

As I prepared to send my three sons off to start school this year, we agreed that their **report cards** would be the measure of performance. They were quick to point out that I should face the same test. This is the fifth time I'm giving a "state of the city" address. In an effort to share our successes and challenges with you and my kids, on this anniversary, we'll check our report card.

For five occasions I've talked about Tempe as the "canary in the mine shaft." We are a [city that is landlocked](#) and we are tested by the fact that we can not temporarily grow our way out of problems. That's why, even in my first State of the City address, I proposed that we had the opportunity, if not the obligation, to create a truly "sustainable" community.

Such language is now common, so common in fact that, at last year's state of the city address I focused on our chance to achieve what I believe are the three elements of true sustainability: economic, environmental and cultural sustainability. Our city government and the community it serves have taken that message seriously.

When a city decides to move toward goals as overarching as these, it can take time to show robust results. The decisions we make impact our business owners, our developers, our staff and our residents. Yet, we need to ask, how are we doing on these three fronts—our economy, our environment and our culture? What challenges do we continue to face and what do we need to do now to meet those challenges?

Let's start with our work to address our community's unique culture.

Like any City, Tempeans' sense of community relies on a basic premise that this is a safe place to live, work, play, go to school, have a business and raise a family. Our police forces, under the leadership of that Department's chief, Tom Ryff, have built on a strong tradition of great policing to achieve even greater results. [Crime rates](#) are down nearly 10 percent, and down for the fifth year in a row. For violent crimes, the reduction is incredible, with robbery down 22.5%, assault down 13.9% and other violent crimes down similarly. Since 2003, overall crime rates have fallen almost 22%.

The addition of the Apache Boulevard Police substation has allowed us to deploy officers more evenly throughout the City and provided better application of our resources. Add 58 more [police](#) personnel and the equipment to go with them and one can see the priorities we have established to keep our community safe. We have matched the addition of resources with solid results.

Fire service, too, continues to improve. We are moving to better meet the needs of the southeast quadrant of the City so we can provide a further reduction in response times to fire and emergency service calls.

We are embarking on the largest [parks rehabilitation program](#) in Tempe's history, with resources aimed squarely at our neighborhood parks. In the five year capital plan alone, this Council has allocated almost \$40 million in capital funds to our neighborhood parks. Our history museum, our library and Kiwanis Park's recreation center facilities will get extensive renovations.

In conjunction with the [Rio Salado Foundation](#), we are working to add a [Boat House and](#)

[Welcome Center to Tempe Town Lake, a plaza between the Mill Avenue Bridges](#) that will help energize the shores of Town Lake and with the help of a great group of competent, dedicated Tempe veterans, our [Veterans Memorial](#) is now in the early stages of design and fundraising. My thanks to Joe Spracale and Don Cassano for leading that effort. I know Don is here and would ask him to rise and receive our thanks.

And finally we have brought about progress in the effort to Master Plan, for Tempe and the entire region, [Papago Park](#). As our partners from the Salt River Pima-Maricopa Indian Community would tell you, Papago Park has served generations of residents over millenia; together we now can be sure it will do so for at least that long into the future.

Where do we need work, and fast?

We are improving access to [Mill Avenue](#) with transportation improvements and building new parking facilities to ease congestion and make the Mill & Lake District easily accessible for all our residents and visitors.

We still are fighting [graffiti](#) and taggers. We are acquiring and deploying specially outfitted trucks to do so. But we need residents to call in when they see a graffiti vandal defacing property. The number to call is 480 350-8384. Keep in mind, we don't need to get all of the vandals; we just need to get some of them and send a message: loud and clear. Tempe is not your private canvas. I will place before the Council at our next Issue Review Session a proposal to enhance our fines for those convicted of graffiti vandalism.

We need to stop the abuse of our [alleys](#) by illegal dumpers who seem to feel free to impose on our community the waste from their landscaping business and other alley-based business activities that skirt the edges of the law.

