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APR 11 2013

MEMORANDUM

Economic Development – Council Memo ED13-014

DATE: MARCH 30, 2013

TO: MAYOR AND COUNCIL

THRU: RICH DLUGAS, CITY MANAGER *RD*
PATRICK MCDERMOTT, ASSISTANT CITY MANAGER *PM*

FROM: CHRISTINE MACKAY, ECONOMIC DEVELOPMENT DIRECTOR *CM*

SUBJECT: ARIZONA STATE UNIVERSITY MODIFICATIONS TO THE LEASE FOR THE CHICAGO YARD AND AUTHORIZATION FOR IMPROVEMENTS.

RECOMMENDATION: Staff recommends approval of Ordinance No. 4448 amending Ordinance 4356 to authorize and approve a revised lease agreement between the City of Chandler and Arizona State University for the former Public Works yard site at 249 E. Chicago Street, and to authorize the Mayor to sign the lease and related documents upon their approval as to form by the City Attorney.

Staff also recommends approval of a fund transfer from the Strategic Economic Development Opportunity General Funds (101-1291-5921) to the ASU Innovation Center (401-1291-6212-6GG630) in an amount up to \$200,000.

BACKGROUND/DISCUSSION: In February 2012, City Council authorized Significant Lease Terms for Arizona State University to lease the former +/-33,000 square foot Public Works yard, as well as appropriation of up to \$2.9 million for renovation of the facility. ASU has proposed three programs operate in the facility, all expanding from the ASU Polytechnic campus. Initially this building will be home to approximately 100 students and faculty, expanding over the next five years to house approximately 1,000 ASU students and faculty.

After City Council's approval, staff prepared and solicited for a hard-bid process for the construction of the tenant improvements on the site. During that time, ASU approached the City with a potential new partner for the space known as "TechShop". TechShop is a member-based workshop that provides access to an extensive list of tools, equipment and instruction, allowing all skill levels the opportunity to build and create physical products.

Due to this change in partnership, the plans for the hard-bid had to be modified to fit this additional tenant. Subsequently, the hard-bid prices came in significantly higher than staff had planned for in original estimates. Due to the value engineering required by both ASU and TechShop to get the cost of this project reduced, staff felt that it was in the projects best interest to turn the lead for the project to ASU, who in turn has selected a Construction Manager at Risk (CMR), Haydon Construction. Haydon has now been working with the plans for several weeks in order to reduce costs brought about by the addition of TechShop. ASU and TechShop now feel the plans are ready to go forward, and ASU will take the lead on reconstruction of the building.

To house classroom, faculty and engineering labs, the Chicago Yard will need a complete interior demolition and rebuild, as well as drainage and parking improvements.

Through review, it is estimated that this project will require approximately \$3.37 million in capital costs to renovate for occupancy by ASU. The City of Chandler's allocation for this project currently maintains a balance of \$2.4 million of the original \$2.9 million authorized by Council.

To meet the delta between the cost of the project and the remaining funds available, the City of Chandler and ASU will share the cost of the difference at the rate of 75% ASU and 25% City of Chandler, with the City's additional expense not to exceed \$200,000.

As a reminder, the term of this lease remains unchanged, i.e. 5 initial years, plus 9 additional 5-year options. The parties and their respective attorneys have completed negotiations of the language changes needed to shift responsibility for the renovations to ASU with the City providing monetary contributions as the work proceeds in accordance procedures established in the lease, as revised. The revised lease will be approved as to form by the City Attorney before execution by the City.

At its April, 2013 Arizona Board of Regents (ABOR) meeting, ASU will take an item forward for consideration to ABOR, authorizing the additional expenditure for the Chicago Yard. Once the tenant improvements are completed, ASU will be financially responsible for all on-going operations of the space, as well as maintenance and upkeep of the structure and equipment. Staff anticipates no additional costs for this facility after the initial construction.

FINANCIAL IMPLICATIONS: The projected additional cost to the City of Chandler for the ASU Downtown project is \$200,000, to be funded with a transfer from the Strategic Economic Development Opportunity General Funds (101-1291-5921) to the ASU Innovation Center (401-1291-6212-6GG630).

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PROPOSED MOTIONS: Move to adopt Ordinance No. 4448 amending Ordinance 4356 to authorize and approve a revised lease agreement between the City of Chandler and Arizona State University for City property at 249 E. Chicago St., and to authorize the Mayor to sign the lease agreement and related documents upon their approval as to form by the City Attorney.

In addition, move to approve a fund transfer from the Strategic Economic Development Opportunity General Funds to the ASU Innovation Center in an amount up to \$200,000.

Attachments: Ordinance No. 4448
Vicinity Map

ORDINANCE NO. 4448

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AMENDING ORDINANCE NO. 4356, TO AUTHORIZE AND APPROVE A REVISED LEASE AGREEMENT BETWEEN THE CITY OF CHANDLER AND ARIZONA STATE UNIVERSITY FOR THE FORMER PUBLIC WORKS YARD AT 249 EAST CHICAGO STREET FOR PUBLIC EDUCATION PURPOSES.

WHEREAS, the City of Chandler owns improved real property located at 249 East Chicago Street, which is the City's former Public Works' yard; and

WHEREAS, said property, herein designated the "Leased Premises", is currently unoccupied and in need of renovation to allow for its continued use as a public facility; and

WHEREAS, on March 8, 2012, the Chandler City Council passed and adopted Ordinance No. 4356, so as to authorize and approve a Lease of the Leased Premises to Arizona State University ("ASU") for public education purposes substantially in accordance with the terms and conditions included as an exhibit attached to the Ordinance; and

WHEREAS, the Lease was intended to provide that the City would undertake a significant renovation of the Leased Premises to meet local codes and allow the site to function satisfactorily as an academic facility; and

WHEREAS, the parties have determined that the circumstances and timing for commencement of the Term of the Lease make it more desirable that ASU undertake the actual renovation work with the City bearing a substantial portion of the cost of the work, and that the Lease be revised to reflect this shift in obligations related to the renovation work.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Chandler, Arizona, as follows:

Section 1. The City Council of the City of Chandler, Arizona does hereby authorize and approve amending Ordinance No. 4356 so as to authorize and approve revisions to the Lease of the Leased Premises, which revisions provide that ASU, as the tenant under the lease, will undertake the renovation work identified in the lease, with the City making (i) an initial contribution toward the renovation work of \$2.9 million of which \$2.4 million remains to be paid, and (ii) an additional contribution of 25% of the costs in excess of the City's initial contribution not to exceed \$200,000.

Section 2. The Mayor of the City of Chandler, Arizona is hereby authorized to execute the revised Lease and related documents upon their approval as to form by the Chandler City Attorney.

INTRODUCED AND TENTATIVELY APPROVED by the City of Chandler, Arizona, this _____ day of _____, 2013.

ATTEST:

CITY CLERK

MAYOR

PASSED AND ADOPTED by the Mayor and City Council of the City of Chandler, Arizona, this _____ day of _____, 2013.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4448 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on _____ day of _____, 2013, and that a quorum was present thereat.

CITY CLERK

PUBLISHED:

APPROVED AS TO FORM:

CITY ATTORNEY *GAB*

ARIZONA STATE UNIVERSITY – PROPOSED LEASE PREMISE
249 East Chicago, Chandler

