of energy. In Mesa, this "critical mass" can be achieved by causing projects to interact, thus creating economic energy that will in turn cause other development and investment to occur.

The completion of the Mesa Arts Center is, in many ways, the initiator of the chain reaction that is described in this report. By its introduction into the downtown, it will affect everything from the potential for new restaurants, retail, and entertainment, to the historic Irving School (currently the Mesa Arts Center, which will be vacated when the new facility opens), to the attractiveness of development potential on both Site 7 and Site 17 to other arts and entertainment venue that will increasingly define the character and vision for downtown Mesa.

The potentials associated with Mesa Community College's plan for expanding its Downtown Campus to include an Advanced Technology Center is another key driver of the chain reaction. As further described in Section III of this report, Mesa Community College's development strategy will have an impact on the physical, programmatic, and economic characteristics of the downtown. For example, it is possible that the institution may become the new owner/tenant of the Irving School when the new Mesa Arts Center opens. This is an example of the domino effect flowing from the Mesa Arts Center project. At a higher level, it is expected that new construction, expansions, savings on rent, value of City

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contributions, and direct impacts generated by the institution will cause an estimated \$55 million in Phase 1 economic activity.

A third important element in the chain reaction will be the disposition of the Centennial Center Complex, which includes the Rendezvous Center, Centennial Hall, Centennial Conference Center, and the Centennial Amphitheater. Various future scenarios are described in the report, and each alternative will have a different potential impact on virtually every other downtown component described herein. It will be the City's decisions regarding the future of the complex that influence the level of benefit to the community, as associated with maximization of current and near-term opportunities. This report is intended for use as a tool in understanding the range of impacts related to policy decisions, and hopefully to suggest a path that leads to the attainment of critical mass in the downtown. The Centennial Complex, coupled with Mesa Community College, are together at the core of critically important decisions that must be made along this path.

The discussions for each component of the downtown follow a generally standard format beginning with a Situation Analysis. The Situation Analysis is a real-time evaluation of events, issues, and opportunities related to the particular component as of late 2003. This is intended to bring the City of Mesa and others up to date on current events, while at the same time setting the context for further detail and/or other discussions that relate. The Situation Analysis is followed by a series of Strategic Recommendations, which in some cases include policy recommendations, and in others are component-related planning or partnering recommendations. The Strategic Recommendations are followed by Building and Development Recommendations, which in some cases may also be understood as policy or city management recommendations, but are more often suggestions that pertain to facility or real estate issues. Each component section concludes with a Funding and Finance Discussion that varies in length and content depending on the project.

In preparing this report, Hunter Interests Inc. built on a base of knowledge and recommendations emanating from previous work completed by the firm in September 2002. This study, entitled "Analysis and Recommendations for Development of Sites pursuant to the Town Center Action Plan" dealt with five City-owned parcels of real estate and included a fairly extensive market analysis, as well as financial feasibility analyses and master plans for each potential project. In this report, two of the five sites (Site 7 and Site 17) are further treated in terms of current status and their linkage to the other components. Again, it will be City decisions that determine how effectively these projects contribute to the economic chain reaction that is now beginning.

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The Northeast Quadrant Analysis concludes with a series of Public Policy Recommendations that were prepared in a joint effort between key City management staff and Hunter Interests Inc. Therefore, this report is not only a resource and tool for understanding downtown issues and opportunities, it is also a call to action that involves public, private, and institutional parties. The analysis concludes that the City of Mesa must act proactively to induce the chain reaction to continue, to accelerate it, to manage it, and to maximize its potential for economic benefit to Mesa Town Center.

III. Mesa Community College Downtown Campus

A. Introduction

This section of the Northeast Quadrant Analysis conveys observations, findings and recommendations that focus on the potential for an expanded presence of Mesa Community College in the downtown area.

In preparing this report, Hunter Interests Inc. interviewed approximately 50 individuals who play key roles within Mesa Community College and the Maricopa Community College District, as well as individuals associated with other key downtown components. The information and input from these stakeholder interviews were added to a base of knowledge gained in more than 100 previous interviews and other analysis conducted for the City of Mesa by Hunter Interests. A physical inspection of pertinent buildings and sites was conducted, and numerous reports, plans, and other documents were reviewed.

Items reviewed as part of this analysis included: MCCD Adopted Budget FY 2002–2003; Exploring an Urban Partnership for Mesa Community College in Downtown Mesa—Executive Summary; Commission on Excellence in Education 2002-2003; Annual Report: Bridging Education and the Community Mesa Community College; Mesa Community College Focus on Learning Strategic Plan 2002-2005; 2002 Operational Program Master Plan-Workforce Development Forecast-prepared by Maricopa Community Colleges Occupational Administrator’s Council; Business and Industry Institute materials; Business and Industry Institute—Hope, Spring, and a Vision for an MCC Downtown Campus; East Valley Think Tank Fact Sheet; Mesa Community Roundtable Fact Sheet; Center for Civic Participation Fact Sheet; Center for Public Policy Fact Sheet; Life Options Blueprint; Mesa Association of Hispanic Citizens materials; Mesa Community College Class Schedule 2003; MCC Extended Campus Class Schedule 2003; MCC Extended Campus Dual Enrollment Annual Report; Mesa Aquatic Center Business Plan; Mesa Indoor Aquatic Center Fundraising Feasibility Study; Downtown Focus—A Publication of Mesa Town Center Corporation; Pedestrian Pathway Design Guidelines for the Mesa Town Center Area.

Capital cost estimates and other financial projections are based on industry standard costs for different types of development, and individual factors as described in this report. In order to reflect options for development and their attendant costs, as well as certain unknowns, square footages, costs, etc. are generally set forth as ranges. Observations and recommendations reflect the input and information gained during the study to date, and in certain cases constitute the professional opinion of Hunter Interests Inc.

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B. Situation Analysis

A review of recent strategic thinking by the City of Mesa regarding its Economic Development goals indicates that a focus on advanced technology programming in the downtown quadrant could serve as a “driver” for the City’s overall economic development. Building on the current programs in advanced technology offered by MCC in the downtown area, the College’s further enhancement of advanced technology education and training, especially when pursued in partnership with educational institutions such as Mesa Public Schools, East Valley Institute of Technology, A.T. Stills University, ASU, and ASU East through a consortium such as the East Valley Think Tank, could serve as a significant attractor of advanced technology business partners to Mesa.

The vision for the Mesa Community College Downtown Campus, as taken from College planning documents, includes overarching strategies that involve institutional expansion and revitalization of downtown based on four “pillars” that will comprise an Advanced Technology Center. They are: an Extended Campus, a Network Academy, a Community Partnerships Center, and a Community Outreach Center. Goals are to offer educational programs in response to changing demographics, provide for community needs, collaborate in space utilization and programming, establishment of a P–20 scope (pre-K, K-12, post-secondary), and providing credit and non-credit programs.

Viewed another way, the concept of the Downtown Campus as anchored by an Advanced Technology Center will include:

1. Advanced Technology Center

Network Academy

- Network and database administration
- Software development
- Cabling specialist
- Bioinformatics
- Cyber forensics
- Information assurance
- Network security

Business and Industry Institute

- Industry Partnerships
- Cisco, Sun Microsystems, Microsoft, Novell
- Cyber crime center
- Advanced technology training
- Teaching and Service center

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Technology Services for the Park (through student internship programs and professional practicums)

- Network support
- Computer support
- Help desk

2. Community Outreach

- Center for Public Policy
- East Valley Partnership
- Changing Demographics
- Community Education

3. Community Partnerships

- Arts programs
- School of Education
- EDTC
- K-12 partnerships

4. Shared Services

- Library
- Community computer labs
- Life Options Center
- Interactive Technology Center for Youth

5. General Education

- Public safety programs
- Service learning programs enrollment services
- General education courses and programs

Other goals are to:

- Offer educational programs to respond to changing demographics and to revitalize downtown Mesa
- Promote economic development through training programs and business partnerships.
- Deliver successful instructional and community service programs.
- Develop new and unique programs focused on downtown.
- Bridge the “Digital Divide” with job skills and communications skills.
- Use MCCD capital, matched with City and other resources, to leverage the total project.
- Combine leased space into owned facilities.

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- Fund operational costs in part by reducing rental costs.
- Utilize existing parking and library services.

As part of its strategic planning process, Mesa Community College has identified a set of goals, objectives, issues, and opportunities that have the institution's enhanced physical and programmatic presence in downtown Mesa as a commonality. The study, *Exploring an Urban Partnership for Mesa Community College in Downtown Mesa* prepared by the Feasibility Task Force, set forth these points in an Executive Summary issued in May 2003. Importantly, plans for a downtown campus are being prepared in such a way as to protect, and otherwise enhance, the other campuses.

Paraphrasing this Executive Summary, Task Force recommendations for the next assessment phase included the creation of a new organizational structure including college-wide and community-wide teams to implement recommendations; preparing a comprehensive short- and long-term needs assessment to determine what programs and resources are needed to serve the residents and businesses of the area, and how these needs can be met with operational funding and available resources; assessing community partnerships that extend to land utilization, public/private resources, and programmatic partnerships; conducting a site analysis of downtown to identify locations that enable MCC to expand its presence physically and programmatically; developing a communications plan to clarify opportunities, describing the multi-stage process, and building understanding of the overall project; and, securing capital funding that is independent of the capital funding for the Southern and Dobson Campus and the Red Mountain campus.

Hunter Interests Inc. agrees that basic reasons for pursuing an urban presence as set forth by the Feasibility Task Force with regard to educational planning are valid, as they are with regard to urban economics and downtown real estate development. These reasons are:

- **The need to increase educational access for the residents of core cities** — HII has observed many urban situations that have been improved through enhanced educational access by residents. The combined effect of resident retainage and improved circumstances through educational attainment is a highly beneficial one. The cities of Albany, New York; Winston-Salem, North Carolina; and Richmond, Virginia, are but three locations that offer case support for the urban campus approach. Changing demographics also affect urban characteristics and an educational presence helps to ensure that new residents contribute to, and participate in, the upside potentials associated with urban growth.

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- **Increasing attention to the revitalization of core cities** — Across America, cities large and small have been dealing with the effects of suburban growth, major shifts in retail and housing dynamics, aging infrastructure, and other market depressants that have resulted in urban cores with varying degrees of decay. As downtowns have sought to reposition themselves for prosperity, arts, restaurants and entertainment, and sports/civic attractions have replaced department stores and offices. Concurrently, the cultivation of a strong downtown academic presence has served repeatedly as a foundation piece for successful downtown revitalization. Fortunately, due to a strong growth curve and good public policy, downtown Mesa experienced more of a lull in vitality than outright decay, and is not only poised for revitalization but has aggressively implemented major projects that will define the City's image and character for generations to come. The timing for increasing the presence of MCC in downtown Mesa is, in our professional opinion, excellent.
- **Opportunities for joint use and multi-use facilities to leverage scarce resources** — The large-scale projects undertaken by the City of Mesa in recent years including the Arts Center and planned Aquatics Center will be augmented by additional development and redevelopment that will provide a rich environment for MCC to engage in partnering, joint use, and other mutually beneficial relationships. Several of the redevelopment sites treated by Hunter Interests Inc. (Site 7 and Site 17) now being taken to market, can provide spaces and uses that will contribute to this urban living, learning, working and recreating environment. Work currently being undertaken will seek to further identify and cultivate such opportunities.

A General Obligation Bond referendum is contemplated for November 2004. If passed, the bond could generate as much as \$950 million for use by the Maricopa Community College District. Of this amount Mesa Community College will receive an allocation that may be used in part for expanding the presence of the College in downtown Mesa. There will be a building and site review process that ultimately plays a role in determining the exact amount and nature of the allocation from the bond. There is a bond cycle of approximately 10 years, meaning that the next major influx of development capital for the Maricopa Community College District may not be until 2014 or 2015. This timeframe, coupled with projections for growth in the Phoenix metro area and specifically the East Valley brings the importance of bond passage into focus.

Mesa Community College is part of the Maricopa County Community College District and is manifest by several campuses and numerous programs that serve the regional population. In all, Mesa Community College serves approximately 27,000 full- and part-time students in credit and non-credit courses. They include: 3,700 students at the Red Mountain campus, and 4,000 credit, and 3,600 non-credit students at the MCC Extended Campus that includes the Downtown Center. (The Downtown Center includes Centennial Way; the Brown and Country Club

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location; the ASU Research Center, the Williams Campus, and the Distance Learning Program).

Mesa Community College's overall space needs are being addressed by overarching strategic plans that treat future development at the Southern and Dobson Campus, Red Mountain Campus, and other locations throughout the system. However, the current need for additional space is clear. A statistical perspective reveals that community colleges nationwide have approximately 100 square feet of space for each FTE student. By comparison, a recent facility survey calculated that Mesa Community College has approximately 47 square feet per full-time student.

Given increasing population in the East Valley and increasing enrollment in both credit and non-credit courses at MCC, demand clearly outstrips supply and warrants the development of additional space. Currently, Mesa Community College's two downtown facilities include the Centennial Way building at approximately 32,000 square feet of net usable area, an additional 11,100 square feet of semi-attached former retail space that is privately owned and leased from a third party, and the Country Club and Brown space at approximately 38,000 square feet that is leased from the Mesa Public School District. Together, these spaces afford MCC with approximately 81,000 square feet of gross leased space. Hunter Interests Inc. estimates that this equates with approximately 70,000 square feet of net usable space for classrooms and other programmatic space.

The Centennial Way educational space was built by the Motorola Company in a City-owned parking garage operated as Motorola University (a technology training center) for about 10 years. The building incorporates three floors of structured parking, affording (180 spaces) that are utilized by visitors to the City of Mesa's convention complex, students and faculty at the Business and Industry Institute and Center for Public Policy, and others. The space hosting the Center for Public Policy is in a building that was constructed for retail use and occupies a portion of the second floor of this two-story structure. The space occupied by the Extended Campus in the Downtown Center at Country Club and Brown is in the Mesa Public School District Building on the third floor, and was finished to Mesa Community College's specifications.

A preliminary needs assessment conducted by MCC and substantiated by Hunter Interests Inc. indicates that Mesa Community College will require at least 125,000 square feet of dedicated space in downtown Mesa in order to implement its strategy for enhancing both its presence in downtown, and its service to students and residents. Therefore, the recommendations for downtown development must accommodate the increase of net usable space, and seek to combine spaces into a more efficient modality both in financial and practical terms. Based on the goals and objectives of Mesa Community College and findings associated with this analysis, Hunter Interests Inc. supports the planned expansion of the College

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presence in downtown Mesa and provides further analysis and recommendations in the following sections that suggest a development, funding, and partnering strategy for the College's consideration.

C. Mesa Community College Downtown Campus Development Strategy

1. Introduction

In this section a two-phase development strategy is set forth that will allow Mesa Community College to accomplish its goals and objectives with regard to developing a downtown campus, and otherwise expand its presence in downtown Mesa. It is predicated on input received in stakeholder interviews, site and building analysis, and the observations, findings, and recommendations of Hunter Interests Inc. acting as an independent consultant firm.

Phase I of the Downtown Campus Development Strategy should be viewed within a timeframe consisting of the present to approximately 2010. Phase II should be viewed within a timeframe consisting of approximately 2005 to 2015. Circumstances will in some cases accelerate development, and other cases delay or cancel development plans. Therefore, the two-phase strategy should not be viewed as a rigid plan, but rather a flexible set of recommendations and subjects for further discussion and subsequent action.

2. Phase I Development Components

Downtown at Centennial Way — Mesa Community College should seek to acquire the entire fourth floor of the structure that includes space it currently uses to house the Business and Industry Institute, and air-rights above a portion of exposed parking deck that offers approximately 17,000 square feet of new buildable area for possible expansion. Ownership is required to allow for capital investment in the structure by Mesa Community College. Ownership could be accomplished through conversion of the space to condominium status, and conveyance by the City of Mesa to Mesa Community College. Upon attaining ownership, MCC should evaluate build-out options for the 17,000 square feet of space above the third parking deck. This evaluation should include, but not be limited to, the following opportunities and issues:

- **Structural Assessment** — An assessment of the structural integrity of the building and its suitability for accommodating new construction must be undertaken. It is possible that more than one floor of built space could be developed on the 17,000 square foot air-rights "footprint." For example, a second floor would give MCC an additional 34,000 square feet, a third floor with an additional 51,000 square feet and so on. This approach could enable a

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significant expansion of MCC facilities within the context of the existing facility; however engineering studies may show it to be limited in its load bearing capability and/or cost prohibitive at some level.

- **Utilities Infrastructure** — Anecdotal evidence suggests that any building expansion would require a complete upgrade of the building's electrical system and other infrastructure that is key to the dense cluster of technology and equipment that is contained therein. Electrical and systems engineers should provide an evaluation of the infrastructure needs for the Business and Industry Institute now and in the future, and assess the technical/cost implications of expanding this building.
- **Role as Downtown Anchor** — Physical adaptability issues and cost implications notwithstanding, the Centennial Way building represents the nucleus of Mesa Community College's downtown presence, and can serve as an anchor for expansion in several directions. Acquisition and expansion at this location will provide Mesa Community College with a near-term implementation success that can provide a practical solution to a portion of the space needs, and at the same time send a clear signal that Mesa Community College is committed to expanding its urban presence, and increasing its level of service to the community.

Adjacent New Development — Mesa Community College should pursue acquisition and redevelopment of the buildings and real estate that currently host the Center for Public Policy and other programs, and that exist in close proximity to the Centennial Way building, and are otherwise functionally integrated into the parking structure upon which the Business and Industry Institute is situated. This former retail building occupies the space directly between the Centennial Way building and the drop-off and front door of the Sheraton Hotel (downtown Mesa's only full-service lodging product). With an approximate 25,000 s.f. footprint, this building site can afford Mesa Community College with a unique opportunity to expand its downtown nucleus and create a signature front door to the City of Mesa, and the world, at the same time. There are a variety of opportunities and issues to be addressed in this component of the Downtown Campus Development Strategy including, but not necessarily limited to, the following:

- **Acquisition** — This real estate, known as 165 N. Centennial Way, is privately owned and Mesa Community College currently leases approximately 11,000 square feet of space. Acquisition will entail purchase at a negotiated price that is undetermined at this time. Given the high vacancy rate currently in evidence, and perhaps through assistance by the City of Mesa, it is hoped that Mesa Community College could acquire this property at, or somewhat below, market value. Obtaining ownership of this real estate would further expand the physical presence of Mesa Community College in the downtown, with both immediate and long-term beneficial implications. Upon acquisition, Mesa

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Community College could undertake a combination of immediate space utilization and planning for new construction on the site.