We need to get even tougher on bad landlords and their tenants, who have been using Tempe's otherwise single-family, owner occupied neighborhoods as high-occupancy dorms, fraternities and sororities. They also seem delighted to sweep the detritus from a rental gone bad into the alley for others to clean up. Alleys that only recently had been beautifully rebuilt already had deteriorated as some home occupants felt free merely to toss their [garbage](#) over their back fence without even attempting to hit the garbage can. I've cleaned the alleys with our uncontained waste crews. Each time is an eye-opening experience. Our streets, alleys and sanitation crews work with fantastic dedication – that all too often goes unrecognized.

The general appearance of some of our arterial streets needs work too. Whether it is City owned or private business property.

To begin addressing these continuing nuisances, we have increased the number of [Code Compliance](#) officers and seen a more than 54 percent increase in the number of proactive enforcement cases – that means that we are able to work with those with neglected yards, homes and alleys to improve the look of the neighborhood. We have answered about 6,400 Neighborhood Enhancement complaints this year – an increase of more than 1,300. We will keep after these issues to ensure that Tempe is a cleaner, safer, better-looking community.

Our community's culture also largely flows from our history. We have been living our values when it comes to reusing our historic resources. The [Carl Hayden Campus for Sustainability](#), an initiative launched by the Tempe City Council in partnership with the Rio Salado Foundation, is just one example of our efforts, and it has given us the chance to tie together many of our historic resources. I'd like to show it to you now.

The Carl Hayden Campus for Sustainability is not just about our culture and historic preservation; it also demonstrates our long commitment to be more environmentally responsible.

The City of Tempe truly is on the cutting edge of environmental sustainability.

We have completed the reconstruction of our [Kyrene Water Reclamation Facility](#) upgrades that allow Tempe now to produce high quality reclaimed water. We are moving forward with plans to use this as the source of replenishment for Town Lake, to water golf courses, and to recharge the local aquifer.

This year, we opened the [East Valley Bus Operations and Maintenance Facility](#), an operation owned by Valley Metro, Phoenix, Tempe and Scottsdale to house and repair buses and light rail trains. The team won an award for its environmental design and approach.

We are on the verge of dedicating our new [Transportation Center](#), which is contained in one of the greenest buildings in Arizona. This soon to be LEED certified facility allows people to get off light rail and get on a bus without walking more than a few feet. There's even a bike station with a repair shop.

As for the actual transportation systems, we have converted our bus fleet from gasoline to Liquid Natural Gas and Compressed Natural Gas propulsion, reducing Tempe's – and our nation's – dependence on foreign oil.

Our transit system allows Tempe families to forgo a car ride for many daily needs in favor of a bike ride on our award-winning [bike path system](#), or a ride on a neighborhood circulator, to [an arterial bus route](#), or to [light rail](#), which opens in late December.

This integrated transportation system is assisting us in creating a more robust private sector economy. Development has sprouted along Tempe's entire light rail line, including housing projects, new commercial development and many retail centers. Property values along the line are substantially higher than they have ever been.

We have more to do, even in transportation. We are examining a southward expansion of transit to connect the southern part of our community and the Valley to our light rail line and destinations to the north and west. From a bus-rapid-transit route going from Chandler to north Scottsdale along Rural Road, to a cost-competitive trolley system that might run from Rio Salado drive to Kiwanis Park along Mill Avenue, to a cutting edge, cost effective commuter rail option that would carry passengers from the downtown light rail system to the Town of Maricopa. We

are examining it all and, as usual, we are way ahead of the curve--pun intended in this case--because the reality is that the Broadway curve on I-10 will continue to pose challenges to Tempe.

Each of the proposed transportation options is intended to help Tempe residents. Just as important, it is intended to help those who would otherwise drive through Tempe find alternative, cost-effective, means to get to and from home and work and thereby reduce the negative impacts of others' commuting on Tempeans' quality of life

All of this environmental talk causes me to point out that, while Green is definitely a buzz word for saving our planet, it can also be a term we use to save our other green--cash.

