

Repl # 9

JAN 22 2015



**Chandler · Arizona**  
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**MEMORANDUM      Economic Development**

**DATE:**            JANUARY 22, 2015

**TO:**                MAYOR AND COUNCIL

**THRU:**            RICH DLUGAS, CITY MANAGER *RD*  
MARSHA REED, ASSISTANT CITY MANAGER *MR*

**FROM:**            MICAH MIRANDA, ECONOMIC DEVELOPMENT DIRECTOR *MM*

**SUBJECT:**        REQUEST WITHDRAWAL OF ITEM NO. 9 - RESOLUTION NO. 4833 –  
INFILL INCENTIVE PROGRAM AGREEMENT FOR A PORTION OF EAST  
VALLEY MALL – WEST OF THE NWC OF ARIZONA AVENUE AND  
WARNER ROAD – (FORMER FOOD FOR LESS/SWAPSMART AND  
CURRENT SPOT FREE CARWASH)

RECOMMENDATION: Staff requests withdrawal of Item No. 9, Resolution No. 4833 Infill Incentive Program Agreement for a portion of East Valley Mall – West of the NWC of Arizona Avenue and Warner Road – (Former Food for Less/Swapsmart and current spot free carwash)

BACKGROUND/DISCUSSION: Staff requests withdrawal of Item No. 9, Resolution No. 4833 to allow the Owner more time to finalize demolition cost associated with the Scope of Work.

PROPOSED MOTION: Move to approve the withdrawal of Item No. 9, Resolution No. 4833 – Infill Incentive Program Agreement for a portion of East Valley Mall – West of the NWC of Arizona Avenue and Warner Road – (Former Food for Less/Swapsmart and current spot free carwash).



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#9  
JAN 22 2015  
Chandler  
All-America City  
2010

**MEMORANDUM Economic Development - Council Memo No. ED15-014**

**DATE:** January 9, 2015

**TO:** MAYOR AND COUNCIL

**THRU:** RICH DLUGAS, CITY MANAGER *RD*  
MARSHA REED, ASSISTANT CITY MANAGER *MR*  
MICAHA MIRANDA, ECONOMIC DEVELOPMENT DIRECTOR *MM*  
**FROM:** JAMES SMITH, ECONOMIC DEVELOPMENT PROGRAM. MGR. *JS*

**SUBJECT:** RESOLUTION NO. 4833 - INFILL INCENTIVE PROGRAM AGREEMENT FOR A PORTION OF EAST VALLEY MALL - WEST OF THE NWC OF ARIZONA AVENUE AND WARNER ROAD – (FORMER FOOD FOR LESS/SWAPSMART AND CURRENT SPOT FREE CARWASH)

RECOMMENDATION: Move to adopt Resolution No. 4833 approving the Agreement with NexMetro Development, LLC, for a portion of East Valley Mall - west of the NWC of Arizona Avenue and Warner Road (Former Food for Less/SwapSmart and current Spot Free Car Wash) in an amount not to exceed \$182,242 and authorizing the Mayor to sign all necessary documents.

BACKGROUND: Resolution No. 4833 authorizes the Mayor to execute an Infill Incentive Plan Agreement between the City of Chandler and NexMetro Development, LLC, to provide financial assistance for the demolition of commercial buildings and other existing infrastructure in preparation for a multi-family housing development. The subject site is a portion of East Valley Mall - located west of the northwest corner of Arizona Avenue and Warner Road. This funding will assist the Developer in removing over 76,000 square feet from the commercial market.

DISCUSSION: The Infill Incentive Plan was implemented in 2009 to encourage private redevelopment or reinvestment in older existing retail centers within designated areas of the City that exhibit high vacancy rates and/or are facilities that were constructed at least 15 years ago.

The subject commercial site has struggled in recent years, largely due to the opening of the Loop 101 Price Freeway and the Loop 202 Santan Freeway, which have changed traffic patterns in the area. Also, contributing to the issues in this area were the relocation of national tenants to Chandler Fashion Center and its surrounding power centers as well as the development of additional power centers along the freeways. Together these issues have resulted in a supply of commercial space that exceeds what is currently viable in the area, resulting in high vacancy rates at existing shopping centers.

The subject site currently consists of a former Food for Less/SwapSmart building and a self-service car wash. This “big box” building has been vacant for several years with few options for commercial reuse due to both its size and the amount of available space in this area. This building does not fit well with the typical footprint of existing grocers or new smaller format stores. Also, because the Wal-Mart one mile west of this site expanded to add groceries several years ago, it is unlikely to be reused for this purpose. In addition, the availability of office space, particularly along the City’s freeway corridors has limited the ability of owners to reuse the space for call center type operations as has happened with other “big boxes.” There is limited potential for an educational use of the building as there is an existing charter school in this center as well as another one mile west of the subject site. The former Target store that was located at this center closed in February 2014, leaving another “big box” building of over 100,000 square feet vacant.

The proposed demolition and redevelopment of the property is consistent with the intent of the Infill Incentive Plan. The proposed project will eliminate over 76,000 square feet from the market, bring 194 new multi-family housing units to the identified Infill Incentive Plan area, and provide additional residents that will help support retail users and additional densities along a rapid transit corridor. The work is expected to commence in early February after the Developer closes on the property.

NexMetro Development’s total investment in the project is estimated to be approximately \$30.8 million, including the purchase of the land and existing buildings, demolition of the existing structures and infrastructure, and the redevelopment of the site as a multi-family project. The total costs of the demolition are estimated to be \$364,485, and the City’s maximum participation in the project will be \$182,242, which is half of these costs.

The basic terms of this Agreement provide funding to assist NexMetro bring the subject site to a state where it can be redeveloped into a multi-family project, including:

- Demolishing the existing structures, including the former Food for Less/ SwapSmart and the Spot Free car wash,
- Removing parking lot asphalt and concrete, landscaping, and screen walls,
- Abandoning the existing drywells,
- Removing the private street (Mariposa Street) at the northwest portion of the site, which is no longer necessary for access to this development or the adjacent housing development, and
- Eliminating the existing Warner Road driveway to the site, as the primary access to this development will be at two entrances on Grace Boulevard.

The anticipated benefits to the City of Chandler by participating in this project include:

- Increasing the long-term viability of the surrounding commercial properties and businesses due to the introduction of approximately 290 and 390 new residents (1.5 to 2.0 residents per unit) with estimated average annual incomes estimated in the \$75,000 - \$85,000 range,
- Bringing additional residential density along a present and potentially expanding rapid transit corridor,

- Removing a significant amount of underperforming commercial space from the market, which may increase demand for remaining buildings of a similar size,
- Providing a dramatic improvement to the property and streetscape, which could spur further reinvestment to the surrounding commercial properties.

FINANCIAL IMPLICATIONS: The City of Chandler will contribute \$177,067 for demolition costs and \$5,175 for development fees for a total of \$182,242. Funding is available in the FY14-15 Economic Development Division Capital Budget for the proposed amount.

PROPOSED MOTION: Move to adopt Resolution No. 4833 approving the Agreement with NexMetro Development, LLC, for a portion of East Valley Mall - west of the NWC of Arizona Avenue and Warner Road (Former Food for Less/Swapsmart and current Spot Free Car Wash) in an amount not to exceed \$182,242 and authorizing the Mayor to sign all necessary documents.

Attachments: Resolution 4833  
Infill Incentive Plan Agreement

Attachments Resolution No. 4833 and Infill Incentive Plan Agreement are forthcoming.