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#12
AUG 11 2016

MEMORANDUM

Economic Development – Council Memo ED17-002

DATE: AUGUST 11, 2016

TO: MAYOR AND COUNCIL

THRU: MARSHA REED, CITY MANAGER *MR*
MICAHA MIRANDA, ECONOMIC DEVELOPMENT DIRECTOR *MM*

FROM: MICHAEL WINER, ECONOMIC DEVELOPMENT SPECIALIST *MW*

SUBJECT: RESOLUTION NO. 4986 AUTHORIZING THE TERMINATION OF THE OFFICE LEASE BY AND BETWEEN THE CITY OF CHANDLER AND CCMVWP SAN TAN TECH, LLC, FOR THE PREMISES AT 145 SOUTH 79TH STREET; AUTHORIZING THE LEASE TERMINATION PAYMENT OF \$302,317.45 AND A FINAL LOAN PAYMENT OF \$216,668.37; AND AUTHORIZING THE CITY MANAGER OR DESIGNEE TO DELIVER A NOTICE OF TERMINATION, TERMINATION FEE, AND FINAL LOAN PAYMENT TO CCMVWP SAN TAN TECH, LLC.

RECOMMENDATION: Staff recommends City Council pass and adopt Resolution No. 4986 authorizing the termination of the office lease by and between the City of Chandler and CCMVWP San Tan Tech, LLC, for the premises at 145 South 79th Street; authorizing the lease termination payment of \$302,317.45 and a final loan payment of \$216,668.37; and authorizing the City Manager or designee to deliver a notice of termination, termination fee, and final loan payment to CCMVWP San Tan Tech, LLC.

BACKGROUND/DISCUSSION: The City of Chandler is in the seventh year of a fourteen-year office lease with CCMVWP San Tan Tech, LLC for the premises at 145 South 79th Street in Chandler, Arizona, commonly known as the “San Tan Tech Center”. The lease ends March 31, 2024. Pursuant to Section 3.5 of the lease dated March 18, 2010 (“Original Lease”), the City has the option to terminate the lease early on the last day of the 84th month of the lease with at least six months prior written notice. The City will provide a notice to terminate the lease to CCMVWP San Tan Tech, LLC, no later than September 30, 2016, upon which the lease will have a new effective termination date of March 31, 2017. The cost to terminate the lease early is \$302,317.45.

Pursuant to Section 3.2 of the first amendment to the lease dated December 15, 2011, the landlord provided the City with an Additional Improvement Allowance (“Loan”) of \$306,016.68 for costs associated with tenant improvements at the premises to be amortized over the lease term. The Loan is scheduled to have a remaining balance of

\$216,668.37 on March 31, 2017. The City will make a final payment of \$216,668.37 to CCMVWP San Tan Tech, LLC, no later than said date.

Staff has begun executing steps that need to be accomplished to exit the leased premises by March 31, 2017. Most notably, written notice has been provided to all current tenant companies to inform them of the City's plans to exercise its early termination option, the date they will be required to have exited the facility by (should they not be retained by the landlord), and transition assistance available, including help with identifying other office and lab space in Chandler that meets their business needs.

FINANCIAL IMPLICATIONS: Pursuant to Section 3.5 of the lease, notice of the City's intent to terminate the lease must be accompanied by a payment to CCMVWP San Tan Tech, LLC, of \$302,317.45.

The Loan is scheduled to have a remaining balance of \$216,668.37 on March 31, 2017. The City will make a final payment of \$216,668.37 to CCMVWP San Tech, LLC no later than said date.

Both payments are budgeted in account 101.1291.5818.0000.5SE010.

PROPOSED MOTION: Move City Council pass and adopt Resolution No. 4986 authorizing the termination of the office lease by and between the City of Chandler and CCMVWP San Tan Tech, LLC, for the premises at 145 South 79th Street; authorizing the lease termination payment of \$302,317.45 and a final loan payment of \$216,668.37; and authorizing the City Manager or designee to deliver a notice of termination, termination fee, and final loan payment to CCMVWP San Tan Tech, LLC.

Attachments: Resolution No. 4986

RESOLUTION NO. 4986

A RESOLUTION OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING THE TERMINATION OF THE OFFICE LEASE BY AND BETWEEN THE CITY OF CHANDLER AND CCMVWP SAN TAN TECH, LLC, FOR THE PREMISES AT 145 SOUTH 79TH STREET; AUTHORIZING THE LEASE TERMINATION PAYMENT OF \$302,317.45 AND A FINAL LOAN PAYMENT OF \$216,668.37; AND AUTHORIZING THE CITY MANAGER OR DESIGNEE TO DELIVER A NOTICE OF TERMINATION, TERMINATION FEE, AND FINAL LOAN PAYMENT TO CCMVWP SAN TAN TECH, LLC.

WHEREAS, the City of Chandler and CCMVWP San Tan Tech, LLC entered into an office lease for the premises at 145 South 79th Street in Chandler, Arizona, dated March 18, 2010 (“Lease”); and

WHEREAS, the Lease provides the City with the right to terminate the Lease early on the last day of the eighty-fourth (84th) month of the Lease term (“Early Termination Date”) by providing the landlord, CCMVWP San Tan Tech, LLC, with at least six (6) months prior written notice of termination; and

WHEREAS, the Lease requires, simultaneously with the delivery of the notice of termination, the payment of a termination fee to CCMVWP San Tan Tech, LLC, in the amount of Three Hundred Two Thousand Three Hundred Seventeen Dollars and Forty-Five Cents (\$302,317.45) (“Termination Fee”);

WHEREAS, the City now desires to terminate the Lease;

WHEREAS, pursuant to the first amendment to the Lease dated December 11, 2011, the landlord provided the City with an Additional Improvement Allowance (“Loan”) of Three Hundred Six Thousand Sixteen Dollars and Sixty-Eight Cents (\$306,016.68) for costs associated with additional tenant improvements at the premises to be amortized over the Lease term;

WHEREAS, the Loan is scheduled to have a remaining balance of Two Hundred Sixteen Thousand Six Hundred Sixty-Eight Dollars and Thirty-Seven Cents (\$216,668.37) on the Early Termination Date and the City desires to repay the loan no later than said date (“Final Loan Payment”).

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

Section 1. That the City Manager of the City of Chandler or designee is hereby authorized to execute a Notice of Termination terminating the Lease dated March 18, 2010, with an effective termination date of March 31, 2017, and deliver the Notice of Termination and Termination Fee in an amount not to exceed \$302,317.45 to CCMVWP San Tan Tech, LLC no later than September 30, 2016.

Section 2. That the City Manager of the City of Chandler or designee is hereby authorized to deliver a Final Loan Payment in an amount not to exceed \$216,668.37 to CCMVWP San Tan Tech, LLC no later than March 31, 2017.

Section 3. That the City Manager, or her designee, is authorized and directed to perform all acts necessary to give effect to this Resolution.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this ____ day of _____, 2016.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4986 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of _____, 2016 and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY (KB)