We've had great success in the private sector in generating greater environmental stewardship. Last year we spoke about the improved environmental footprints of our new urban residential projects. This year you will soon see even more results on this front. On the commercial side, we've also seen great GREEN strides. As one example, Lee Chesnut has completed [Papago Gateway Center](#), This building is LEED designed and on track to receive a "gold" certification award. To compliment the building, Lee attracted FirstSolar as its first tenant. A fitting place for a company designing the energy sources for the future to be in a building that understands its environment and makes adjustments automatically.

Let me show you how we have been presenting this message:

Our City Manager, Charlie Meyer, recently returned from the International City Management Association [ICMA conference](#), an annual gathering of city leaders from around the globe. Tempe was requested, among a handful of other cities, to share its successes with that group. That's right, Tempe is identified as one of the cities that is getting it right. So a video was created that played in the host hotels and at the conference. I'd like to share it with you now.

You can see that our efforts to create a more environmentally sustainable community helps us with creating a sustainable economy. So let's turn to examine directly our performance in the economy.

Tempe, like government generally, only can use the resources it receives from its residents and businesses. The City government can provide only from that which it is given. As a result, our City government's success is dependent on the performance of the economy from which it benefits. We must recognize that the City's ability to affect the outcomes--in the environment and the culture of our community--is dependent on whether we help build, or we instead slow, the growth of our City's economy.

The current economic slowdown has been tough on lots of people and a wide sector of our economy. At the risk of repeating myself for the fifth time, recall that the last economic slowdown in 2001 was absolutely brutal to Tempe. While surrounding cities maintained about a 4% growth, Tempe saw 27 months of continuous loss of revenue. By July of 2004, when we began to turn things around, Tempe was more than \$6 million short in revenue from our high-point and approximately \$18 million below the prior years' projections for that year. By the end of the 2007-2008 fiscal year, our work had helped to grow Tempe's economy and the resulting

sales tax has reached 127.5 million dollars.

Given that number, as you can see, today, in this economic slowdown, we have sustained relative success. As a result, while both the state and national economies are in difficult shape, Tempe has been holding nearly steady. As of June 30, the end of our fiscal year, the state's revenue shortfall was 7 percent – Tempe's revenues were down only 1.4 percent. While other areas in the State and country see a standstill in development, construction and business formation, we continue to see construction cranes in our skies and we're still hosting ribbon cuttings for our new businesses. More than \$2 billion in [new development](#) and 80 new projects are underway, just in the urban core of our city.

In fact, from [the Apache Boulevard Redevelopment Area](#) to the north shore of [Town Lake](#), it is anticipated that, with the projects on the boards that were built this year and will continue for the next 15 years, there is more than \$4 billion in projects. Those aren't questionable developments – those are solid projects that are moving forward right now.

Much of this economic progress has come from our work to change the way we conduct business in the City and with our customers. Rebuilding the [Development Services Department](#), connecting the engineering division seamlessly to the process, merging the Planning & Zoning Commission and the Design Review Commission into the new, one-stop Development Review Commission--all have allowed large and small property owners to have planning, zoning and design issues reviewed by a single group of community members; these folks bring a wide variety of disciplines to each project and provide a holistic response from the City, saving time and money for our customers and our staff.

Our work to implement the redevelopment code has made it easier to have neighborhood commercial centers upgraded and enhanced, providing a much better streetscape and improved availability of goods and services to our residents and businesses.

Our work to attract cutting edge businesses also continues to do well; we continue to replace the jobs of the past--those that have gone overseas or no longer require human interaction--with new jobs of the future that won't go away. Examples include attracting, just this year, companies like Go Daddy, FirstSolar, Quantum Paper, ACS/Motorola and dozens of other [high-tech, bio-tech and nano-tech companies](#).

So maybe you can understand why, despite the fiscal challenges we face, I remain as optimistic as ever about what we're doing in Tempe. We have had some tremendous successes this year.

We opened [Tempe Marketplace](#) one year ago this week. Opening a mall is, of course, important economically for a community, but this mall was especially important to us, as it transformed a Super Fund site into a revenue generator. More than \$200 million in state and city sales tax revenue has been earned in just one year with more than 100 new stores and restaurants coming to Tempe as a result. Miravista Holdings is now working on phase 2 of the project, which continues to clean polluted land. This project will give to the community commercial office space, neighborhood supportive retail and residential developments at a more affordable price point than some of the high rise condominiums in our urban core. We also are likely to add a

new 25-acre park – to give an indication of the size of this park, it is about the same acreage as Tempe Beach Park.