- **Near-Term Programming** — Research into Mesa Community College’s myriad programs, and demonstrated need for additional space, leave no doubt that the existing building could be well utilized immediately. Final recommendations as to what uses may be deemed most appropriate are beyond the scope of this report, and will otherwise be the subject of administrative and departmental decisions. However, it is possible that Mesa Community College could use this space to expand its technology focus in downtown, and to prepare the way for new development that will help create the identity and character of the Downtown Campus.
- **Develop A “High Performance” Building** — Hunter Interests Inc. recommends that Mesa Community College consider development of a green and technology-heavy facility, such as have become known as high-performance buildings. There are relatively few buildings in the country that fully qualify as high-performance buildings pursuant to the Green Building Council’s LEED criteria (Leadership in Energy & Environmental Design). A newly constructed building of this type, or one incorporating many of the features associated with the LEED rating system could provide Mesa Community College with purpose-built space to serve its needs, and create a physical manifestation of its commitment to technology at the same time. A flagship technology center could thus be created that communicates visually with the community, students, faculty and visitors, and further enhances the presence of Mesa Community College in downtown Mesa in a significant way. Phase I of the Downtown Campus Development Strategy calls for planning and completion of this new facility, including acquisition and near-term programming that would begin the implementation process. Based on the approximate site size, Hunter Interests estimates that a 40,000-80,000 square foot high-performance building could be constructed, thus adding to the needed supply of new space and creating an expression of the College’s vision for the future.

Irving School/MAC Center — Located west of the building complex summarized above, the former Irving School (old Mesa Arts Center) represents another opportunity for Mesa Community College to expand its presence in downtown and add to its campus. When the new Mesa Arts Center is completed, most of the functions now hosted in the former school building will be shifted to the new facility. Thus the school building will be in a transitional mode and Mesa Community College, as well as the arts community, may benefit from its transference to the institution. As with other potential components of Mesa Community College’s expanded downtown presence, the former Irving School offers both opportunities and challenges associated with its reuse.

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- **Acquisition of Building and Adjacent Real Estate** — The building is currently owned by the City. Hunter Interests suggests that the City convey the school building and a portion of adjacent real estate (parking lot and proximal area to the east) to Mesa Community College for a nominal fee, but with certain understandings and/or agreements as described below. Ownership will enable Mesa Community College to invest capital funds for improvements to the building, and permit new construction to the east at some point in the future. Based on an additional 20,000 square foot footprint to the east of the school building, a new building could be developed in the 40,000 to 80,000 square foot range depending on height.
- **Restoration/Historic Preservation** — The school building itself is only marginally suitable for classrooms or similar use, in that total square footage is only about 20,000 square feet, and interior spaces are small and/or oddly configured. However, restoration of this historic structure will contribute to downtown revitalization, be a source of community and college pride, and afford the opportunity to develop a new building in close proximity. The school building will require extensive renovations including the installation of a central HVAC system, electrical upgrades, fire and safety enhancements, etc. A commitment by Mesa Community College to invest capital funds in the historic preservation and physical improvements to the former school building should be viewed as an important factor in the decision of conveyance.
- **Maintenance of Arts Focus** — Assuming that the school building is acquired by Mesa Community College, restored and improved, an end use may best be associated with a continued focus on the arts. Mesa Community College could utilize the facility for some of its arts programs (there is a small auditorium for performances, and small classrooms could be used as studios), and make spaces available to other arts groups and artists in the community that will not be accommodated in the new Mesa Arts Center. This role of providing space to the community could be viewed as a programmatic partnership with the people of Mesa and is another example of the Community College's expanded presence in downtown benefiting the City.

Rendezvous Center — The Rendezvous Center is part of the Centennial Center complex and is located near the corner of University and Center Street. The Rendezvous Center has essentially served as a meeting and event center component of the civic complex that also includes Centennial Hall, Centennial Conference Center and the Amphitheater. The future disposition of the Rendezvous Center will be, in part, a function of policy decisions regarding Centennial Center facilities and operations. If a decision is made to shift away from convention activities, or if new facilities are eventually pursued that would expand Mesa's penetration of the convention and conference market, the Rendezvous Center itself may become available for adaptive reuse. By extension,

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Centennial Hall and the Amphitheater may come into play as well. The expansion of the Phoenix Civic Plaza may influence Mesa's potential for serving the convention market and will also be a factor in future decisions impacting the Centennial Center.

- **Use as Administrative Headquarters** — When the Downtown Campus is developed and operations at Country Club and Brown are consolidated with the core complex, the Rendezvous Center could serve as administrative space for the College.
- **Shared Space** — In the near term, one option to be evaluated could be the sharing of space between the Centennial Center offices and administrative functions of Mesa Community College. This approach could have beneficial impacts on both parties.

Please see Section IV, Centennial Center Complex for a cross-referenced discussion.

Pursue Agreements With the Mesa Library — In Phase I of the Downtown Campus Development Strategy, Mesa Community College can pursue cooperative agreements with the City of Mesa Library that can benefit both institutions. For example, the Main Downtown Library can provide expanded services and materials for students, specialized library programs, and other services that may otherwise not be available for a fee, while MCC can provide additional technological capabilities and college resources that might not otherwise be available to the Library's typical users. The Mesa Public Library issued *Planning For Results* in May 2001, a document that sets forth six goals, all of which Mesa Community College could help pursue. In addition, the Library has a master plan for expansion that could present opportunities as well. According to Mesa Library officials, approximately 500,000 people per year use the downtown facility, demonstrating its important role in the City and a point of contact for Mesa Community College that can serve to expose significant numbers of citizens to its array of programs and educational opportunities. In addition to programmatic relationships and service/fee agreements, Mesa Community College, and the Mesa Library may begin to develop future building plans in tandem. These may include, but not be limited to, the following concepts:

- **Adjacent College Building** — The plaza area to the north (south of Centennial Hall) is large enough to accommodate a newly constructed building that could be functionally integrated with the Library. This Mesa Community College Building could contribute to the campus complex, provide additional space for programs of various types, and expand the capabilities of the Library at the same time. Development in this location would require acquisition of additional City-owned real estate for a nominal

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fee, close cooperation with the Mesa Library, and additional parking supply. Actual development is not envisioned in the near term, but planning and discussions between key parties can be undertaken immediately. As with other parcels that could accommodate new development for the campus, the area immediately adjacent to the Library on its northern edge could accommodate a building of 40,000 – 80,000 square feet depending on height.

- **Computer Commons** — A new Mesa Community College building and the Mesa Library could co-develop and share space that would host computers and other technology equipment that would be available to the public as an extension of the library, and act as a programmatic outreach or extension of Mesa Community College. This Computer Commons would further contribute to the technology focus of the Downtown Campus, and serve as another key interface between the College and the Mesa Community.
- **Life Options Center** — Another possibility for this site is for Mesa Community College and the Mesa Library to collaborate on developing a Life Options Center pursuant to the Life Options Initiative supported by the Virginia G. Piper Charitable Trust, Civic Ventures, Libraries for the Future, and other organizations in the metropolitan Phoenix area. The Life Option Center concept contains guiding principles and core components. According to Civic Ventures and Libraries of the Future: “Life Options initiatives encourage the development of destinations and approaches that assist older adults in making the transition to a new stage of life characterized by individual and social renewal. The Life Options Initiative builds on the knowledge that access to meaningful and self-directed choices for work, service, lifelong learning, and community connections play an important role in the health and ongoing development of older adults. Life Options Centers and programs leverage organizational resources to create a common ground, learning resources, and access to information for transitions that link people in their middle and older years to the life of the community and its needs.”

Please see Section X, The City of Mesa Library for a cross-referenced discussion.

Merge Plans With Development Process for Redevelopment Sites 7 and 17 —

A set of potentially very beneficial relationships between Mesa Community College and various public/private entities may be pursued in Phase I of the Downtown Campus Development Strategy as City of Mesa Redevelopment Sites 7 (area bounded by Main St./Mesa Drive/Hibbert/1st Ave.) and Site 17 (area bounded by University/Mesa Drive/2nd St./Pasadena) are developed. These two sites were the subjects of a master planning process, and a mix of projects has been recommended for each. Both sites are also the subjects of national developer solicitations that are taking place in the fall of 2003 and the spring of 2004. In summary each may offer opportunities for Mesa Community College as follows:

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- **Site 7** — The Master Plan suggests development for this site consisting of 260,000 square feet of Class A office space and a mid-rise urban residential project (apartments/condos) with approximately 120 units. While some distance from the downtown campus cluster, the introduction of new office space may afford workforce training opportunities, job opportunities in “job hubs,” technology exchange opportunities, and other programmatic linkages with Mesa Community College. The market for the residential product is anticipated to be comprised primarily of young professionals and “empty nesters” that are seeking an urban lifestyle that is generally unavailable in Mesa today. Both of these groups have potential crossover with Mesa Community College demographics, and they may gravitate toward the live/work/study environment that downtown will offer as a result of various development initiatives. As with Site 17, Hunter Interests Inc. recommends that prospective developers interface with Mesa Community College officials to discuss mutually beneficial opportunities.

Please see Section XI, Redevelopment Site 7 for a cross-referenced discussion.

- **Site 17** — Development recommended for Site 17 includes a mix of residential, commercial, retail, and office space that is configured in a New Urbanism grid pattern designed to reconnect historic neighborhoods with the downtown, and that otherwise encourages pedestrian traffic. Generally speaking, the project is of a more residential character to the east (toward Mesa Drive), and a more urban/commercial character to the west (toward the Sheraton Hotel and the Mesa Downtown Campus). The Master Plan suggests that the southeastern portion of the site be developed as a health/wellness center, although recommendations for this area were purposely left somewhat conceptual to allow a Master Developer to adjust plans in response to emerging downtown trends. The plan for an expanded downtown presence of Mesa Community College now represents one of those trends that the private sector may wish to respond to. As it turns out, the suggested health/wellness center may indeed offer co-development, operational, or programmatic opportunities for Mesa Community College. Alternatively, development in this area could be office space that becomes a further physical manifestation for the technology companies that partner with Mesa Community College at the Business and Industry Institute. Yet other possibilities could be residential, recreational, or retail opportunities that are oriented toward the expanded college community. As the developer solicitation process continues, Hunter Interests Inc. recommends that prospective developers be encouraged to interface with Mesa Community College officials to address the mutual benefits that may be achieved through different types of projects.

Please see Section XII, Redevelopment Site 17 for a cross-referenced discussion.

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Linkage With Other Downtown Components — Expansion of the Mesa Community College presence in downtown goes well beyond the physical development projects suggested herein. The asset base with which the College may seek programmatic relationships consists of a wide array of public and private facilities in the greater downtown area. A summary of certain evident opportunities follows.

- **The Mesa Arts Center** — The new Mesa Arts Center will offer a wide variety of opportunities for Mesa Community College students to participate in. Whether as attendees at performances, visitors at exhibitions, or formally enrolled in art classes, individuals will be able to interface with the arts community in various ways. More structured relationships between Mesa Community College and the Mesa Arts Center could be pursued through discussions undertaken in Phase I of the Downtown Campus Development Strategy.
- **The Mesa Aquatic Center** — Mesa Community College has no pool and therefore the planned aquatics center offers a very practical opportunity for partnering. High school graduates who were swimmers, but did not go on to a college or university with a swimming program, have few venues in the region where they may compete. This community college niche can be well served by the Mesa Aquatic Center. Life Options Programs can utilize the facility as well, as health and fitness merge with community engagement and education. As with the Arts Center, Mesa Community College may seek to develop more structured relationships with the Mesa Aquatic Center during Phase I of the Downtown Campus Development Strategy.

Please see Section V, Mesa Aquatic Center for a cross-referenced discussion.

- **The Centennial Hall and Amphitheater** — Depending on the future disposition of these facilities in the context of either expanding or contracting Mesa's convention and group business offerings, Mesa Community College may pursue varying degrees of involvement in their use, programming, and even management. As a user group, Mesa Community College and its many affiliates can represent a positive demand generator in the near term as the downtown presence is expanded. For example, educational conferences and conventions may be attracted, or re-attracted, such as the Chair Academy National Conference that was held in Mesa five years ago.

Please see Section IV, Mesa Centennial Center for a cross-referenced discussion.

- **The Sheraton Hotel** — The hotel is important to the development of the Downtown Campus in that it represents a lodging amenity for out-of-town business partners, administrators, speakers, etc., and will otherwise serve to

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introduce thousands of visitors to Mesa Community College as it expands its physical and programmatic presence. If one can envision the “high-performance” building across the street, the cluster of college-occupied buildings nearby, and the pedestrian activity they will generate, virtually every lodger will be exposed to Mesa Community College in one way or the other. This represents an excellent and far-reaching marketing opportunity for the College that can be cultivated over time.

- **The City Block** — This area is just south of the downtown campus cluster, and hosts various government buildings and services. This proximity may facilitate training opportunities for City of Mesa employees and workforce training for Mesa Community College students. Future plans may call for additional government buildings to be developed on this block that would add correlative opportunities for the City, County, College, and those associated with them. The City has embarked on developing a Pedestrian Connection that will link the new Mesa Arts Center with the Centennial Complex, and thus enhance the accessibility and walkability of the area for students and visitors to Mesa Community College’s Downtown Campus. There will be nodes that can be used as plaza areas for musical performances and other artists to display their work. The Pedestrian Connection is viewed as an important physical improvement to downtown that has positive implications for the entire community.

Please see Section VI, The City Block for a cross-referenced discussion.

- **The South Center Campus** — This government annex is located just south of the proposed Mesa Aquatic Center and could play a key role in future downtown development as various components transition in ways described in this report. For example, when the Mesa Arts Center opens, space will be vacated in the South Center Campus as the Arts and Cultural Division of the City of Mesa moves its operations to the new facility. If the decision is made to construct new government buildings in the City Block, the occupants of the South Center Campus would likely be relocated to this more centralized complex, thus putting the site into development play. If the Mesa Aquatic Center is developed on the currently identified location, it will have a significant impact on the South Center Campus site in terms of new projects that can be leveraged there. As Mesa Community College’s role in downtown expands, and events unfold over time, it is probable that the South Center Campus will offer opportunities that are as yet unidentified.

Please see Section VII, The South Center Campus for a cross-referenced discussion.

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- **The Mesa Post Office** — Although research indicates that it is unlikely that the operations at the Mesa Post Office would be relocated, and relocation outside of downtown would be viewed as a strong negative, its location close to the downtown campus cluster and the City Block warrants mention of long-term or contingent futures. If by some chance a decision is made by the U.S. Postal Service to build a new facility and/or relocate the existing operations, the Post Office building would theoretically represent a growth opportunity for Mesa Community College. Conversely, if the Post Office remains and/or is expanded, it represents an amenity for downtown students and an opportunity for training and work force development partnering similar to that suggested for the City Block occupants and the College.

Please see Section IX, The Mesa Post Office for a cross-referenced discussion.

- **Parking and Transportation** — The overall parking supply and demand discussion associated with new development in downtown is being undertaken as part of a city-wide parking study. Parking for expanded Mesa Community College operations in the downtown is very important, and an overall solution will be suggested within this report. However, key points for consideration at this time include the following:
 - **Existing Supply** — Within short walking distance to the Downtown Campus there are a total of more than 4,000 surface and structured parking spaces. A sharing and time allocation analysis will need to be undertaken as Phase I development progresses, but there is no anticipated need for additional parking specifically to serve the Phase I requirements. This will be due to a combination of existing supply, new parking that is currently planned by the City, sharing arrangements, and day-time/night-time demand factors.
 - **Phase II Construction** — The Downtown Campus Development Strategy does reflect the introduction of new structured parking at some point in the future, perhaps as part of the broader parking development plan for downtown. The size and number of garages is indeterminate at this time; however, this report establishes a range of between 500 and 1,500 spaces being added to the supply. Capital costs for these development components are reflected in the financial analysis accordingly.
 - **Mass Transit** — Downtown Mesa is served by mass transit currently, and a certain number of students could be expected to arrive and depart via this means. In the future, light rail serving the downtown is a distinct possibility that could further reduce the demand for additional parking.

Please see Section XIII, Parking Discussion for a cross-referenced discussion.

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- **Other Downtown Components of the Asset Base** — There are a host of other opportunities for Mesa Community College to expand its presence in downtown Mesa that will only increase as planning and implementation of the Downtown Campus evolves. Among those opportunities that may be cultivated in the near term are relationships with the Fire Department at both its new facility and its old one (Mesa Community College’s Fire Science and EMT programs are well suited to on-site training and utilization), the Arizona Museum for Youth, the Mesa Southwest Museum, the *Arizona Star*, downtown businesses, emerging development projects, community and civic groups, etc. As the expansion of Mesa Community College’s presence in downtown continues, the breadth and depth of interactions within the City will grow as well.

D. Phase I Development Summary

- Advanced Technology Center
- Downtown at Centennial Way
- Near-term Programming
- Develop A “High Performance” Building
- Irving School/MAC Center
- Rendezvous Center
- Pursue Agreements with the Mesa Library
- Merge Plans with Development Process for Redevelopment Sites 7 and 17
- Linkage with other Downtown Components

E. Phase II Development Components

Phase II of the Downtown Campus Development Strategy should be viewed in the context of a 5- to 15-year time frame and consists primarily of executing development plans that are formulated in Phase I. In some cases, these components may require funding from the next bond cycle (approximately 2012) and/or be contingent on public policy decisions that will impact downtown development projects of different types. In summary, primary Phase II development components would consist of the following:

- Build the co-developed College/Library project as described above.
- Build the new space adjacent to the Irving School as described above.
- Develop projects in concert with activity on Site 7 and Site 17 as described above.

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- Plan for occupation/acquisition/utilization of the Centennial Complex if new convention center development is pursued, or if the decision is made to withdraw from the convention/event market.
- Continue to expand programmatic linkages with entities throughout the downtown as described above.