This year, Opus will open [Tempe Gateway](#), the high rise you have likely seen at the corner of Third Street and Mill Avenue. This project is vitally important because it helps link the Mill Avenue District to Tempe Town Lake, allowing us to create what is now being called the Mill and Lake District. The retail in this development is nearly completely leased, in part because of the lake and Mill Avenue, but also because it is immediately adjacent to the [light rail station](#).

We have done all this in spite of the State of Arizona's continuing cuts at state shared revenues and increased fees for important state services, such as crime lab tests. On top of all that the State even sent cities a bill to force the "return" of revenues. Tempe's bill was for more than \$500,000. Well, don't count on Tempe paying that bill – and expect us to challenge it in court if necessary.

A sustainable Tempe economy will help Tempe smooth out the volatility of the "entertainment-retail" economy we are supplanting with Mill & Lake District residents who care as much about their neighborhoods as the longest continuing residents of our more established neighborhoods. These people will live in the unique urban environment, perhaps work in one of the high rises, partake in our community activities, and enjoy all the public amenities offered by Tempe. Who knows? They may even run for City Council. One thing we appreciate is that their participation in our community will benefit us through new ideas and yes, increased tax revenues to pay for City services for all of us.

However, I must note that I don't think we have resolved the issues over our [property taxes](#). As business leaders understand, property taxes bite business at a rate that is twice that of residential tax. That means a high tax rate in the face of the huge increases in property valuations in Tempe, without question, will affect future business formation. That, in turn, will impact our opportunities to grow the business sectors we seek to attract.

Let me be clear: the City Council selected capital projects that will be funded by secondary property tax over the next five years. Those projects were unanimously approved by the Council. Unanimously. Every one of us on the Council cares deeply about neighborhood parks, streets rehabilitation, public safety investments and all the other areas covered by the capital budget.

These projects will be built with money the City receives by selling bonds. And those bonds then will be paid with the money collected from secondary property taxes. The bonds for these projects come before our voters in the upcoming bond election. Given the unanimous support for the capital projects, it should be clear that every member of our City Council supports the passage of the bonds.

I propose a compromise: Let's together agree that the City should only collect enough property taxes to pay its bonds. Of course we also need enough in reserves to meet our bond obligations. By policy change during my tenure as Mayor—together—we increased the amount we will hold in reserve from 5% to 8%. As a result, for the first time in the City's history, Tempe received a

triple A rating on our City's bonds, a coveted and rare rating for any City, let alone one of Tempe's size.

I will propose to Council that, by ordinance, we let our secondary property tax rate be set by the amount of the City's bonded indebtedness and the reserve policy we have established. In that way, we always will assure our residents and businesses that we will not collect taxes we can't legally spend.

This bears repeating: we should assure our residents and businesses that we will not collect taxes we can't legally spend. That seems fair.

Four years ago, Tempe stopped the practice of giving away property taxes to developers without getting something for our community. Having taken that step, we now should take the next step. Now is the time to give everybody in our community, residents and businesses alike, a clear statement that we only will impose a FAIR tax for everybody.

In our efforts to balance our budget too, we have more work to do. Our [budget](#), like all jurisdictions in the State, faces continuous assault from a waning economy. That will require that our City staff and Council remain vigilant and continue to put in place plans to reduce costs in the event matters do not improve. That was the approach we took in 2001--to meet the downturn head on and solve our budget challenges before they become crises. We are doing it again.

Just last week, this Council unanimously adopted a policy that we should establish our budget based on a concept of "sustainable" employment. Because almost 80% of Tempe's budget expenses are related to salaries and benefits for our employees, we must match our City's hiring with the historic, sustained revenue streams. We need to be sure that we do not over-hire during the good times only to be forced to cut back during the bad times. Based on our current assessments, Tempe likely needs to reduce total staffing by between 75 and 100 positions. We likely will achieve this goal through attrition not layoffs. That means that positions that become vacant will not be filled. We will match that with further efforts to streamline our operations so that when we are through, we will have a better, long-term budget outlook that provides IMPROVED services for our community and SECURITY for our employees.