F. Financial Analysis

1. Introduction

Hunter Interests Inc. has conducted a preliminary financial analysis of the proposed two-phase development strategy for an expanded Mesa Community College Downtown Campus. A full and complete financial picture involves other components of the City of Mesa Town Center as reflected in the Northeast Quadrant Analysis. The information contained in this section provides order of magnitude capital costs expressed as ranges, and offers other financial and economic estimates and projections that may be useful in the near-term policy and decision making process.

2. Capital Cost Estimates

The capital costs associated with developing the Downtown Campus are a function of hard costs associated with “bricks and mortar” for expansions, renovations, and new construction; soft costs that include design, outfitting, professional fees etc., and costs associated with the acquisition of land, site preparation, and predevelopment planning. In the aggregate, recommended Phase I projects would yield between 105,000 and 170,000 square feet of additional space allowing for the relocation of the Country Club and Brown programs to the downtown cluster, and otherwise providing the projected supply of space that will be required to effect the implementation of a downtown campus.

Phase II provides for an additional 80,000 to 160,000 square feet of College space in two buildings, and also incorporates structured parking for between 500 and 1,500 cars. All costs for Phase II development would not necessarily be borne by the Community College, and these factors are summarized in below in Section F-4, Funding Requirements and Funding Strategy.

Table 1 provides a summary of capital cost estimates that range from \$15.35 million to \$31.3 million in Phase I, and \$29 million to \$68 million in Phase II for a total of between \$44.35 million and \$99.3 million required over the next 15 years to implement the Downtown Campus Development Strategy as summarized herein.

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- With regard to the costs for expanding the Centennial Way building, the estimated range of between \$2.55 million to \$5.1 million accommodates build-out of the 15,000 square foot parking deck area, and either a second tier of space or a major infrastructure upgrade. The cost estimate does not include any significant amount of funding for acquisition of the condomiumized space from the City of Mesa.
- With regard to the costs for acquisition, demolition, and new construction of the “high performance” building, the estimated range of between \$8 million and \$16 million accommodates estimated land value and construction of a building that meets the criteria of the LEED™ Green Building Rating System and would contain between 40,000 and 80,000 square feet of space depending on final development decisions.
- With regard to the costs for restoration of the Irving School, the estimated range of between \$2 million and \$2.4 million does not include significant funds for acquisition of the facility from the City of Mesa, but does accommodate anticipated HVAC and other needs.
- With regard to the costs for reuse of the Rendezvous Center, the estimated range of \$2 million to \$2.4 million does not include significant funds for acquisition of the facility from the City of Mesa, and is somewhat below projections that have been made for upgrading the facility for continued convention and event use. The cost range does accommodate functional improvements such as would be required to make the space suitable for use as administrative space for the Community College.
- With regard to the costs for developing programs with the Mesa Library, the range of between \$100,000 and \$1,000,000 accommodates various opportunities including minimal fee-based services provided by the Library at the low end, to more extensive services and investment in space and technology at the high end.
- With regard to the costs for new construction proximal to the Irving School, the range of between \$7 million and \$14 million does not include a significant amount of funds for acquisition of the land from the City of Mesa, but does accommodate a new building of conventional construction that would range in size from 40,000 to 80,000 square feet.
- With regard to the costs for new construction proximal to the Mesa Library, the range of between \$7 million and \$14 million does not include a significant amount of funds for acquisition of the land from the City of Mesa, but does accommodate a new building of conventional construction that would range in size from 40,000 to 80,000 square feet.

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- With regard to the costs for the structured parking, the estimated range of between \$5 million and \$10 million reflects one or more garages that could accommodate between 500 and 1,500 cars. These would be City garages developed as part of the overall plan for the future.
- With regard to the costs associated with contingent factors, the estimated range of between \$1 million and \$5 million in Phase I, and between \$5 million and \$10 million in Phase II reflects unknown costs that may be encountered in land acquisition, planning and design, additional parking, access, or other improvements to the Campus area.

Table 1			
Mesa Community College Downtown Campus Capital Cost Estimates			
Downtown Campus Component	Square Footage Range	Unit Cost	Capital Budget Range
Centennial Way 4th Floor Build-out	17,000 - 34,000	\$150	\$2,550,000 - \$5,100,000
Develop "High Performance" Building	40,000 - 80,000	\$200	\$8,000,000 - \$16,000,000
Irving School Restoration	25,000 - 30,000	\$80	\$2,000,000 - \$2,400,000
Library Agreements and Plan	NA NA	NA	\$100,000 - \$1,000,000
Rendezvous Center Reuse	25,000 - 30,000	\$80	\$2,000,000 - \$2,400,000
Contingent Costs	NA NA	NA	\$1,000,000 - \$5,000,000
Phase I Sub-Totals	107,000 - 174,000		\$15,650,000 - \$31,900,000
New Co-Development w/ Library	40,000 - 80,000	\$175	\$7,000,000 - \$14,000,000
New Co-Development w/ School	40,000 - 80,000	\$175	\$7,000,000 - \$14,000,000
Structured Parking	200,000 - 600,000	\$50	\$10,000,000 - \$30,000,000
Contingent Costs	NA NA	NA	\$5,000,000 - \$10,000,000
Phase II Sub-Totals (Space)	80,000 - 160,000 *		\$29,000,000 - \$68,000,000 *
Totals	187,000 - 334,000 *		\$44,650,000 - \$99,900,000 *

* Total square footage range reflects usable space only and does not include parking mass. The total capital budget range does include costs for structured parking and contingent costs for unidentified development requirements.

Source: Hunter Interests Inc.

3. Other Capital / Economic Impact Factors

In addition to the capital costs associated with implementation of the Downtown Campus Development Strategy, there are other financial and economic factors that should be taken into consideration. The full and complete financial picture associated with downtown must be placed in the context of plans and projects, including, but not limited to those covered elsewhere in this Northeast Quadrant Analysis.

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Savings on Rent — From a budgetary and fiscal perspective, the effort to develop an expanded downtown campus makes sense in a number of ways. One important factor is the ability of Mesa Community College to save a significant amount on rent that is currently being paid for space at Centennial Way and at Southern and Dobson. The capitalized value of these savings is estimated at \$8.5 million over 10 years, thus representing nearly half of the projected capital costs associated with Phase I development.

Contribution from the City — The City of Mesa’s contribution to the downtown campus effort in terms of funds and/or in-kind contributions are undetermined at this time. However, it is estimated that between building space, land, and parking structures, the City’s contribution could equal as much as \$10 million, non-cash in value.

Economic Impact — An economic and fiscal impact analysis is beyond the scope of this report, however a conservative order-of-magnitude view of direct impacts reveals that spending by students in downtown alone will likely generate more than \$1 million for restaurants, shops and other businesses in the City center.

Table 2	
Phase I Downtown Campus Financial Overview	
Phase I Square Footage Range	Phase I Capital Cost Range
107,000 - 174,000	\$15,650,000 - \$31,900,000
Midpoint 140,500	\$23,775,000
Other Phase I Economic Factors	
Estimated Savings on Rent Capitalized Over Ten Years	\$8,500,000
Estimated Value of City Contributions	\$10,000,000
Estimated Direct Economic Impact Over Ten Years	\$12,500,000
Phase I Capital / Economic Activity	\$54,775,000

Source: Hunter Interests Inc.

4. Funding Requirements and Funding Strategy

It is presumed that a majority of the funding for Phase I of the Downtown Campus would come from the forthcoming bond issue. The capital costs expressed as ranges offer an opportunity to both refine the bond proposal, and to

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view development options that may be pursued based on the actual level of funding that is ultimately obtained. The midpoint of Phase I capital costs at \$23.77 million probably represent a valid target in terms of accommodating needed and desirable development. The financial commitment in terms of parameters for the Downtown Campus will be a function of a certain number of dollars over a certain number of years. As Phase I is depicted as covering a time span ranging from the present until 2010, the commitment could be viewed as being about \$6 million per year. Additional support may be achieved through non-cash contributions by corporate partners and the City of Mesa. Other sources of funding such as foundations and philanthropic trusts may also be accessed as part of the overall funding strategy.

5. Subjects for Consideration

This report contains many observations, findings, and suggestions that comprise policy recommendations being set forth by Hunter Interests Inc. Subjects for consideration by Mesa Community College and the City of Mesa in preparation for more formal policy recommendations include the following:

- On balance, does the Mesa Community College Downtown Campus development strategy and components as summarized in this report fulfill the goals and objects associated with the expanded downtown presence?
- Is Mesa Community College prepared to pursue the level of funding required to achieve a critical mass of educational facilities in the downtown as summarized in this report?
- Do the linkages to other facilities, institutions, programs and other elements of the downtown asset base, as preliminarily summarized in this report, contain the desired value and effect being sought through the downtown development initiative?
- Is the City of Mesa willing to partner with Mesa Community College to the extent of providing non-cash value as well as funding for parking and other infrastructure as summarized in this report?
- Does the City of Mesa recognize the long-term impacts on downtown revitalization that the increased presence of Mesa Community College can bring to the area through development of the Phase I and Phase II development strategy?
- Do citizens of Mesa embrace the expanded downtown presence of the Community College and understand how they will benefit?

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- Does the Maricopa Community College District and the Mesa Public School District view the expanded Downtown Campus positively in its essence?

If the answers to these questions are in the affirmative, then the foundation for public and institutional policy that will achieve implementation of the Mesa Community College Downtown Campus is in place.



**Figure 1:
Mesa Community College Expansion Diagram
“Advanced Technology Center”**

IV. The Mesa Centennial Center

A. Situation Analysis

In March 2003, the Mesa Centennial Center Partners Task Force made a report to the Mesa City Council regarding findings and recommendations associated with the future of this facility. Hunter Interests has reviewed the Task Force Report, as well as the PricewaterhouseCoopers study completed in August 2000. Hunter Interests also conducted its own analysis of the potential for future group business in Mesa during preparation of the *Analysis and Recommendations for Development of Sites Pursuant to the Mesa Town Center Action Plan*, and conducted interviews with operations staff, the Mesa Convention and Visitors Bureau, and various members of the Task Force. In addition, Hunter Interests has conducted repeated physical inspections of the Centennial complex during various assignments in Mesa over the last two years.

The Task Force's report to the Mesa City Council identified numerous issues facing the facility, and reached several conclusions. Hunter Interests concurs with the findings of the Task Force as quoted herein. It is important to note that in Hunter Interests' professional opinion, these points may not be dealt with in a piece-meal fashion, but should be addressed in the strategic planning process described herein.

The Task Force identified several areas in which public/private dialogue and cooperation could positively contribute to the economic health of the Center:

- Identify the appropriate market focus for the facility.
- Craft a revised booking policy that would contribute to the economic success of the Center and its partners.
- Review the physical condition of the facility and ascertain renovation needs (both short and long term).
- Identify opportunities for public/private sector collaborations.
- Address ways in which the partners could better coordinate their marketing efforts to the benefit of all parties, including the Center, and the economic health of the downtown area.

In the process of addressing these issues, the Task Force determined that all discussions must take into consideration a variety of market forces:

- Current and planned revitalization efforts
- What niche the Center could or should fill

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- What other facilities exist in Mesa and the Metropolitan area
- A short- and long-term strategic plan for the facility
- Economic and financial realities

The Task Force reached several conclusions:

- Mesa Centennial Center lacks a strategic plan.
- Ongoing maintenance has been deferred on the physical plant and renovations are sorely needed.
- The facility should be viewed as an economic driver.
- The facility is lacking a clear purpose and an identity.

The Task Force went on to correctly cite the fact that the aging facility is at a crossroads, and offered three options for Mesa City Council to consider. These were the following:

1. The facility is primarily a community center and is marketed as such, providing *services* to the community appropriate to that niche.
2. The facility is primarily a convention center, with marketing plans and a booking policy geared toward the convention business with the *goal of bringing additional, new dollars into the City.*
3. The facility functions as a community center in the short-term with the longer-term goal of expanding into a convention center.

Approximate capital costs were estimated for each option and were broken out as follows:

Options 1 or 2 — \$20 million (renovation to industry standards, to meet safety codes, and improve appearance)

Option 3 — \$53 million (\$20 million upgrade as above, and \$33 million for 130,000 square foot expansion)

The Task Force summarized advantages to developing Option 3 including:

- Increased spending within the City by out-of-state attendees
- Potential for greater increased revenue/decreased city subsidy
- Improved image of the City as an entity and a destination—locally, regionally and potentially nationally

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- Potential to attract other businesses to the downtown area (restaurants, hotel, nightlife, shopping)
- Increased sales tax and bed tax collections
- Continued use by local entities able/willing to book 12 months in advance or on a space-available basis.

The Task Force also summarized fiscal realities associated with continued operation of the Centennial Center, including the following:

- A deteriorating facility cannot attract a high-level (or high-spending) clientele.
- A decrease in concert business in the industry as a whole.
- Increased cost to maintain an aging facility.
- An inability to compete with other local/regional facilities due to lack of aesthetics and outdated or non-existent technological capabilities.
- At the present time, the Center receives \$1.6 million in subsidies annually. Projected out for future years, the subsidy will continue to increase substantially as the facilities age. Currently, the Center is recovering 61% of its costs.

The Centennial Center Partners Task Force recommended “that the City of Mesa proceed with Option 3: undertake the renovations that are needed in the short-term to allow the Center to function effectively as a community center while at the same time making plans to include the expansion of the Center in the City’s next bond election, thus transitioning the facility to a convention center.” The Task Force offered additional logic for this recommendation and cited a positive economic impact being generated by the existing facility, even in its antiquated state. PricewaterhouseCoopers projections of annual economic impacts associated with development of the expanded convention center included a \$5.2 million budget, \$3.62 million in revenue, \$1.57 million City investment, \$13.14 million economic impact, and a net \$11.56 million return on investment. The comparative numbers for the current facility are \$3 million budget, \$1.38 million revenue, \$1.64 City investment, \$4.65 million in economic impact, and a net return on investment of \$3 million annually. Hunter Interests has not independently verified the economic projections, but they are consistent with industry standards and we accept them as reasonable benchmarks of impacts associated with facilities of the type referenced by the Task Force.

As of the date of this report (January 2004), the decision was made not to include funding for Centennial Center expansion or upgrade in the next bond election. Furthermore, it has not been decided whether to provide even minimal

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funding for safety and code items. The facility continues to operate with out-dated, and in some cases sub-standard, features and equipment.

B. Strategic Recommendations

Hunter Interests concurs with the basic recommendation of the Task Force in terms of pursuing an expanded facility and preparing a strategic plan for the future. The latter needs to be done even if it is to plan the closure of the facility, but clearly the “do nothing option” is not an acceptable course. An expansion would be further evaluated in the strategic planning process, and it would necessarily take into account several changes in the environment that have occurred recently and/or will change in the near- to mid-term future. A number of these changes are reflected in this report and should be viewed holistically when weighing the pros and cons of pursuing a new facility.

The advent of an expanded downtown campus of the Mesa Community College, completion of the Mesa Arts Center, likely development of the Mesa Aquatic Center, development of a \$600 million expansion of the Phoenix Convention Center, completion of the Arizona Cardinals Stadium in Glendale, continued population growth in the East Valley, and significant new development projects in downtown are but a few of the factors that are enhancing the environment for capturing meaningful group business in Mesa.

While capital costs associated with facility development are an important issue, and ongoing costs associated with operations are often even more problematic, the benefits of convention and conference facilities in terms of hotel room night generation, spending by visitors in the local economy, their value as important marketing tools to attract business investment and jobs, and their role as civic gathering places and venue for special events and other activities that contribute to a high quality of life are absolutely undeniable. If one accepts and values such facilities’ beneficial role, matters of cost/funding and operational subsidies become paramount in the decision process. It is the professional opinion of Hunter Interests that a strategic plan for the future of the Centennial Center, and the future of group business in Mesa, should be prepared. While we agree generally with the task Force recommendations regarding an expanded facility, there are other alternatives that should be considered in the strategic planning process. These are outlined in the sub-sections below.

The City of Mesa must take action with regard to the disposition of the Centennial Center as its future both affects, and is affected by, virtually all downtown components evaluated in this report. Next steps should include, but not be limited to, the following:

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- City Council resolution to acknowledge that the “do nothing option” is not an alternative.
- City Council resolution to evaluate the building and development recommendations contained in this report.
- City Council resolution to determine the Centennial Center’s fate by the summer of 2004.

C. Building and Development Recommendations

Adding on to the existing facility (Centennial Hall) may, or may not, be the most cost effective and potentially successful avenue for expanding the group meetings market in Mesa. Furthermore, the 200,000 square foot facility conceptualized by the Task Force needs definition in terms of space allocation and use before it could be determined whether or not this is the proper development model for Mesa. Below are four development options that should be evaluated in the Strategic planning process, and a fifth option that describes a shutdown scenario that should also be considered. An order of magnitude capital cost range is provided as a general guide to investment requirements.

Option 1: Expand the Centennial Center pursuant to the Task Force Recommendations — Ostensibly, this development scenario would incorporate both existing space in Centennial Hall and the Centennial Center itself, with new space that would be added. The space and configuration limitations presented by working with existing buildings are, in Hunter Interests’ opinion, an added difficulty that should be evaluated fully before pursuing this option. Because of the need for utility systems and technological requirements for a competitive facility, coupled with obstacles associated with existing load-bearing walls, etc., the cost of new construction may very well be less than this expansion option.

If this option were pursued, a sample space program could be along the following lines: 50,000 square feet of flat “dirty” floor space for tradeshow, exhibitions, and special events; a divisible banquet hall area of approximately 20,000 square feet that could accommodate a 1,000-person banquet; 10 large conference rooms of 5,000 square feet each; a 150-person, tiered high-tech auditorium (5,000 square feet); and the necessary kitchen, storage, and maintenance spaces to support the useable area. A media center or other special component could also be included to separate this facility from others in the market.

In terms of cost, the Task Force estimate of \$53 million is within the range estimated by Hunter Interests using a unit cost of approximately \$250 to \$300 per square foot for construction and outfitting.

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Option 2: New Convention Center — A second option for consideration in the strategic planning process would be to develop a new convention facility. If this option were to be pursued, it is recommended that the location for it be to the north of the headquarters hotel, facing on University Avenue. The appropriate size and space allocation for this facility would also be part of the strategic planning process; however, keeping the same approximate size as suggested by the Task Force as a constant, advantages to this option can still be seen.

The primary advantage to new construction is that a facility could be designed and built to effectively meet the needs of identified user groups and demand segments, and to otherwise effectively penetrate the market for group meetings and events. The expansion of the Phoenix Convention Center will have a significant effect on the types and levels of group business that a properly positioned facility in Mesa could capture. Basically, there will be an entire sector of business (conventions and conferences of 1,000 and under) that will tend to seek a more appropriately sized facility. As part of a larger strategy to retain convention and group meeting business in the Phoenix metropolitan area, the development of a complimentary facility in Mesa makes a lot of sense.

A second advantage to a new convention center is in the ability to place it in a more beneficial location (just north of the hotel, on University), at the same time freeing up the old Centennial Center complex for use by other entities, demolition and new development, or some combination thereof that would be determined in the strategic planning process. The suggested location would provide greater visibility, afford the opportunity for functional integration into the headquarters hotel, and contribute to the redefinition of downtown Mesa in terms of buildings and architecture.

A third advantage of pursuing development of a new convention center may lie in its ability to leverage a second hotel. The 273-room Sheraton would likely remain the “headquarters hotel,” but by itself does not afford enough rooms that can be blocked out for conventions to fully support the need that would attend a new convention facility. A second hotel would therefore be both desirable, and supportable within the market, assuming that a determination is made to grow the group business market in Mesa. The additional room tax and sales tax generated by a second hotel would in turn contribute to the financial resources necessary for developing that business.

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Miami Coconut Grove Convention Center, 224,000 rentable square feet



St. Paul River Center, 280,000 rentable square feet



South Towne Exposition Center, Salt Lake County, UT, 243,000 sq. ft.

Option 3: New Large Conference Center — The distinction between convention centers, conference centers, and civic centers is often blurred. Hunter Interests defines a conference center as a meeting facility of under 200,000 square feet, and whose interior spaces and features lend themselves to small conventions

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(1,000 and under), conferences, seminars, banquets, and special events. Although ranging upward to 200,000 square feet, typically, conference centers are sized between 60,000 and 100,000 square feet, and are often differentiated by their high-tech capabilities, upscale amenities, linkage to educational/medical or special use, or other characteristic designed to capture an identified market. In Mesa, a large conference center could probably accommodate much of the business anticipated to offer itself as a result of the Phoenix Convention Center expansion, and could lend itself to greater use by the Mesa Community College and its academic and business affiliations, and afford a venue for large banquets and special events driven by the local/regional community. Development of a new conference center to the north of the hotel would gain the advantages of location described above, allow for the proper space programming and outfitting pursuant to a strategic plan, and afford cost savings as well. At 100,000 square feet, the cost of a new large conference center would be in the \$25 million to \$35 million range—well below the anticipated total cost for renovating the old structures and building the 130,000 square foot expansion as envisioned in Option 1 (Option 3 in the task Force Report).



**The Reed Center
Midwest City,
Oklahoma,
65,000 sq. ft.**

Option 4: Value Engineered Exhibition Center — There have been great strides in the development of so-called valued engineered buildings that are in reality highly cost-effective steel structures. Today, buildings serving as schools, sports facilities, performance theaters, etc., are being developed that bear little resemblance to their plain ancestors. The strategic plan should further evaluate the suitability/potential for utilizing this type of construction for a civic facility in Mesa. It may be that this approach would be especially suitable for creating a new exhibition center that would target some of the same business currently served by the Centennial Center, but could better accommodate large tradeshows, consumer shows, and special events. This development option could be further evaluated for suitability in terms of the expansion option, but the recommended

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location for either a new convention center or conference center (north of the hotel), remains the preferred site in the consultant's opinion, and affords all of the advantages for both the facility and re-use of land as noted above. Based on order-of-magnitude cost estimates, a 100,000 to 200,000 square foot multi-purpose facility would cost between \$7.5 million and \$30 million). This is significantly below the cost of the previous options, and is in fact equal to or below the cost of refurbishing the existing Centennial Center facilities at the low end of the range.



Lee Greenwood Theater, TN
42,000 Square Feet



WOW! Plaza III, NJ
15,379 Square Feet



University of Southern Maine, 63,118 SF



Veale Center, Cleveland, OH, 55,000 SF

Option 5: Shut-Down Scenario — If a policy decision is made not to pursue group business in Mesa in the future, then the closure of the Centennial Center should be considered, and a strategic plan should recommend an orderly transition out of said business, and recommend redevelopment opportunities for the structures and/or the sites. If the Centennial Center complex is closed, some buildings such as the Rendezvous Center and/or Centennial Hall may continue to play a role as a location for Mesa Community College Downtown Campus administration, community center, etc. Others may not lend themselves to easy or effective adaptive reuse, such as the amphitheatre. Therefore, if the Centennial Center is closed, the strategic plan should probably assess the potential of the complex area as a demolition and redevelopment site

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One advantage to the shutdown scenario is that it will stop the ongoing subsidy required by the current facility, and these resources can be redirected elsewhere in the City of Mesa. Another advantage may be in the freeing of the associated downtown real estate for development that could include, but not be limited to additional Mesa Community College facilities, additional office or commercial development, an expansion of the hotel property, or some other synergistic use. It should be clear that this option is not without its attendant costs—both direct and indirect, near term and long term.

Demolition of the Centennial Center complex is estimated to cost between \$3.5 million and \$7.5 million in 2003 dollars depending on various contingencies that are unknown at this time. For example, the extent of asbestos or other environmental issues that are encountered, whether or not all or some of the complex is demolished, the extent to which the City would engage in site preparation for new development, etc., will all affect the final cost of this option.

In addition to the direct costs associated with the shutdown option, there will be other indirect and/or ongoing costs to the City. For example, there will be a loss of a certain number of jobs associated with the facility, there will be a loss in revenue to downtown business as spending by visitors declines, and there will be a loss in room tax associated with fewer hotel room-night sales. The latter impact could have an even more far-reaching consequence, in that the closure of the Centennial Center would have a very direct negative influence on the existing hotel. Given the somewhat marginal current operation of that facility, and in fact the desirability for an upgrade at some point in the future, the absence of the Centennial Center—in spite of its hampered performance—could prove the tipping point for Mesa's only downtown full-service hotel. If the closure of the Centennial Center triggered the closure of the Sheraton, the job losses, room tax losses, sales tax losses, and impact on downtown businesses would be of an even more serious nature.

Conversely, as noted in previous options, the development of new or expanded convention and/or conference facilities would have the effect of bolstering hotel room night sales and could even leverage an additional hotel property if it were strategically developed with this goal in mind.

If the shut-down option were pursued, and most or all of the complex demolished, then the City could ostensibly sell the real estate to private developers and/or utilize it for additional government buildings, or some other project that is deemed appropriate at the time. Various scenarios that deal with these opportunities should be fleshed out in the Centennial Center's strategic plan.

Table 3			
Centennial Center Capital Cost Estimates			
Option	Sq. Footage Range	Unit Cost	Capital Budget Range
Expanded			
Centennial Center Complex	70,000 - 200,000	\$250 - \$300	\$17,500,000 - \$60,000,000
New Convention Center	150,000 - 200,000	\$250 - \$300	\$37,500,000 - \$60,000,000
New Conference Center	70,000 - 100,000	\$200 - \$250	\$14,000,000 - \$25,000,000
Exhibition Hall	100,000 - 200,000	\$75 - \$150	\$7,500,000 - \$30,000,000
Shut-Down/Demolition	70,000 - 100,000	\$50 - \$75	\$3,500,000 - \$7,500,000

Source: Hunter Interests Inc

D. Partnership and Program Recommendations

Regardless of the options summarized above that call for some type of new or expanded civic facility, Hunter Interests strongly recommends that the Centennial Center financial analysis fully explore the potential of moving to a private management and operating arrangement. The advantages of having a private sector partner in the operation and management of a convention or conference facility in Mesa may include, but not be limited to, the following:

- A management and operating agreement can be structured so that the City of Mesa's financial exposure is capped, thus allowing for more efficient fiscal planning.
- A management and operating agreement can be structured so that the City of Mesa can share in the financial upside if certain performance thresholds are met.
- A private management arrangement can free City staff to concentrate on marketing the greater Mesa convention and visitors offering, and/or allow them to serve in an oversight capacity of the facility that would be in private management hands.
- A private management and operating arrangement typically involves an associated hotel, thereby affording great efficiencies in food and beverage service, staffing, hooking/hotel coordination, etc. Fortunately, Mesa has a downtown hotel whose management and operating company may be in a position to fill this role and/or a new hotel that could be attracted if a new facility is built could also play a role.

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- A private management company can usually provide more efficient, higher quality, and more cost effective services to customers than a public entity because it is free to function as a for-profit business, and the typical linkage to hotel operations provides efficiencies that a public operating entity simply does not have access to, including national or in some cases even world-wide reservation and booking systems. The implicit sales and marketing advantages also favor the private management and operating approach.

In the broader scheme of downtown development, other partnering and programming opportunities may present themselves—particularly if a new or expanded facility is sought. These may include, but not be limited to, the following:

Mesa Community College — The potentials associated with the expansion of the Mesa Community College are described in some detail in Section III of this report, including ways in which its strategic plan can intersect with future plans for the Centennial Center. These include the possible use or sharing of the Rendezvous Center for administrative offices, increased use of the Centennial Center for academic conferences, educational seminars, and so forth. The Centennial Center strategic plan should fully evaluate all possibilities associated with Mesa Community College, especially as the reality of its expanded downtown presence takes shape.

Sheraton Hotel — The Sheraton Hotel, or other operator that could take over in the future, is an integral partner in the future of the Centennial Center (or lack thereof) by default given its location. Most importantly, there is a symbiotic relationship between the two facilities as it relates to demand for room nights and the ability for them to be supplied as part of the package for convention and conference delegates. The hotel operator would be a logical partner in the privatized management of the Centennial Center, although as stated previously, another hotel and/or operator could also fill that role.

Site 17 Master Developer — The development program prepared by Hunter Interests entitled “Analysis and Recommendations for Development of Sites Pursuant to the Mesa Town Center Action Plan” included a master plan for the 30-acre site directly east of the Centennial Center/hotel complex. In this master plan, the area closest to the complex calls for mid-density (four to six stories) mixed use development that could include office, retail, residential, or other components. It was suggested that this area should be developed in concert with whatever changes may have occurred to the west in the interim between when the report was concluded and actual development begins. Site 17 is currently the subject of a developer solicitation, and since the report referenced above was concluded, Mesa Community College has announced its plans for an expanded

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downtown presence. As a result of this dynamic, portions of Site 17 may be developed in some type of joint venture between MCC and the to-be-selected developer, e. g., a health and wellness center, technology-oriented office space, etc. It is important to note that Hunter Interests recommends that the developer solicitation process for Site 17 proceed in concert with, not after, MCC's decision on the Downtown Campus.

Similarly, the future of the Centennial Center and its attendant effects on the hotel, will be taken into account by the Site 17 Master Developer. The final building program for the northwest portion of the site could be heavily influenced by the City's decisions regarding disposition of the Center. For example, if a new facility is pursued and the potential for a second hotel is demonstrated, a lodging product could be incorporated into the final development program. An expanded convention/conference/hotel mix could warrant inclusion of more restaurant/entertainment/retail opportunities in this quadrant. Conversely, the elimination of the Centennial Center and attendant negative impact on the hotel would tend to push final development programming in the direction of residential or office uses that would be group business/visitor neutral.

The Mesa Arts Center and Mesa Aquatic Center — There are linkages with both the Mesa Arts Center (now under construction) and the Mesa Aquatic Center (planned), in that they both represent significant investments by the City of Mesa designed to draw both day and overnight visitors. They also represent important new urban amenities that will contribute to Mesa's ability to attract convention and conference business—assuming that there is a suitable facility to accommodate it. Meeting planners' second area of questioning after inquiring about a particular facility's offerings is: "What is there for my people to do in the evening?" Mesa will soon have a dramatic response.

The Mesa Aquatic Center could have an even greater effect on the convention/hotel complex if it was located closer, and there has been discussion and analysis as to its suitability on Site 17. While this location would be good for the Aquatic Center, and good for the convention/hotel complex, this report recommends development on the planned site at Second and MacDonald for reasons detailed in the section dedicated to the Aquatic Center. In terms of the discussion of its relevance to the Centennial Center however, it should be noted that the shut-down option will in fact negatively impact the Aquatic Center, regardless of its location but would be most damaging if, in fact, it were to be built on Site 17.

E. Funding and Finance Discussion

Table 3 shows a range of costs associated with the five options for the Centennial Center as outlined above. As the reader can see, there is a wide range of costs

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associated with the future of the Centennial Center, ranging from a low of \$3.5 million for demolition of a portion of the complex, to a high of \$60 million for development of a new convention center. Obviously, there will be an attendant range of funding and finance requirements. Again, the Centennial Center strategic plan would have to take all of this into account as the future of the facility is determined once and for all.

For purposes of this analysis, the new conference center option has been chosen as a mid-point model that allows for the City of Mesa to continue to penetrate the group meetings market, provide support for hotels, strengthen the mix of destination venue, and otherwise take advantage of the burgeoning list of new downtown development projects including the Mesa Arts Center and the Mesa Aquatic Center.

If a new conference center were pursued, the capital cost could be approximately \$25 million. These funds could be raised through some future bond election (the next available slot would likely be 2006 and/or 2008), pooling bed tax receipts for a period of time, pooling funds from sale of other city property (Site 17, Site 7, South Center Campus, etc.), increasing bed tax rates, etc.

In terms of the ongoing financial commitments, the final facility program, market orientation, pricing, etc., will influence what amount of funding could be expected to be required on an ongoing basis. If the recommendation to pursue a private management and operating company as part of the strategic planning process is accepted, these ongoing costs to the City of Mesa may be minimized and otherwise capped pursuant to a negotiated operating agreement as described above.

When economic and fiscal impacts are factored into the overall financial picture, the on-going costs to the City are not only offset, but a positive financial "bottom line" is revealed.

It is estimated that the Centennial Center contributes a positive economic impact to the City of Mesa of approximately \$6 million per year.

As stated earlier, the shutdown option carries costs with it as well. In addition to the estimated \$3.5 million to \$7.5 million in demolition, economic and fiscal impact losses would be at least \$6 million annually.

V. The Mesa Aquatic Center

A. Situation Analysis

The Mesa Aquatic Center has been in the planning stages since the fall of 1998 when then Councilmember Keno Hawker chaired a citizen member Downtown Aquatics Facility Planning Committee that was appointed by City Council. The concept for the facility was to construct a world-class aquatic complex that would meet the competitive, recreation, instructional, and therapeutic aquatic needs of Mesa, the East Valley, the state, and the southwest region of the United States. The facility was designed to accommodate the technical needs necessary for national and international competitive meets for swimming, diving, water polo, and synchronized swimming events while being equally consistent with the requirements needed for children's learn-to-swim programs, master's swimming, prescription health rehabilitation programs, fitness and water aerobic activities, specialty classes, educational programs, and special events. The facility would serve as one of several downtown anchors (the others being the Mesa Arts Center, Library, and Centennial Center) that would help to stimulate economic development in the downtown area, while providing valuable aquatic opportunities for citizens and visitors of all ages and interest levels.



Mesa Aquatic Center

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The Mesa Aquatic Center is an impressive project, and Hunter Interests concurs with the business concept, which is to develop a world-class competitive facility to compete with the comparatively few such venue that exist. These include the Indiana University Natatorium, the Weyerhaeuser King County Aquatic Center in Washington State, the Burt Flickinger Athletic Center in Buffalo, New York, and the Nassau County Aquatics Center in East Meadow, New York. Beyond the strategy to create a facility that will draw spectators and a significant number of visitors to Mesa, the Mesa Aquatic Center concept offers multifaceted benefits for the citizenry including fitness, educational, recreational, and therapeutic opportunities.

In April 2003, the City of Mesa Parks and Recreation Division released the Mesa Aquatic Center Business Plan that further defined the project, including the development of floor plans, typical use schedules, functional requirements, assessments of economic impacts (prepared by Canyon Research Southwest Inc.), budget detail/cost recovery, and a campaign readiness assessment. The Mesa Aquatic Center Business Plan clearly demonstrated a wide range of benefits that development of this project can provide to the City of Mesa, Mesa Town Center, the people of Mesa, and the entire East Valley community. The Business Plan sets forth a fairly detailed building program citing features of the 140,000 square foot facility that would include two 10-lane pools with movable bulkheads, warm water therapy pool and hot water pool, 4,000 square feet of exterior gathering space, seating to accommodate over 4,000 spectators, underwater filming capabilities, and full team and user support facilities. The current estimated construction cost according to the Business Plan (including architect/design fees, contingencies, etc.), is approximately \$36.2 million. This figure can be expected to rise the longer construction of the project is postponed. With the existing capital funding sources being the citizen voter-approved Quality of Life sales tax and Park Bond monies, along with monies from the General Fund, a private fund raising campaign, and hopefully, an Arizona Tourism and Sports Authority grant, it is anticipated, according to management staff, that the capital funding gap can be bridged.

However, because of the downturn in the economy and accompanying reduction in sales tax revenues earmarked for the operation of the aquatic facility, there will not be sufficient revenues to support the operation expenses of the facility as originally planned. It is estimated that the annual operating expenses for a facility of this size and use potential will be approximately \$2.1 million in the beginning years. This figure could increase in subsequent years as the demand for use increases. However, these expenses can be offset in part in a number of ways, to an annual net figure of approximately \$1.5 million. It is not uncommon for a facility of this size to be subsidized, and it should be remembered that according to the study completed by Canyon Research, Inc., there will be a significant economic impact resulting from this facility being constructed, which is estimated to be \$10 million.

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A fundraising feasibility study prepared by GreenPlay, LLC, in August of 2001 recommended a wide range of potential funding. This document covered a wide range of potential funding components including naming rights opportunities, sponsorship opportunities, grants, concessions, Olympic Partnerships, and gifting opportunities. The study concluded that naming rights could garner between \$50,000 and \$135,000 annually, and that corporate sponsorship opportunities could reap an additional \$400,000 annually. Other revenue streams such as those that come from pouring rights deals (exclusive Coke or Pepsi products for example) can contribute as much as \$100,000 in annual revenue. Hunter Interests has thoroughly reviewed the methodology employed by GreenPlay Inc., and concurs with these and other findings contained in the report.