Based on recent data compiled by local economists, it is clear that Arizona is in a downturn along with the rest of the nation. But failed policies at the State level have exacerbated the problem here. Arizona has fallen from the second most prosperous State based on job creation to 42nd in the nation. That slip of 40 positions demonstrates that this State's policies are the difference between economic challenge and economic meltdown. Certainly this is true in transportation, as just one example.

Hundreds of thousands of dollars were spent in a failed effort to place the TIME Initiative on the ballot. But I believe the existence of the initiative itself demonstrates at least a decade's failure in transportation planning in this State.

Thanks to the hard work of so many of my colleagues in City Government and on the City

Council, Tempe is indeed weathering the storm better than most of its neighboring communities, and much better than many of the larger municipalities in the Valley. However, with the State in difficult shape, I am reminded that we're all in a boat filling with water. Tempe has one of the highest seats, but the boat is still filling with water. We need State leaders to learn, as we have, that it is better to fix the things that cause holes in the boat than it is always to be bailing water.

There's no secret to why Tempe is doing relatively well. We've had an approach to government the past 4 1/2 years that has built a stronger economic foundation than many other communities enjoy. Let me share just one set of data that make the point. Commercial property vacancy rates. Tempe has among the lowest in the Valley. That is to say that the commercial buildings in Tempe generally have tenants and are relatively well occupied. Tempe's vacancy rate currently is 11.7%. In the areas touted as most competitive to Tempe, we see that the Phoenix Camelback corridor vacancy rate is 16.1%; Chandler's is 19.5%; North Scottsdale is 22.2% & Glendale is facing a vacancy rate of 43.9% in commercial buildings. [Source: Elliott Pollack & Company](#)

That's not to say that everything is perfect in Tempe — We can all agree that we're going to have to tighten our belts as well.

But Tempe is, in fact, better positioned to ride out this economic downturn than other Valley cities. And the reasons for this are simple, and the reasons for this can serve as an example not only to other municipalities, but to our state government as well. They are the reasons why our foundation is stronger than other communities, and they are the reason that we will be able to ride out this economic wave and emerge from this surf-board ride stronger than we have ever been. We simply have to maintain our commitment to these principles, and we will not only endure, but thrive, in the long run.

First, we must continue to be responsible stewards of our citizens' tax dollars. We must keep our tax rates low — even lower than they are now — and make sure that every dollar spent is done with an eye toward what are the most important and necessary priorities for our residents.

Our state government — drowning in hundreds of millions of dollars in red ink now — would have been wise to learn this lesson. But instead, they've run up staggering budget deficits once again, as core services such as transportation have declined. Tempe has always had an uphill climb when dealing with the powers that be and special interests at the Capitol. But we must keep on climbing.

We also must continue our emphasis on job growth and creation, and maximizing the resources that we have as a community. We must compete in an economy that increasingly reminds us just how global it is, and we must succeed.

Our state government would do well to emulate Tempe's success. For years, we've been able to take advantage of our great climate, wonderful natural features and strong economy to attract more and more business to our state. At a time when so many people across the country are struggling, that opportunity has never been brighter.

We must continue to focus on the core Quality of Life issues that Tempe residents look to our community's leaders to provide. Public safety. Transportation. Neighborhood improvements. Parks and recreation. Let's continue our focus on these areas — and challenge our state and federal government to get back to basics as well, so that they cease to be a burden on us and become a source of support instead.

We can begin with our own efforts to correct these kinds of problems, and I suggest we start with transit. The Cities in the Valley are part of the RPTA—which runs our bus system—and the [Valley Metro Rail](#), which handles Light Rail. Only in government do we have two separate organizations to handle "transit."