Important to the context of this Northeast Quadrant Study, the Mesa Aquatic Center Business Plan identifies several potential partners, most notably the public. They also include: the City of Mesa, Mesa Town Center Corporation, Mesa Convention and Visitor's Bureau, Arizona Tourism & Sports Authority, Maricopa County Sports Commission, the Foundation for Mesa Parks and Recreation, Valley Chamber of Commerce Organizations, state and local swim organizations, and educational institutions. Subsequent to the completion of the Mesa Aquatic Center Business Plan, the Mesa Community College has announced its plans to pursue an expansion of its Downtown Campus, and its general presence in downtown, in part through partnerships with key facilities and programs. Potential linkages between Mesa Community College and the Mesa Aquatic Center are described in greater detail in Section II of this report that relates specifically to MCC, but suffice it to say that the role of educational institutions may be greater than originally anticipated.

In the last year, bids were put out for construction of the Mesa Aquatic Center, which all came back higher than the anticipated \$24.6 million. Architects and engineers were asked to refine their cost estimates, and a discussion of downgrading the facility to a more traditional aquatics facility was undertaken. It has been decided to pursue the original concept as set forth by the Downtown Aquatic Facility Planning Commission, with the anticipated cost at approximately \$36.2 million. Of these funds approximately \$24.65 million has been appropriated by the City via \$15 million in Quality of Life Sales Tax receipts, \$7.8 million in Park Bonds, and \$1.85 million from the General Fund. The capital margin will be met through various means that currently being implemented.

B. Strategic Recommendations

Based on a review of the Funding Feasibility Analysis and the Mesa Aquatic Center Business Plan, current events as they relate to closing the capital cost gap, and giving full weight to the beneficial and catalytic role the Mesa Aquatic Center will play in downtown, Hunter Interests strongly recommends that every effort be

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made to implement this important project. To that end, certain strategic recommendations are put forth to address certain areas of development planning that require clarification and/or policy decisions to facilitate said implementation.

- **Operational Feasibility** — A preliminary financial/operating analysis was performed during the development of the Mesa Aquatic Center Business Plan that needs to be refined in order to demonstrate exactly how operation of the facility will balance revenues against costs, and/or how ongoing subsidies will be generated to ensure the professional, high quality management that this facility both deserves and requires. The Funding and Finance discussion below contains Hunter Interests' own observations and recommendations pertaining to this issue, and the City of Mesa is encouraged to consider them as a step in the effort to establish operational feasibility for the Mesa Aquatic Center.
- **Site Selection** — The location of the Mesa Aquatic Center has been the subject of some discussion since its inception, and differing views on final placement remain an issue. The current planned location of the Mesa Aquatic Center is on the western portion of the City block bounded by 1st Avenue, MacDonald, 2nd Avenue, and Center Street. This site was selected for a variety of reasons, but in Hunter Interests' view the most important logic for its location here rests in its ability to serve as an important catalyst for development in this quadrant of the City of Mesa. When all of the projects and components of future development in downtown Mesa covered in this report are arrayed on a map, it becomes clear that the Mesa Aquatic Center at this location completes a "circle of change" that will serve as a catalyst to attract additional investment and development in the downtown core. The importance of the Mesa Aquatic Center in this equation should not be underestimated. Indeed, its influence is further described in the following paragraph relating to leveraged hotel development and in the section that includes a discussion of future potential for the South Center Campus.

The leading alternative site in discussion is Site 17 (30 acre development site), and the pros and cons of this location bear discussion here. Hunter Interests agrees that Site 17 affords a good potential location for the Mesa Aquatic Center in that there is clearly enough open available land, including plenty for parking. Also, its proximity to the hotel, Centennial Center complex, and expanding Mesa Community College Downtown Campus represents advantageous physical and programmatic linkages. Unfortunately, its location on Site 17 carries with it certain important downsides, which, in the professional opinion of Hunter Interests, warrants abandonment of this option.

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First, a Master Plan for Site 17 was prepared as part of the “Analysis and Recommendations for Development of Sites Pursuant to the Mesa Town Center Action Plan” that was based on community input, market analysis, financial feasibility analysis, and other elements designed to create a project that would accomplish key goals and objectives. One of these objectives, which the Master Plan fulfills, is to re-knit this portion of downtown Mesa’s community by re-connecting surrounding historic neighborhoods with the commercial/retail/entertainment core. This is accomplished, in part, by utilizing so-called Traditional Neighborhood Development (TND) that establishes a grid street system as the framework for accommodating a range of residential dwelling types. This type of development is recommended for the eastern two-thirds of Site 17, along with a town center office/retail node to the north along University. The western third of Site 17 is programmed for mid-density, mixed use development that can be built in response to changing dynamics in the proximal hotel/Centennial Center/MCC complex. Various development opportunities associated with these changing dynamics are referenced in different sections of this report that pertain to these components specifically.

To summarize, a health and wellness center or technology-oriented development project could evolve in response to a joint venture opportunity between Mesa Community College and a designated Master Developer for Site 17; a new hotel or additional restaurant and entertainment venue could be pursued if the decision is made to expand the convention and conference offering in Mesa; and other emerging developments (Mesa Arts Center, Mesa Aquatic Center, etc.) will make downtown a more desirable place to live and work, thus making this portion of Site 17 a potentially viable location for up-scale residential and office opportunities. All of this is further made possible because it is a sufficiently attractive development project to attract the national real estate development community and will ultimately result in the City of Mesa recouping its investment in the land and site preparation. None of this will occur if the Mesa Aquatic Center is built on Site 17. Therefore, for all of the reasons set forth above, Hunter Interests submits that the planned location for the Mesa Aquatic Center remains the most beneficial and appropriate, and that development should continue on this site.

- **Use the Mesa Aquatic Center to Leverage New Development, Including an Additional Hotel** — Canyon Research Southwest Inc. completed an economic impact assessment for the Mesa Aquatic Center, and projected that the facility will generate support for 386 hotel rooms. While the 273-room Mesa Sheraton Hotel could be expected to absorb, and otherwise benefit from, a portion of this new demand—as could other hotels and motels in the area—Hunter Interests suggests that leveraging development of a new hotel near the Mesa Aquatic Center be evaluated as key strategic project for the downtown.

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The South Center Campus (further discussed in Section VII, a City-owned parcel directly to the south from the Mesa Aquatic Center, could host the new hotel as the center jewel of a mixed use project that would be built on this site. This catalyst project would in turn serve the aquatics facility and enhance cross-downtown activity levels. The hotel portion could be a high quality, limited-service product such as a Hilton Garden Inn, or a more economical but solid product such as Fairfield Inn, etc. A third possibility might be an independent that develops a facility specifically to key into the Mesa Aquatic Center's market segment. It could do this through a combination of pricing, room block availability, special services, cross-marketing programs, and perhaps even some operational linkages such as catering, laundry, booking systems, etc. The building could be especially designed to incorporate sports and aquatic themes and provide special health and wellness facilities. It could accommodate special room configurations designed to meets the needs of a family unit traveling together, and otherwise appeal to youths and adults alike.

The Tribune newspaper reported in October 2003 that Mesa area hotels showed a major boost in September, with both occupancy and average daily rate experiencing big increases. Revenue per available room (RevPAR) was up 9.1% over the previous September, according to Smith Travel Research, and other indicators were positive as well. This does not a market analysis make, but economic factors may in fact favor development of an aquatics-oriented facility. Further research is required to establish important determinations such as market support, unit count, projected ADR and RevPAR, impact on other hotels, cause and effect associated with the future of the Centennial Center (and the implicit decision to pursue, or not to pursue, conventions, conference, and special events for Mesa in the future), and other critical components of feasibility. However, it is Hunter Interests recommendation that, in conjunction with furtherance of the Mesa Aquatic Center project, a "sports-quarters" hotel be considered for the synergistic benefits it may provide.

C. Building and Development Recommendations

Hunter Interests strongly supports the concept of the Mesa Aquatic Center as reflected by space program allocations, floor plans, and other material contained in the Mesa Aquatic Center Business Plan. We have no changes in building or development plans to recommend, other than to explore the potential associated with a hotel and other development nearby as described in Section VII, South Center Campus.

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D. Partnership and Program Recommendations

A list of potential partners identified by the Mesa Aquatic Center was cited above, which included 11 major entities or categories, including the public at large. Various ways in which these potential partners may interact with the aquatics facility are outlined in the Business Plan. This report has further described potentials associated with Mesa Community College and its plans to expand the Downtown Campus. Hunter Interests has no additional partnership or program recommendations for the Mesa Aquatic Center at this time, other than to suggest that those opportunities most closely linked to the finalization of capital funding be pursued immediately.

E. Funding and Finance Discussion

As stated previously, it appears that the \$36.2 million capital requirement is within reach as a combination of funding from the Arizona Sports and Tourism Authority, the Foundation for Mesa Parks and Recreation, and granting organizations such as the Piper Foundation and the Arizona Community Foundation, move to fill the \$11.6 million gap. Some portion of a naming rights deal, or advance corporate sponsorship could also contribute to the final funding package. The Parks and Recreation Division of the City of Mesa submitted a proposal to the TSA for \$6 million of capital funding over several years. According to the City, a decision on the application is expected in January 2004. This would leave \$5.6 million to be raised in order to have the full capital cost of the facility covered.

Also as stated previously, it appears that developing the operating financial plan for the facility remains a next step in the development process. The Mesa Aquatic Center Business Plan took this work to a certain level, but the current model does not fully address operational feasibility in terms of ongoing expense coverage. As the physical size and characteristics of the Mesa Aquatic Center have evolved, and the associated cost, expense, and revenue relationships changed, the economics therein have changed. Previous preliminary reviews by the City indicated net annual losses from operations were estimated to be approximately \$1.5 million based on the set of variables in effect at the time.

The financial model for the Mesa Aquatic Center needs to be updated pursuant to current conditions, with the goal of addressing any operational finance gaps that may still remain. To this end, Hunter Interests has prepared a 10-year cash flow pro forma for the Mesa Aquatic Center using a basic model on which sensitivity runs may be made to test different operational and financial variables. The methodology employed is somewhat different from that used by the City of Mesa, and should be viewed as a comparative approach. For example, the City broke

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out participation into eight groups (public swimming, lessons, fitness, etc.) and assigned differing revenue streams for each. At some point, this level of detail will be achieved, but in order to prepare a model that can be used as a tool to help resolve certain issues, the HII model will use only two, swimmers and spectators. The HII model calculates departmental expenses as a percentage of revenues based on comparative facility analyses and industry data. In other areas, the methodologies are the same. Pertinent notes are made in different revenue/cost categories. Again, the purpose is to identify key components of operational feasibility, and to enable further analysis and the decisions that will allow the project to move forward.

Projected operational characteristics are subject to certain unknowns at this time. Variables that are unique to the Mesa Aquatic Center as conceptualized have been assimilated into the analysis.

Hunter Interests has used its basic financial model for sports and cultural facilities as a template for conducting further analysis on the Mesa Aquatic Center. The Mesa Aquatic Center Business Plan has been utilized, as has the funding feasibility study, and comparative information gained in interviews with other aquatics centers including the Indiana University Natatorium. Research indicates that well run facilities can cover between 70% and 75% of expenses with earned revenues. The attached pro forma illustrates an operative scenario in which the Mesa Aquatic Center covers 55% of its expenses, leaving an operational deficit of approximately \$1.2 million annually.

The primary difference between this financial scenario and those prepared several years ago is the addition of anticipated sponsorship revenues and an increase in anticipated cost of utilities. Hunter Interests suggests that the financial picture remains very conservative, and that more aggressive pricing and further cultivation of sponsorships and other revenue streams could reduce the operational cost gap. Hunter Interests further suggests that the gap could be covered through a combination of anchor user agreements. Discussions between the City of Mesa and potential anchor users such as Mesa Community College and certain health care providers indicate that approximately \$500,000 or 15% to 20% of the operating budget could be derived from this source. Salary savings from shifting City employees to the Aquatic Center and changes to the bed tax could also play a role at some point in the future.

F. Projected Revenue

Admissions — Attendance at the Mesa Aquatic Center will consist mainly of individuals and groups who are drawn to participate in aquatic activities. These activities will include public recreational swimming, organized lessons and fitness

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programs, physical therapy programs, and competitive swim meets. It is expected that swim meets will attract a certain number of spectators, and serve as the most significant revenue generators for the facility. Lease arrangements with institutional users, such as Mesa Community College, could also generate substantial income for the facility.

Based on the findings of the Mesa Aquatic Center Business Plan and corroborating evidence, it is possible that the Mesa Aquatic Center could host approximately 400,000 paid visitors annually at stabilization in year four. Of those 400,000 visitors, participants are projected to number 370,000 paying \$1.83 per capita in admission and usage fees, and spectators are projected to number 30,000 generating \$1.08 per capita in admission fees. Total usage fees are projected to be approximately \$709,670 in year four.

Sponsorships/Rights — Sponsorship/Rights revenues can be derived through naming rights, corporate sponsorship and advertising opportunities, and individual, foundation, and corporate gifts. Projected annual revenue is conservatively estimated at \$200,000, based on the findings of the study prepared by GreenPlay, Inc.

Concessions — Good food/beverage and retail concession stands are important amenities for visitors and a significant source of revenue for the Aquatics Center. Hunter Interests conservatively estimates that revenue from concessions sales will contribute approximately \$400,000 per year.

Total Projected Operating Revenues — Based on the performance projections and assumptions outlined above, we estimate that total annual operating revenues for the Aquatics Center will be approximately \$861,000 in year one, and \$1.3 million at stabilization in the fourth year.

Projected Costs and Expenses

Cost and expense categories include facility operations and maintenance, general and administrative expenses, utilities, marketing and promotion, and cost of concessions.

Plant Operations — Expenses related to facility operations include the costs of repairs and maintenance, supplies, and outside professional or contract services. Based on expenditures at other facilities of similar size and usage, the total annual expense for this component is estimated at approximately \$857,000 in year one, increasing to approximately \$1.4 million by year four.

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General and Administrative — Included in the cost category for general and administrative expenses are salaries and benefits for management and administrative employees, all costs associated with full- and part-time staff employees, costs associated with training and administration of volunteers, and other soft costs including insurance. Fourth year costs associated with this category are expected to be approximately \$550,000.

Utilities — Utility costs for indoor aquatic facilities can represent a significant expense due to heating and cooling demands associated with the water and interior spaces. Estimated utility costs are projected to equal \$500,000 in year four.

Marketing and Promotion — We estimate that marketing and promotional costs should be targeted at approximately 11% to 12% of gross revenues, based on the assumption that a Mesa Aquatic Center will require aggressive marketing and skilled management, maintaining multimedia advertising and promotional programs to achieve maximum visitation potential.

Cost of Concessions — The cost of retail and food/beverage sales is projected at approximately 85% of revenues based on a mid-range of potential costs including inventory and staff salaries. Estimated cost of sales is approximately \$340,500 in year one.

Total Annual Operating Expenses — Based on the size and facility program of the Mesa Aquatic Center, and based on the cost projections and assumptions outlined above, we estimate total annual operating expenses for the Center will be approximately \$2.0 million in the first full year of operation, and \$2.3 million at stabilization in year four.

Replacement Reserve — A replacement reserve budget equal to 3% of Total Operating Revenue has been added prior to estimating Total Operating Income.

Cash Flow Summary

The results of the 10-year analysis performed for the Mesa Aquatic Center indicate that the facility will operate at an annual loss of approximately \$1.2 million. This operational deficit will need to be offset through a combination of anchor user agreements or other means.

Table 4
Mesa Aquatics Center
Cash Flow Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Annual Paid Visitors	250,000	300,000	350,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Participants	230,000	277,000	323,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
Spectators	20,000	23,000	27,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Average Participant Revenue	\$ 1.70	\$ 1.74	\$ 1.79	\$ 1.83	\$ 1.88	\$ 1.92	\$ 1.97	\$ 2.02	\$ 2.07	\$ 2.12
Total Participation Revenues	\$ 391,000	\$ 482,673	\$ 576,898	\$ 677,364	\$ 694,298	\$ 711,656	\$ 729,447	\$ 747,683	\$ 766,375	\$ 785,535
Average Spectator Revenue	\$ 1.00	\$ 1.03	\$ 1.05	\$ 1.08	\$ 1.10	\$ 1.13	\$ 1.16	\$ 1.19	\$ 1.22	\$ 1.25
Total Spectator Revenues	\$ 20,000	\$ 23,575	\$ 28,367	\$ 32,307	\$ 33,114	\$ 33,942	\$ 34,791	\$ 35,661	\$ 36,552	\$ 37,466
Sponsorship/Rights Revenue	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Concessions (Food & Beverage, Retail)	\$ 250,000	\$ 300,000	\$ 350,000	\$ 400,000	\$ 420,000	\$ 441,000	\$ 463,050	\$ 486,203	\$ 510,513	\$ 536,038
Total Operating Revenue	\$ 861,000	\$ 1,006,248	\$ 1,155,265	\$ 1,309,671	\$ 1,347,413	\$ 1,386,598	\$ 1,427,288	\$ 1,469,546	\$ 1,513,440	\$ 1,559,039
Expenses										
Plant Operations	\$ 509,773	\$ 522,844	\$ 536,250	\$ 550,000	\$ 563,750	\$ 577,844	\$ 592,290	\$ 607,097	\$ 622,275	\$ 637,831
General & Administrative	\$ 741,488	\$ 760,500	\$ 780,000	\$ 800,000	\$ 820,000	\$ 840,500	\$ 861,513	\$ 883,050	\$ 905,127	\$ 927,755
Utilities	\$ 463,430	\$ 475,313	\$ 487,500	\$ 500,000	\$ 512,500	\$ 525,313	\$ 538,445	\$ 551,906	\$ 565,704	\$ 579,847
Marketing and Promotion	\$ 139,029	\$ 142,594	\$ 146,250	\$ 150,000	\$ 153,750	\$ 157,594	\$ 161,534	\$ 165,572	\$ 169,711	\$ 173,954
Cost of Concessions (85%)	\$ 212,500	\$ 255,000	\$ 297,500	\$ 340,000	\$ 357,000	\$ 374,850	\$ 393,593	\$ 413,272	\$ 433,936	\$ 455,633
Total Operating Expenses	\$ 2,066,219	\$ 2,156,250	\$ 2,247,500	\$ 2,340,000	\$ 2,407,000	\$ 2,476,100	\$ 2,547,374	\$ 2,620,898	\$ 2,696,752	\$ 2,775,019
Summary Operating Cash Flow										
Total Annual Revenues	\$ 861,000	\$ 1,006,248	\$ 1,155,265	\$ 1,309,671	\$ 1,347,413	\$ 1,386,598	\$ 1,427,288	\$ 1,469,546	\$ 1,513,440	\$ 1,559,039
Total Annual Expenses	\$ 2,066,219	\$ 2,156,250	\$ 2,247,500	\$ 2,340,000	\$ 2,407,000	\$ 2,476,100	\$ 2,547,374	\$ 2,620,898	\$ 2,696,752	\$ 2,775,019
NET OPERATING INCOME	\$ (1,205,219)	\$ (1,150,003)	\$ (1,092,235)	\$ (1,030,329)	\$ (1,059,587)	\$ (1,089,502)	\$ (1,120,086)	\$ (1,151,351)	\$ (1,183,312)	\$ (1,215,980)
Replacement Reserve, 3% of Revenue	\$ 25,830	\$ 30,187	\$ 34,658	\$ 39,290	\$ 40,422	\$ 41,598	\$ 42,819	\$ 44,086	\$ 45,403	\$ 46,771
Total Operating Income (Loss)	\$ (1,231,049)	\$ (1,180,190)	\$ (1,126,893)	\$ (1,069,619)	\$ (1,100,010)	\$ (1,131,100)	\$ (1,162,904)	\$ (1,195,438)	\$ (1,228,715)	\$ (1,262,752)

Source: Hunter Interests Inc.

VI. The City Block

A. Situation Analysis

As the City of Mesa population continues to grow, the need for City services and an associated employment base will also continue to grow. The space requirement for the City of Mesa will grow accordingly, and projections for this growth have been tracked. The City of Mesa commissioned the Millennium Master Plan in 1998 (SHW Group in association with PinnacleOne) to provide a facilities capital improvement planning tool for the office space and operations needs of the City. The project encompassed five phases and included the “Mesa City Plaza II” in the fifth phase, anticipated to be on line by 2010. The Mesa City Plaza II is essentially a reprogramming and expansion of the City Block and the subject of discussion herein.

In addition to finding that, based upon ultimate City growth, at the end of 2025 there is the potential need for over 926,113 square feet more space than is currently provided, The Millennium Master Plan report stated the following:

“A new general office facility—Mesa City Plaza II—is recommended for construction by 2010. The new office facility should consist of approximately 130,000 SF to 150,000 SF with a projected cost of up to \$32,793,012. A 500-car parking structure must also be built in association with this new office facility at a FY 2010 projected additional cost of \$6,247,109. The proposed general location for the new office facility is the present location of the existing Municipal Building. This would keep as close a physical relationship as possible between Responsibility Centers that would be located in each building to enhance communication and public access to as many City Departments as possible in one convenient location. The associated required parking structure is proposed to be located immediately south of the Existing ISD Building.”

The report concluded in part:

“The Millennium Master Plan is not the end of a process, but is actually the beginning of an ongoing one. The information utilized and the resultant projections are a ‘Snap Shot In Time,’ based upon current April 2000 conditions. It is intended that this document will be a tool that should be used and updated frequently as conditions change within the City.”

Conditions are indeed changing in Mesa, and the many projects and prospects covered in this report reflect a dynamic that may influence the City’s decisions regarding future development. Hunter Interests concurs with the Millennium

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Master Plan with regard to both the need for, and the desirability of, a new office building at the core of the City Block. Other factors and development options that should be considered by the City are reflected in the following subsection Strategic Recommendations.

B. Strategic Recommendations

Recommendations regarding building and space requirements are limited to supporting the general findings of the Millennium Master Plan, and Hunter Interests concurs with the development path that incorporates more and denser space within the City Block. Other recommendations for the City's consideration are as follows:

- As stated in the Millennium Master Plan, the space needs of the City should be continually updated and reviewed. It is our understanding that a current needs assessment is underway, and the findings of this effort should be evaluated in the context of all downtown activity that is taking place.
- In order for the Mesa Aquatic Center to leverage beneficial development nearby, the City use of the South Center Campus will need to be shifted elsewhere. This will free the site for a mixed use project and possibly a hotel as described in the Mesa Aquatic Center section of this report. Conversely, City functions moved from the South Center Campus could ostensibly be incorporated into new buildings within the City Block.
- During the course of work on the "Analysis and Recommendations for Development Sites Pursuant to the Mesa Town Center Action Plan" in which Hunter Interests developed a conceptual building program for Site 7, discussions were held regarding the potential of the City of Mesa acting as an anchor tenant in the proposed 260,000 square foot office complex. As this site is currently the subject of a developer solicitation process, Hunter Interests recommends that this possibility be further evaluated in the context of the current needs assessment, and as it may relate to fiscal budgets and other financial considerations. Also, it is recommended that prospective developers be tested for their interest in this potential, and possibly request a formal response to the opportunity at the forthcoming Request For Proposal stage.
- As the Mesa Arts Center, Mesa Aquatic Center, expanded urban campus of Mesa Community College, the Pedestrian Connection, and other projects emerge, downtown Mesa will become an increasingly desirable place to live and work. As such, the City Block will likely become a more desirable location for employees, and additions in space should take into account this "demand" dynamic.

C. Building and Development Recommendations

As stated previously, the building and development recommendations for the City Block will be pursuant to the findings of the Millennium Master Plan, results of the current needs assessment and policy decisions, and in response to linked opportunities associated with the South Center Campus and the office project to be developed on Site 17. Beyond that, we have reflected an urban design concept for the City Block (Figure 2) that simply illustrates what a more dense government complex could look like. This representation includes a new 137,000 square foot building as well as new development over smaller buildings, and is meant primarily to demonstrate the relationship of a developed City Block with other downtown components covered in this report.

D. Funding and Finance Discussion

The Millennium Master Plan estimated that the “Mesa City Plaza II” would cost approximately \$33 million. Hunter Interests has not independently verified this cost estimate, but it appears in keeping with an office building of the size suggested in the report. Adjunct costs associated with a parking garage were estimated to be approximately \$6.3 million. Additional costs associated with infrastructure improvements or other buildings that might be added to the City Block have not been estimated.

The funding for new government buildings is undertaken as part of a budget process that is in place, and there are no extraordinary funding or finance elements for discussion at this time.

VII. The South Center Campus

A. Situation Analysis

The South Center Campus is a former school complex now housing City of Mesa offices. The South Center Campus is on the western half of the city block bounded by 2nd Avenue on the north, Center Street on the east, 2nd Avenue railroad tracks to the south, and MacDonald to the west. The South Center Campus occupies approximately 50% of the block, with two churches occupying the other 50% facing onto Center Street. The South Center Campus offers approximately 40,000 square feet of usable space.

There are currently no plans to move city offices from the South Center Campus (with the exception of the Arts and Cultural Division that will move into the new Mesa Arts Center). However, in the context of Mesa Aquatic Center development nearby, and in the future of the City Block, the South Center Campus may come to play a very different role in the future.

B. Strategic Recommendations

- Pursuant to the discussion pertaining to synergistic development on the South Center campus for the Mesa Aquatic Center, Hunter Interests recommends that an evaluation of the property for mixed use development potential be undertaken.
- A second development path to be considered for the South Center Campus is for the adaptive reuse of existing buildings for some type of private commercial use, perhaps in arts or trades-oriented businesses. Alternatively, Mesa Community College could utilize these buildings as part of its expansion program.
- Pursuant to the discussion pertaining to the City Block and future expansion of the City's workforce and office space needs, Hunter Interests recommends that moving the South Center Campus uses into new centralized space be considered. This will need to happen in order to free up the land for commercial mixed use development as noted above.
- In order to restore east-west access to this important site, Hunter Interests recommends that reopening of 2nd Avenue between MacDonald and Center Street be considered.

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C. Building and Development Recommendations

Defining an appropriate and supportable mixed use project for the South Center Campus is beyond the scope of this report. However, as suggested in the section pertaining to the Mesa Aquatic Center, Hunter Interests believes that this project could possibly leverage development of a new hotel that could be the centerpiece of the South Center redevelopment concept. It was referred to in that section as a “sports-quarters” hotel that could be designed and positioned specifically to serve visitors to the Aquatics Center, as well as others who may wish to stay in a property that has unique fitness and/or wellness amenities. If a hotel were developed here, it would likely be a good quality, limited service lodging property that could offer moderately priced rooms to cost conscious athletes, families, business travelers, and other visitors.

Beyond the hotel centerpiece, a development concept could include additional sports-oriented specialty retail stores, fitness center or racquet club, café and/or restaurant, and health-oriented service businesses such as therapeutic massage, acupuncture, etc. If the adaptive re-use scenario were pursued, the existing buildings could host artists working in various mediums, and/or trades people working in specialty areas. These types of uses would be in keeping with the increased emphasis on arts and entertainment in downtown Mesa, and could be positioned as something of a destination attraction for visitors from throughout the Valley.

D. Funding and Finance Discussion

Any new development potential for the South Center Campus is predicated on relocating City of Mesa offices that are currently located there. In that regard, there are imbedded costs that cannot be estimated at this time, but should otherwise be included in the evaluation of the City’s overall space needs and strategic plan for the future.

In terms of the mixed use project suggested herein, depending on the size and makeup of the building(s) that could host a hotel and other elements, the private sector may invest between \$10 million and \$50 million, depending on the outcome of the Mesa Aquatic Center and other variables that are unknown at this time. Such development would be a public/private partnership in that the City of Mesa owns the land, and in Hunter Interests’ view, this is a positive that could be employed to attract desirable development sooner rather than later.

If the adaptive reuse scenario is pursued, the cost of converting existing spaces and buildings to arts and or trades use would be comparatively low. However, it is likely that the City would have to bear most if not all of these costs because the

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underlying economics and financial reality would probably preclude a private developer undertaking an arts/trades project of this type. There would be positive economic benefits from such an effort, although only a fraction of the economic and fiscal benefits that would accrue through development of the more ambitious mixed use project.

VIII. The Escobedo Neighborhood and Surrounding Area

A. Situation Analysis

The northeast quadrant contains a study area that includes the Escobedo Apartment complex, the Washington Park neighborhood, Escobedo Park, and a commercial center that is bounded by University Drive and Mesa Drive. This area is important in its own right as it has both historic significance and a physical relationship to downtown, and it is also important as it relates to new development on Site 17 and other projects referenced in this report. Central to the discussion of the area's future is the role of the Escobedo Apartments, the City of Mesa's only affordable housing complex.

According to the Mesa Housing Services Summary, Escobedo Apartments is a 102-unit apartment complex owned by the City of Mesa and operated by the Housing Services Division. Rents are maintained at a level to be affordable by low- to moderate-income families or individuals who pay either 30% of their gross income in rent or a minimum rent, whichever is greater. Mesa Housing Services establishes the minimum rents, accepts applications, and maintains management and maintenance functions.

The complex includes five one-bedroom units, 62 two-bedroom units, 29 three-bedroom units, and six four-bedroom units. All units have block wall construction, one bathroom, vinyl flooring, and no amenities such as garbage disposals, dishwashers, or microwave ovens. A range and refrigerator are provided in the kitchen. The apartments have evaporative cooling only, although window air conditioning units are allowed at the tenant's expense, and if power is available. The complex is not an emergency or transitional facility, but provides basic apartment units at an affordable rate. Indeed, the complex has served as something of an anchor for the surrounding community for 60 years. The Escobedo Apartments have some historical significance as they were used to house RAF training pilots and other military personnel during World War II.

The complex is at something of a crossroads, in that the aging buildings will require a significant renovation in the coming years that is estimated will cost approximately \$3 million. Even with the renovation, the complex and its ability to serve will be constrained by the small and outdated units that cannot easily be reconfigured or remodeled due to their block construction. Likewise, this construction makes rewiring, plumbing, and other updates difficult and expensive. Nonetheless, the complex plays an important role in the community, and Mesa Housing Services is exploring alternatives to the renovation approach to ensure that affordable housing is maintained in the City of Mesa. Two primary alternatives are outlined below in Strategic Recommendations.

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The Washington Park neighborhood is adjacent to the Escobedo Apartment complex, and is of historic significance as the original center of the City's African-American community. Today, the neighborhood has a more diverse ethnic mix, but the African-American heritage and the role that the community has played in the City's history remains an integral element in the neighborhood fabric. The building stock in the neighborhood consists mostly of small, single-family homes that range in condition from fully restored to dilapidated. Most of the housing is in fair to good condition, with evidence of investment in improvements and upkeep. Habitat for Humanity has built some homes in the neighborhood and Housing for Mesa has been instrumental in developing infill housing as well.

The commercial center on the corner of University and Mesa Drives includes a McDonalds, various retail stores, and Rosa's Mexican Café—a local landmark that is well patronized. A parking lot separates the McDonalds from the shopping center, thus creating a situation wherein this restaurant's waste and services areas are basically at the front door of the other stores—not an ideal arrangement. Nonetheless, occupancy in the shopping center is high, although the mix of retail is somewhat down-market with discount and thrift stores comprising the main retail stores. As with other components of this particular study area, the commercial center may both influence, and be influenced by, anticipated development on Site 17.

B. Strategic Recommendations

One alternative to an expensive renovation of the Escobedo Apartments that will not yield greatly improved living opportunities, but rather stabilize the existing units, should be further explored pursuant to a concept for new construction now being developed by Mesa Housing Services. Basically, the plan calls for the development of a model project that would incorporate approximately 100 affordable housing units with approximately 100 market-rate apartment units. The complex is housed on a 10-acre parcel that is owned by the City, offering both a fairly significant portion of land and an opportunity to facilitate redevelopment. Hunter Interests supports the Mesa Housing Services concept of building a new residential project on the Escobedo site and offers the following recommendations in concurrence with key staff.

- The new Escobedo complex could afford more energy efficient and cost effective living opportunities for mixed-income families and individuals, in an urban environment that is specially designed as a model project.
- The new Escobedo complex could be a catalyst for continued revitalization in the Washington Park neighborhood, and benefit from the proximity of Escobedo Park in terms of marketability.

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- The new Escobedo complex could represent an additional development opportunity for newly interested downtown developers (vis-à-vis the Site 7 and Site 17 projects) as a joint venture with Mesa Housing Services/City of Mesa.
- The new Escobedo complex could be developed in such a way as to provide a smooth interface with adjacent neighborhoods, and could in fact retain some of the existing units in that effort.
- The new Escobedo complex could also retain certain examples of the military housing for preservation and use as community gathering places or other roles, thereby acknowledging a part of Mesa's history and contributing to the unique character of the Escobedo complex.
- The project would likely qualify (in fact may need to qualify) for various tax credits and other incentives that can contribute to the financial feasibility of new development.
- The mix of affordable and market rate apartments could be used as stepping stones in a low-income or first time home ownership program fostered by the City, which in turn may benefit the Washington Park neighborhood through a placement/sales program.
- Mesa Housing Services should be encouraged to continue its evaluation of development potential, and should also be encouraged to interact with prospective developers interested in downtown real estate.

A second alternative would be to redevelop the complex and retain its historic character by preserving the existing facades, updating the exteriors through paint schemes, modernizing the interiors and gaining additional square footage by building new spaces off the rears of the units.

In terms of recommendations for Washington Park, Hunter Interests suggests that future plans for the Escobedo complex be prepared in a fashion designed to beneficially impact this neighborhood. In addition, the expansion of Mesa Community College's Downtown Campus and focus on changing demographics may very well offer opportunities for both the residents and the College to benefit. Education, technology, language skills, and workforce training opportunities will be within walking distance, and MCC will have an opportunity to fulfill part of its downtown mission.

The City of Mesa may wish to consider small grants or matching-funds programs to induce physical improvements to some of the housing in the Washington Park neighborhood. A relatively small investment in paint, fencing, home repair, and maintenance could have a significant impact on the most needy properties. Taking that approach a step further, the City may wish to consider fostering use of

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historic-type street lighting, paving, and street furniture as these elements are replaced, or as part of an upgrading effort. The effect coupled with use of period colors and design trim elements suggested to homeowners, could result in a theme that would further define and enhance the neighborhood.

With regard to the commercial node at the corner of University and Mesa Drive, Hunter Interests suggests only that its owners and tenants will benefit from the redevelopment of Site 17, and in some cases may wish to upgrade or improve their establishments in response to the presence of this new local demand source.

C. Building and Development Recommendations

Various building and development recommendations are referenced in the paragraphs above. However, a few additional notes are as follows:

- The new Escobedo complex should retain its pleasant character through a talented design effort that also yields greater density on the site. An effort should be made to retain the mature trees and other landscaping elements that contribute to the neighborhood's ambience.
- The Washington Park neighborhood should be viewed as a suitable location for accepting houses moved from other locations.
- The commercial node should be reviewed for code adherence.

D. Partnership and Program Recommendations

Various partnering and program recommendations are referenced in the paragraphs above. However the following opportunities are also offered for consideration.

- Both the future of the Escobedo complex and the Washington Park neighborhood can, and should, include Housing For Mesa, a private non-profit housing development corporation, as a partner.
- Partnerships with private developers should be sought out and encouraged.
- Opportunities associated with the expansion of Mesa Community College's Downtown Campus should be sought out and encouraged pursuant to details contained in the associated section of this report.

E. Funding and Finance Discussion

Detailed funding and finance recommendations for this area are beyond the scope of this analysis. However, certain points for further consideration are as follows:

- The renovation of the Escobedo Apartments is expected to cost approximately \$3 million. A new 200-unit project might cost between \$10 million and \$15 million to develop, although much of this might be structured as private investment. If the \$3 million in renovation costs is instead applied to the new project as part of the public/private partnership, it may have greater long-term value for the City in that it will have helped to leverage significant new and desirable residential opportunities that can continue to serve an important role in the community well into the future.
- The renovation/expansion approach would likely cost between \$5 million and \$10 million, although it is undetermined as to how many additional units this approach may yield. Although this approach would probably be less attractive to a private developer, it is possible that some funding could be sought from the Arizona Heritage Fund.
- The cost of improvements to the Washington Park neighborhood and the commercial node are undetermined at this time. However, Hunter Interests suggests that a relatively small amount of targeted funding could have a significant impact on these areas.