Today I am proposing to the other cities in the Valley that we reduce the waste and conflict, and we begin now to plan to merge these two agencies. We all want our busses and light rail to work together seamlessly. We likely would be better served if there was only one governmental agency working to that end. Certainly in Tempe, on the eve of the opening of light rail, it is the time to merge our light rail and bus operations divisions into one group, and then do as efficient a job as possible to make our system work better and more cost-effectively.

Today's gift to you is a pencil – it is symbolic in that it is the tool we are first given for school. But it is also a tool we think about for the economy and for innovation. We 'sharpen our pencils' to get to the real number. We sketch out our ideas.

Today, start to imagine how we will draw Tempe's future. Let me give you one example.

We have long sought to get a hotel built on Town Lake. Our first effort was the Peabody Hotel. Of course that deal failed, even with the City agreeing to pay the developer almost \$70 million in incentives. But after years of work, we reversed that approach, improved our City's operation and now have a successful project being built on the site by [Wolff Companies](#).

But still no hotel.

We thought we'd get there with another deal but it didn't quite fit. So today I ask you to dream. Take out your pencil. I know it hasn't been sharpened—yet—but you can still pretend for a moment. Think hard. Sketch out that hotel on the Lake. Hotel on the Lake. It will be filled with business visitors and tourists. It will host visitors to ASU and the valley.

As a result of your efforts this morning and a whole lot more, and especially the efforts by the team at [Suncor](#), led by Steve Betts and Randy Levin, I am pleased to announce that a deal is near. Right here. For that hotel on the Lake.

Let me introduce to you Steve Betts and Randy Levin from Suncor; Todd Decker from Vahalla. They have been working to complete, and will very shortly, the last agreement that will bring us the State's most exquisite [Hyatt Regency](#) hotel. On the Lake.

The new Hyatt Regency will feature 240 guest rooms, 24 condominiums, a 4,000 square foot spa and 13,000 square feet of meeting space – including a 5,000 square foot ballroom. It will break

ground next summer and open in 2011.

This signature hotel will be brought to us by [Global Hyatt Corporation](#), one of the world's premier hotel companies. Hyatt owns 730 hotels and resorts totaling more than 136,000 rooms in 44 countries. This is a huge show of confidence in our community.

And this on the heels of the recent sale of tower two of the [Hayden Ferry Lakeside](#) project at record breaking numbers from a \$92.5 million dollar price tag to the fact that the building garnered a price of \$308 per square foot.

Finally, Suncor recently pulled permits to proceed with its third office tower. This 10-story building will be located on the northeast corner of Mill Avenue and Rio Salado Parkway. The [Urban Land Institute](#) has designated this intersection as one of the 10 hottest in Arizona. How about a round of applause for Steve Betts and Randy Levin from Suncor for showing us the way to the future and creating such a dynamic project.

Now you may understand why I remain so optimistic. We've developed good team work. And I'd like to close by reintroducing that team and the committee each will be chairing:

Housing

Chair: Corey Woods; Member: Shana Ellis

Transportation

Chair: Shana Ellis; Member: Ben Arredondo

Education Partnerships

Chair: Ben Arredondo; Member: Joel Navarro

Neighborhood Parks Rehabilitation & Maintenance

Chair: Joel Navarro; Member: Mark Mitchell

Sports, Recreation, Arts & Cultural Development

Chair: Mark Mitchell; Member: Onnie Shekerjian

Technology, Economic & Community Development

Chair: Onnie Shekerjian; Member: Corey Woods

It's time to celebrate the good. What Tempe does best. Our city is at its best when it is creative, dynamic, and innovative. Remember, the ancestors of the Salt River Pima-Maricopa Indian Community and Gila River neighbors, whose need for water found them a home here. Remember the Tempe founders who settled farms in San Pablo and who saw the need for a river crossing and a mill and gave birth to this great city as a result.

Tempe's history of creative problem solving has led to major accomplishments, including turning a barren riverbed into some of the most highly sought after real estate in Arizona, high rise development in a landlocked community and a holistic transportation system for a city where the number of our residents is exceeded by the number of guests who visit us every day. Join me in applauding one more step into Tempe's brightest future as together we continue to build Tempe--The Great Arizona City.

Thank you for being here.