IX. The Mesa Post Office

A. Situation Analysis

The Mesa Main Post Office is a U.S. Postal facility that serves the downtown area, and there are 10 other stations that serve the rest of the City of Mesa. The main postal distribution facility for the region is in Phoenix. In terms of the Northeast Quadrant Study, the Mesa Main Post Office is viewed as an important downtown amenity that not only serves residents and businesses downtown, but to some extent attracts people to the Town Center.

The Mesa Main Post Office is situated on land that is publicly owned, but subject to a long-term land lease. There is no indication at this time that there are any plans to close, downsize, or expand the facility. Such decisions are made by the Facility Service Office in San Francisco, California, and are further subject to budgetary and planning decisions made within the U.S. Postal system hierarchy.

B. Strategic Recommendations

Basically, the recommendation is encourage the Mesa Main Post Office to continue in its role as an important service provider in the downtown, and recognize its value as a resource for expanding businesses and institutions in the Town Center.

If by some chance a decision were made to move or close the Mesa Main Post Office, there would be sufficient lead time to determine a viable and suitable use for the facility and/or the real estate on which it is situated.

C. Building and Development Recommendations

The Mesa Main Post Office building and proximal real estate could theoretically be used by Mesa Community College in its downtown expansion, and/or in some other adaptive reuse scenario if an unanticipated decision were made by the U.S. Postal Service to close or move the facility. In terms of its overall size, configuration, and location, the facility could be used in the future in various ways, but this study does not indicate this will be a decision faced in the foreseeable future.

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D. Funding and Finance Discussion

Aside from the firm status of the Mesa Main Post Office in its present location, the cost of building a new facility, and the cost of buying out the lease, would likely preclude moving the Post Office to a new location.

X. The City of Mesa Library

The City of Mesa Library consists of three branches including facilities at Dobson Ranch and Red Mountain. The main branch is a significant downtown cultural and educational resource that has many cross-beneficial relationships with existing and planned components of the downtown and surrounding community. Certain key future opportunities rest in the potential for the expansion of the Mesa Community College, but the Mesa Library in and of its own right is positioned for future growth in its role within the community.

A. Situation Analysis

- The City of Mesa Public Library prepared a series of goals and objectives with the input of a 15-member community planning group in January 2001. They were summarized in “Planning for Results,” a document that set forth six key goals, 15 associated objectives, and 17 representative activities that together included efforts to improve access to information, instilling the love of reading and learning in Mesa’s preschool children, conveying the value of history and heritage in Mesa, and a host of technical benchmarks designed to target and measure success.
- The City of Mesa Main Library Downtown is extensively utilized by the community with an estimated “door count” of approximately 500,000 people annually. Mesa Library officials estimate that 55,000 square feet of additional space is needed now, and that an additional 55,000 square feet will be needed in the future to accommodate growing needs.
- The master plan for expansion perceived that the need would be in the suburban growth ring. However, the changing downtown dynamic could warrant allocation of resources to expand at the main facility.
- The collections budget is down 50% from last year.
- On the operating side—approximately 20 positions are unfilled due to budget cuts.

B. Building and Development Recommendations

- Part of the expansion noted above could include the “Computer Commons” piece as further described in the Mesa Community College section of this report. This technology-focused addition could help to satisfy Mesa Library’s need for more computers, while at the same time affording MCC additional space and programmatic/service linkages with the library that could be mutually beneficial. See Section III for a cross-referenced discussion.

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- The physical expansion of the Mesa Library could occur to the north of the existing facility, on City-owned land that is currently underutilized.

C. Funding and Finance Discussion

- In 1996, a bond was voted to expand and build two more libraries.
- Capital funds for new development have been approved by the voters.
- Development impact fees are accruing as a funding source.
- A contract for library services with MCC could provide an additional revenue stream to fund the attainment of goals and objectives as summarized in “Planning for Results.”

XI. Redevelopment Site 7

A. Situation Analysis

Redevelopment Site 7, also known as Site A in the “Analysis and Recommendations for Redevelopment Sites Pursuant to the Mesa Town Center Action Plan,” encompasses the block bounded by Main Street and East 1st Avenue to the north and south and Mesa Drive and S. Hibbert to the east and west, respectively. The site is comprised of several commercial buildings, vacant lots, and surface and structured parking facilities. Hunter Interests prepared a conceptual building program for the site that included 276,000 square feet of new Class A office space at the corner of S. Hibbert and Main St., a five-story, 120-unit “urban lifestyle” apartment/condominium facing S. Hibbert, and a 30,000 square foot mixed use project on S. Mesa Drive. An additional two decks on the Pomeroy garage were recommended, and other aspects of the parking supply solution were provided.

The conceptual building program was developed using site analysis, market analysis, financial feasibility analysis, and input from the community. Taken together, the project components will account for approximately \$48 million in private investment, providing a significant return on the City’s investment in the site to date of \$6 million, and the anticipated \$3.8 million that would be required for additional parking. The project concept was adopted by the City of Mesa in concert with other recommendations contained in the Hunter Interests report of September 2002.

The project was the subject of a Request for Qualifications issued to a field of prospective developers throughout the country in July 2003. Three teams officially responded to the RFQ and included more than a dozen companies in all. See Appendix. Subsequently, the City of Mesa has received several additional expressions of interest in the project from companies that want an opportunity to respond to the anticipated formal RFP. A listing of interested parties is included in Appendix A.

Subsequent to the issuance of the RFQ, the City of Mesa is now considering a decision to build the City Courts facility on the portion of the site that faces 1st Avenue. This decision is contingent on bond passage in March. This area was previously reserved for additional parking and/or future synergistic development. The development of the City Courts facility will have a significant impact on this block, and may negatively influence the residential project specifically. The office portion of the project would probably be less impacted, and it is unclear how the mixed use portion would be influenced.

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Another factor that may influence implementation of the conceptual building program is the City of Mesa's decision with regard to answering current and future space needs. As referenced in different sections of this report, decisions related to the growth of Mesa and congruent space requirements may impact the City Block, the South Center Campus, and other related projects. A related decision would be whether or not (and/or to what degree) the City of Mesa could make use of the 260,000 square feet of office space programmed for the site. If the City of Mesa were to be an anchor tenant, it would likely facilitate development and satisfy certain near- to mid-term space needs, and possibly allow for the relocation of the South Center Campus functions and pursuit of the mixed use project identified herein.

Redevelopment of Site 7 (A) is currently at the nexus of the RFQ/RFP process, City of Mesa decisions on the future City Courts facility, office tenancy potential, and a parking needs assessment. It is also an opportunity that should be maximized.

B. Strategic Recommendations

Hunter Interests can speak most directly to the conceptual building program and developer solicitation process. Various policy decisions may influence the project as referenced above, but the concept is flexible enough to accommodate the changing environment and the most basic recommendation is simply to keep moving forward with plans to redevelop the site. More specifically, Hunter Interests suggests the following actions for the City of Mesa's consideration.

- Once the final decision is made with regard to the City Courts facility, adjustments to the conceptual program for the site should be incorporated into the developer solicitation process. This may include, but not be limited to, relocating the residential component (possibly to Site 17, which already suggests this type of development in the western third of the site).
- Inform interested developers of the status of the project, and solicit their input with regard to a change in the concept plan and/or how they view the influence of the introduction of the City Courts facility.
- Continue to generate developer interest in the project, so that when it is appropriate to issue the Request for Proposal, there is a solid field of qualified and informed development companies ready to enter into a public/private partnership with the City of Mesa.
- Preferably, the hiatus in the developer solicitation process will not be a long one, lest momentum be irretrievably lost. The City of Mesa should consider moving forward with the developer RFP just as soon as the decision of the City Courts facility is made.

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- The possibility of moving the office project across Main Street to the Firestone parking lot next to the City Plaza building should also be considered. In fact, this site may be even more attractive to developers and would otherwise contribute to downtown density and its image as an urban center. This could also expedite the decision on issuing an RFP.

C. Building and Development Recommendations

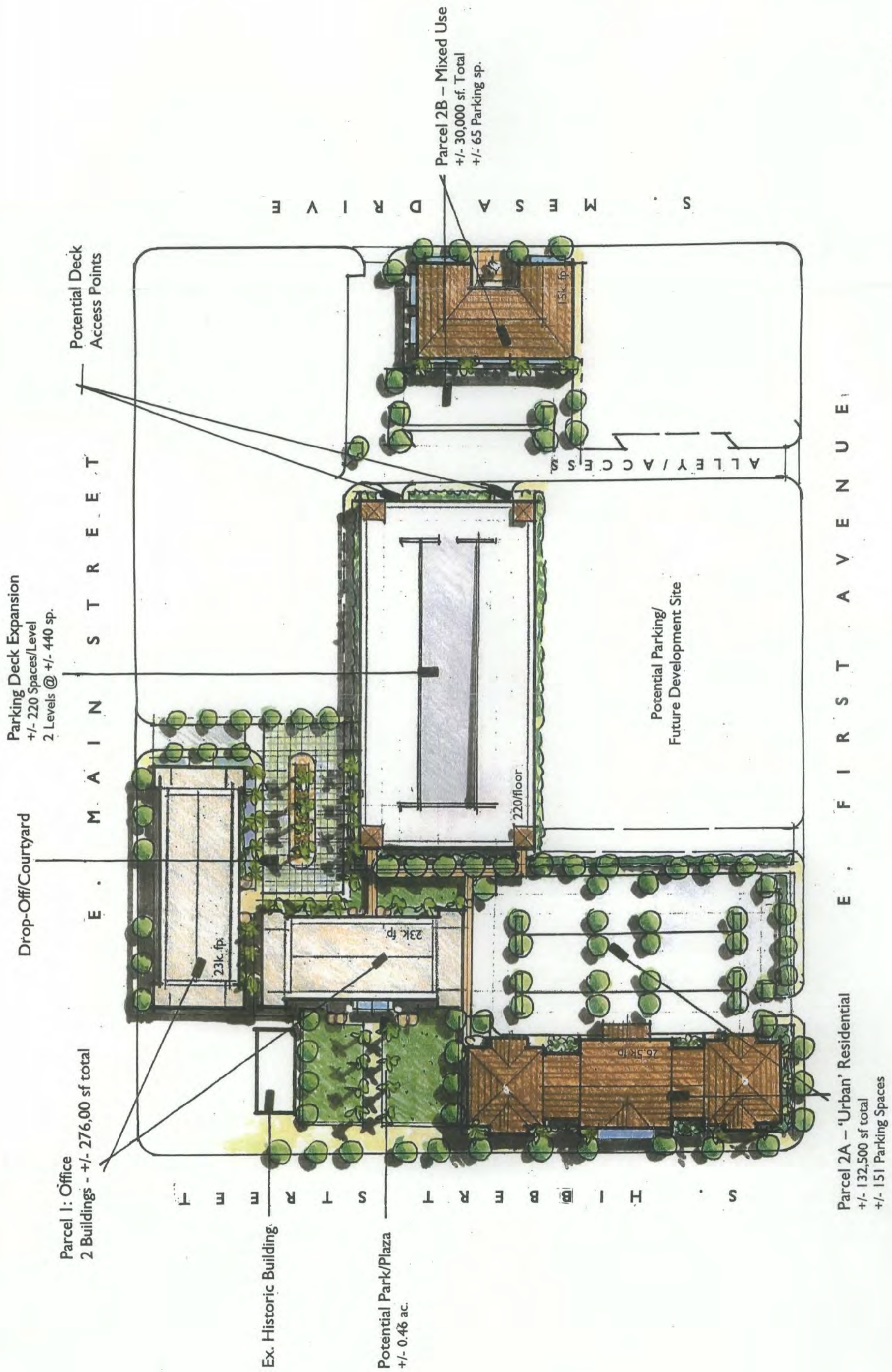
Hunter Interests maintains that the conceptual building program for Site 7 (A) remains both a viable (and desirable) development project that needs to be pursued. While impacts associated with the introduction of the City Courts facility have not been fully analyzed, the central component—260,000 square feet of Class A office space—is clearly a prize for downtown that will mean both significant private investment, and an addition to the Mesa office market that will have a wide range of beneficial impacts on downtown. While the residential and mixed use components may be more significantly impacted by the City Courts facility, it is not to say their development is necessarily precluded here. The site itself can still accommodate them, and Hunter Interests recommends that a final decision with regard to these components be made in concert with direct input from interested development companies. Those discussions should be undertaken sooner, rather than later. As stated above, the Firestone parking lot could represent an excellent alternative site that could be used to continue the developer solicitation process unabated.

The whole issue of parking on the site has to be reviewed, and is currently the subject of a City-wide parking study. The results and recommendations of this study will have to be incorporated into the overall development strategy.

D. Funding and Finance Discussion

As stated previously, implementation of the conceptual building program for Site 7 could result in \$48 million in private investment in downtown Mesa. Based on the financial feasibility analysis prepared by Hunter Interests, this may be achieved with few if any incentives from the City, with the possible exception of providing some additional parking. With the introduction of the City Courts facility, additional parking on the site will have to be addressed anyway.

Individual funding and finance plans will be suggested by development companies when they respond to the Request for Proposals. Beyond that, the funding and finance plan for the new City Courts facility is a function of a separate government process that is beyond the scope of this report.



Scale: 1"=100'
Hunter Interests Inc.
July 2002

Figure 2
Site 7 Concept Plan

Site A - Conceptual Development Plan
MESA, ARIZONA

The proposed building program may be impacted by development of the City Courts facility, although office projects could still be pursued on or near the site.

XII. Redevelopment Site 17

Redevelopment Site 17, also known as Site B in the previous Hunter Interests report, is the 30-acre site bounded by E. University Drive., E. Second Street, N. Centennial Way, and N. Mesa Drive. The site is important for many reasons including its total area, role as a transitional element between historic neighborhoods and the downtown, public investment to date, and the opportunity it represents in terms of a catalyst for revitalization. The conceptual building program for the area prepared by Hunter Interests was based on site analysis, market analysis, financial feasibility analysis, and input from the community. The Master Plan concept was adopted by the City along with other recommendations included in the Hunter Interests report of September 2002.

Taken together, the various development components suggested for Site 17 (B) represent approximately \$83 million in private investment potential for downtown Mesa. These include various multi-family residential components, a mixed use retail and office “village center,” four to six story office and residential components, and a health spa and wellness center.

A. Situation Analysis

The project was the subject of a Request for Qualifications issued to a field of prospective developers throughout the country in July 2003. Three teams officially responded to the RFQ and included numerous companies as shown in the Appendix. Subsequently, the City of Mesa has received a number of additional expressions of interest in the project from companies that want an opportunity to respond to the anticipated formal RFP. A listing of interested parties is included in the Appendix.

At this time, January 2004, the City of Mesa is poised to move forward with the Request for Proposal stage of the developer solicitation process, and can offer the findings and recommendations of this report to prospective private partners as further evidence of a dynamic downtown environment. This environment will prove additionally attractive to the development community, and its characteristics and associated opportunities should be incorporated into the RFP marketing process. There are several elements that should receive focus, and these are summarized below.

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B. Strategic Recommendations

The successful development of Site 17 is critically important to the overall Mesa Town Center Action Plan, and to the futures of several downtown components as described in this report. The following strategic recommendations are intended to ensure that development proceeds, that the end product is of a quality and makeup that has the desired beneficial impact on surrounding areas, and that these areas in turn provide support for the proposed new development. Specifically:

- The City of Mesa should proceed with the preparation and issuance of a formal Request for Proposals on Site 17 master planned development, using the aggregate response list of developers interested in downtown Mesa as a base for distribution.
- The distribution list should not be limited to the aggregate group, but expanded in conjunction with a hands-on marketing effort conducted by City of Mesa staff with the assistance of Hunter Interests under an existing contract that covers such work.
- The RFP should include reference to this report, and specifically to opportunities including, but not limited to, the following:
 - The expanded presence of Mesa Community College in downtown Mesa will be of great interest to the development community, and the southwest corner of Site 17 particularly may represent a location for a mutually beneficial opportunity. As referenced in the MCC section of this report, the development plan calls for expanding the College's physical presence in an advanced technology cluster that is generally just to the west of Site 17. The southwest corner of 17 is closest to the Building and Industry Institute and recommended technology flagship building expansion. This area is programmed as a health and wellness facility in the Master Plan prepared by Hunter Interests, and this may possibly represent a joint-venture opportunity between the selected master developer and MCC. Alternatively, the master developer may seek to include office space that accommodates MCC-related technology companies, residential products that appeal to students, or commercial elements that respond to the changing downtown market dynamic.
 - The final development program in the northwest portion of the site may ultimately be influenced by the City of Mesa with regard to its decisions regarding the future of the Centennial Center complex. As referenced in the Centennial Center section of this report, future development could result in a new larger facility that might be built to the north of the existing hotel (thus closer to Site 17), or the future may result in the closure of the

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facility all together. The negative influence of this alternative on the hotel could in turn affect the final development program for this portion of Site 17, although the Master Plan suggests development (residential and office) that would be largely Centennial Center/hotel neutral. Only if a new convention center were built, would the development program possibly shift to include either a second hotel or possibly restaurant/retail opportunities.

- The Escobedo neighborhood and surrounding area will be influenced by new development on Site 17 (beneficially, as described in that section of the report), and may in fact offer additional development opportunities for the master developer of Site 17 to consider. These may include, but not be limited to, participation in a joint venture with the City to develop a new Escobedo Apartment complex, housing in the Washington Park neighborhood, and investment in nearby commercial centers.
- The development of Site 17 is a large-scale project that will likely be built in phases and take several years to complete. Therefore, development planning can take place as the MCC Downtown Campus expansion strategy and other events affecting the downtown unfold. Indeed, the master developer's input can possibly benefit and/or guide proximal components as suggested by the potential for a joint venture with MCC on the health and wellness center.
- The Master Plan for Site 17 remains viable regardless of the shifts in the downtown dynamic as described herein, and is flexible enough to accommodate opportunities as they may arise. Therefore, it is strongly recommended that the Request for Proposal and developer solicitation process be continued with incorporation of information as contained in this report

C. Building and Development Recommendations

The building and development recommendations for Site 17 remain consistent with the Master Plan prepared by Hunter Interests, given the built-in flexibility for the final development program to respond to opportunities that may arise or be induced in the proximal area of downtown. See Site 17 master plan on the following page.

The proposed intersection widening of University Drive at Mesa Drive will be taken into account as the developer solicitation and development program are pursued. The analysis conducted previously by Hunter Interests did not reveal a significant

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problem with traffic at this location. Indeed, a widening of University Drive in this area could have a negative impact on development potential on Site 17, and should be carefully considered.

D. Funding and Finance Discussion

Based on the findings of the financial feasibility assessment conducted by Hunter Interests for Site 17, and the desire of the City of Mesa to recoup its investment in the site, it is anticipated that the funding and finance plan for development of the project will be mostly, if not entirely, borne by the private sector. Indeed, it is anticipated that the selected developer will pay a negotiated price for the real estate, and that price may in fact be a critical determinant in the selection process.



Figure 3
Site 17 Concept Plan

The plan features Traditional Neighborhood Development and village retail to the east, mixed use, mid-density development to the west, with possible college orientation for some projects.

XIII. Parking Discussion

All components of the downtown as covered in this report have individual parking requirements. In some cases, parking needs are answered on site as part of an overall development plan (such as with Site 17), while in others they will be dependant on future policy decisions (such as with the Centennial Center). In others, parking supply solutions will result through a combination of current development planning and future changes that may be encountered (such as with Site 7 and the proposed justice building). In still others, they will result in response to long-term decisions and plans such as those associated with the City Block and South Center Campus.

In terms of near-term development potential associated with Phasc 1 of the Mesa Community College Downtown Campus expansion, development of Site 17, completion of the Mesa Arts Center, and development of the Mesa Aquatic Center, the necessary parking supply either exists or will be provided, given new facilities under construction and certain changes to the street parking system in downtown. In all there are currently more than 4,000 parking spaces within walking radius of the City Block.

The overall parking demand/supply issue is currently the subject of a Citywide parking management plan that will take into account current and future needs, including those suggested by alternative future scenarios as described in this report. It should be noted that there is no final solution that can be concluded by the parking study, hut rather it can establish a planning framework on which separate projects and their parking supply issues may be addressed.

XIV. Urban Design and Site Plan Materials

Downtown Concept Plan

The concept plan shown on the following page reflects a variety of components that are described and analyzed in this report. It is meant to convey a view of the future in which current plans are completed, new projects built, and partnerships formed. A brief summary of key features is provided below and follows a clockwise route beginning with Mesa Community College Advanced Technology Center.

The Mesa Community College Advanced Technology Center is represented by a combination of expanded space and the construction of a new “high performance” building that would face the front door of the hotel. Mesa Community College’s expanded Downtown Campus may also come to include the adaptive reuse and restoration of the Irving School (old Mesa Arts Center), new construction attached to this building, and new construction in a partnership with the Mesa Library. These elements, coupled with new vehicular and pedestrian connections, and a reconfigured central plaza are depicted as central components of the downtown concept plan.

Redeveloped Site 17 shows the implementation of the concept plan prepared by Hunter Interests Inc. in 2002. It features Traditional Neighborhood Development and village retail to the east, and mid-density mixed-use projects to the west. In the southwest quadrant of the site, the concept plan called for a health spa and/or wellness center. As put forth in the report, there may be a potential for Mesa Community Center to partner with the selected developer to pursue the establishment of such a facility, and/or other types of college-oriented projects.

The Escobedo and Washington Park neighborhoods to the north will be positively impacted by new development, and may be the subject of new housing and project initiatives as well.

The Mesa Arts Center is shown at the extreme southwest corner of the concept plan, and its orientation to surrounding projects is clear. The concept plan indicates the development of a restaurant/entertainment/retail pavilion next to the MAC facing on Main Street. The location of the **Mesa Aquatics Center** and **South Center Campus** precluded their inclusion in this particular plan drawing, but the synergy between these two components, and their collective effect on revitalization are described in detail in the report.

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The City Block features several new office buildings clustered around a reconfigured central plaza coupled with a new parking garage, and additional office development facing onto Main Street. Passing through the City Block and connecting the Mesa Arts Center, Post Office, new MCC projects, and the Centennial Complex is the new **Pedestrian Walkway**.

The Mesa Post Office is a downtown anchor, as is the **Mesa Library** which hosts approximately 500,000 visits each year. The potential for joint venturing with MCC in both programs and projects (i.e., new Computer Commons) is further described in the report.

The Centennial Complex is shown in the concept plan to include potential new facilities to the north of the hotel, facing onto University Drive. A parking garage and other new development are also accommodated within the concept. Various options for the future of the Centennial Center are described in the report, and this concept represents only one of the possible alternatives.

The Downtown Concept Plan depicts new mixed use development on Site 17 to the northeast, options for the Centennial Center to the northwest, and new development to the southwest involving the City Block and the Mesa Arts Center. Other key components out of this view are the Mesa Aquatic Center, Escobedo and Washington Park neighborhoods (partial view) and redevelopment Site 7. The Downtown Concept Plan is anchored by an expanded campus of Mesa Community College that will include an Advanced Technology Center. Development of the Center will involve a combination of adaptive reuse and new construction projects that will result in a campus cluster as shown in the center of the plan graphic.

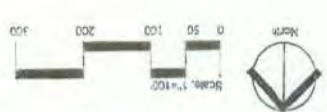
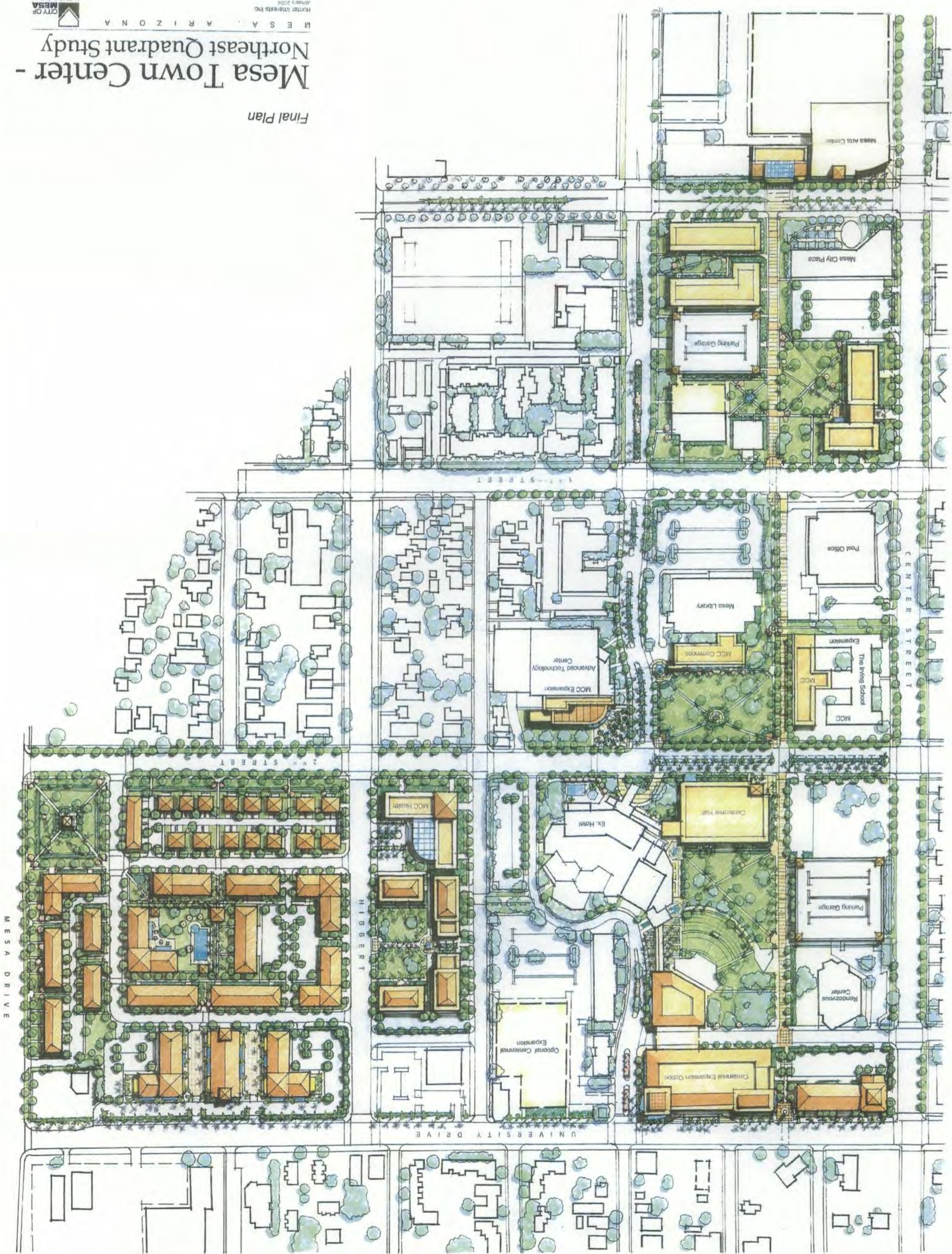


Figure 4
Downtown Concept Plan

Final Plan
Mesa Town Center -
Northeast Quadrant Study
 M E S A A R I Z O N A
 Hunter Architects Inc. January 2004
 CITY OF MESA
 2004 Project (Quad Block)



XV. Public Policy Discussion/Next Steps

There are many recommendations included in this report that pertain to public policy, departmental decision making, private developer decisions, and other aspects of determining the future of downtown Mesa. This section is limited to a summary of the most important and/or timely public actions that are recommended in conjunction with achieving critical mass in Mesa Town Center as described in Section III of this report. These recommendations are the result of consultations between key City management staff and Hunter Interests, and the assimilation of observations, findings, and recommendations that developed during the course of completing the Northeast Quadrant Analysis.

A. Mesa Community College Downtown Campus: “Advanced Technology Center”

The City of Mesa should initiate a process to create a comprehensive Development Agreement with the Maricopa Community Colleges on behalf of Mesa Community College to structure a relationship that will result in an expanded downtown campus to be anchored by an Advanced Technology Center. A joint task force comprised of officials representing the City of Mesa, Mesa Community College, and other appropriate parties should be formed to guide this process. The Agreement would set forth the parameters and conditions of land and/or building conveyance (such as suggested for the Business and Industry building space and the Irving School), joint ventures or joint use opportunities (such as anchor tenancy in the Mesa Aquatics Center, programmatic use of the Fire Station, etc.), service agreements (such as the provision of information technology to the City), and programmatic relationships (such as work force training and continuing education for City employees). The Development Agreement could be preceded by a Memorandum of Understanding that sets forth the basic intents of Mesa Community College and the City of Mesa with regard to pursuing an expanded downtown campus together, for mutually beneficial purposes. As a precursor to negotiating agreements with MCC, the City of Mesa must determine the extent of the public sector’s commitment in terms of providing non-cash value as well as funding for parking and other infrastructure.

B. The Centennial Center Complex

The City Council should adopt a resolution(s) that requires the City of Mesa to take action with regard to the disposition of all components of the Centennial Complex. As referenced in this report, disposition could include expansion, new facilities, or closure of some, or all, of the complex. The report suggests that a

Appendix
Private Sector Interest in Downtown Mesa

360 Isight
Pamela Henze
4726 East Verbena Drive
Phoenix, AZ 85044
480-705-5250

Ada Construction Company
Jim Martel
1617 East Pinchot
Phoenix, AZ 86016
602-265-4900

Allstate Insurance Company
Fred D. Curry
101 East Avenue, Suite 205
Mesa, AZ 85210
480-464-7549

American National Development
Mario Caprini
20820 Chagrin Boulevard, Ste. 301
Cleveland, OH 44122
440-684-6300
(216-472-4000, ext. 14)

Arizona Gold Properties
Al Jensen
3660 East University, Suite 7
Mesa, AZ 85205
480-985-4333

The Boyer Company
90 South 400 West
Salt Lake City, UT 84101
801-521-4781

BPLW Architects & Engineers, Inc.
Robert B. Burgheimer
49 West First Street, Suite 100
Mesa, AZ 85021
480-827-2759

Butler Housing Company, Inc.
Reid Butler
1014 North 2nd Street, Suite 2
Phoenix, AZ 85004
602-258-6888

Centex Homes
Todd Skoro
8665 East Hartford Drive, Suite 200
Scottsdale, AZ 85255
480-889-0924

Circle West Architects, PC
Peter Koliopoulos
8700 East Via de Ventura, Suite 100
Scottsdale, AZ 85258
480-609-1000

Cornerstone Consulting Company
Trish O'Neill
9832 North Hayden Road, Suite 103
Scottsdale, AZ 85258
480-991-3111

Crosswinds Communities Inc.
600 Corporate Drive, Suite 102
Fl. Lauderdale, FL 33334
954-839-8000

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DESCO Southwest
Bruce Gillespie
2575 East Camelback Rd., Ste. 870
Phoenix, AZ 85016
602-445-4410

Dranoff Properties
Carl Dranoff
225 South 25th Street
Philadelphia, PA 19103
215-735-8440

Equus Development Corporation
Douglas J. Edgelow
4501 North 22nd Street, Suite 190
Phoenix, AZ 85016-4625
602-840-0559

Ernst & Young
Steve Klett
2 North Central Avenue, Ste. 2300
Phoenix, AZ 85004
602-322-3637

Foree & Vann Engineering
Dan Foree
9013 North 24th Avenue, Suite 7
Phoenix, AZ 85021
602-943-6997

The Galloway Group
Terry Galloway
250 Newport Center Drive, Suite 104
Newport Beach, CA 92660
949-644-2055

Hogan & Associates
Brent Reinhart
699 South Mill Avenue, Ste. 320
Tempe, AZ 85281
480-449-1644

D. R. Horton, Inc.
Mark G. Allen
4500 South Lakeshore, Ste. 205
Tempe, AZ 85282
480-491-4323

Keller Williams Realty
Joanne Rasmussen
2077 E. Warner Road, Ste. 100
Tempe, AZ 85284
480-363-9603

Lefrandt & Associates, LLC
Harold W. Lefrandt
1210 E. Kramer Circle
Mesa, AZ 85203
425-444-2460

Leibsohn & Company
Ronald Leibsohn
40 Lake Bellevue Drive, Suite 270
Bellevue, WA 98005
425-454-4525

Mesirow Real Estate
Paul McDermott
350 North Clark Street
Chicago, IL 60610
312-595-7826

Mountain Development Corporation
Michael Allen Seeve
100 Delawanna Avenue
Clifton, NJ 07014
973-279-9000

National Developers
Rex Whisler
2151 E. Broadway Road, Ste. 101
Tempe, AZ 85282
480-377-8200

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The Opus Group
Keith Earnest
2555 East Camelback Road, Ste. 800
Phoenix, AZ 85016
602-468-7000

Outsource International
Donavon Ostrom
4211 North Winfield Scott Plaza
Scottsdale, AZ 85281
480-507-0545

Papago Center
James Danaher
1110 North 16th Street
Phoenix, AZ 85006
602-257-8764

PCL Construction Services
12200 Nicolette Ave. S.
Burnsville, MN 55337
952-882-9600

Sunridge Properties
John White
1440 South Clearview Ave., Ste. 101
Mesa, AZ 85208
480-854-1414

TJ Development
Chris Jones
840 West University
Mesa, AZ 85201
480-827-0711

Todd & Associates
Duane Blossom
4019 North 44th Street
Phoenix, AZ 85018
602-952-8280

The Watkins Group
Ralph Watkins
P. O. Box 671
Peoria, AZ 85380
602-525-4415

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decision on the future of the Centennial Complex should be made by the summer of 2004, following preparation of a strategic analysis that fully evaluates the options and cost implications, and economic impacts/consequences associated with various development tracks—including demolition and/or adaptive reuse.

C. Mesa Aquatic Center

The City of Mesa should pursue development of the Mesa Aquatic Center on its current site in view of its ability to cause revitalization and adjunct development to occur in this portion of the downtown, and more generally because of the wide range of benefits to the community it can generate, including but not limited to, health and wellness, physical fitness, recreation, economic impacts, and raising the profile of Mesa as a destination. It should be the policy of the City of Mesa to solicit anchor tenants (possibly Mesa Community College and/or other educational institutions) and sponsorship/rights deals in order to close the projected operational deficit. Pursuing joint tenancy opportunities should be considered an immediate action item.

D. Redevelopment Site 17

Hunter Interests Inc. recommends that the City of Mesa proceed immediately with a Request for Proposals from developers for this important project. The RFP should utilize the master plan and supporting financial analysis prepared by Hunter Interests Inc. The RFP should be distributed to the field of companies identified as being interested in downtown Mesa development, as shown in the Appendix. The RFP could also be distributed to other interested parties, as may be identified prior to the issue date. The RFP should contain information from the Northeast Quadrant Analysis including, but not limited to, the potential linkage with Mesa Community College. It is suggested that the RFP encourage contact between prospective developers and Mesa Community College officials in order to explore mutually beneficial development opportunities. An RFP issued in February would yield a selected development team by early summer 2004.

E. Redevelopment Site 7

With regard to Site 7, bond passage in March will be a determining factor in future development. Hunter Interests Inc. recommends that the City of Mesa proceed immediately with a Request for Proposals from developers interested in the office/residential projects conceptualized for Site 7—with the understanding that another nearby site could be an alternative location for one or more of the building components. Specifically, the Firestone parking lot next to City Plaza could potentially afford a location for the office component, if the decision to build the City Courts facility on the block precludes additional development there.

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Similarly, another location for the recommended multi-family residential project should be found. Hunter Interests Inc. market analysis showed demand for both of these projects, and therefore suggest that they are feasible and desirable projects to pursue, even though they may or may not work on Site 7 given the outcome of a decision on the City Courts facility. As with the Site 17 solicitation, it is recommended that the RFP be distributed to all companies that have expressed interest in downtown Mesa. A listing is provided in the Appendix. Furthermore, additional development opportunities such as the restaurant/entertainment/retail pavilion conceptualized in the previous Hunter Interests report as development next to the new Mesa Arts Center could also be incorporated into this RFP.

F. General Policy Recommendations

Hunter Interests recommends that the Maricopa Community College District on behalf of Mesa Community College enter into negotiations with the City of Mesa, pursuant to the comprehensive Development Agreement mentioned above, to enable these various policy recommendations to be implemented in a timely fashion. It is also recommended that the Maricopa Community Colleges take the appropriate actions to secure the capital and operational funds needed to accomplish the policy actions it agrees to, through the Development Agreement and subsequent negotiations.