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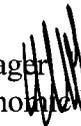


Chandler • Arizona
Where Values Make The Difference

MEMORANDUM Downtown Redevelopment – Council Memo DT07-013

DATE: January 26, 2007

TO: Mayor and City Council

THRU: W. Mark Pentz, City Manager 
Richard K. Mulligan, Economic Development Director 

FROM: Jeanne Bosarge, Downtown Assistant 

SUBJECT: Downtown Improvement Fund for Velvet Steel, L.L.C.
 dba The Urban Tea Loft

RECOMMENDATION: Staff recommends approval of a Downtown Improvement Fund matching grant not to exceed \$50,000 for the purpose of construction of tenant improvements at 11 W. Boston Street, Suite 2.

BACKGROUND/DISCUSSION: The City has created the Downtown Improvement Fund (DIF) for the purpose of encouraging investment by viable retail and restaurant businesses that will generate employment and complement the current business mix in Historic Downtown Chandler. Specifically, the aforementioned funds are to be used to reimburse the property or business owner for up to \$50,000 or half of the costs, whichever is less, associated with the necessary tenant improvements to renovate the space for the specified retail use in the Downtown Improvement Fund Target Area.

Velvet Steel, L.L.C., dba The Urban Tea Loft, is leasing approximately 1,900 square feet of space located at 11 W. Boston Street, Suite 2. The owner of The Urban Tea Loft will provide an upscale chic tea retail shop offering gourmet and loose leaf teas from around the world, sipping chocolates, baked goods, lunch menu, and rental space for small parties including chaperoned children's tea parties, bridal showers and corporate meetings.

Velvet Steel, L.L.C., dba The Urban Tea Loft, has requested City participation in the construction of tenant improvements using existing DIF matching grant funds. Staff recommends using existing DIF funds to accomplish the renovation of the interior of this building. Total costs for the tenant improvements are estimated at \$268,040.

Improvements to the space will include the installation of kitchen equipment, lighting fixtures, ceiling fans, retail display cases, social event rooms, carpet, tile and wood flooring and painting of the interior.

The goal of the owners of Velvet Steel, L.L.C., dba The Urban Tea Loft, is to create a unique and eclectic tea room, which will make historic Downtown Chandler a destination for tea enthusiasts, as there is nothing comparable in the East Valley. The owner has obtained the tea designation of Levels One and Two from the Specialty Tea Institute to insure their business is run professionally.

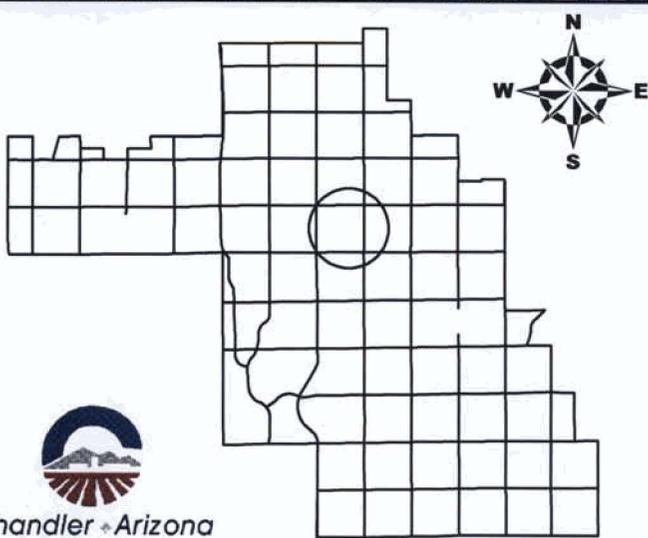
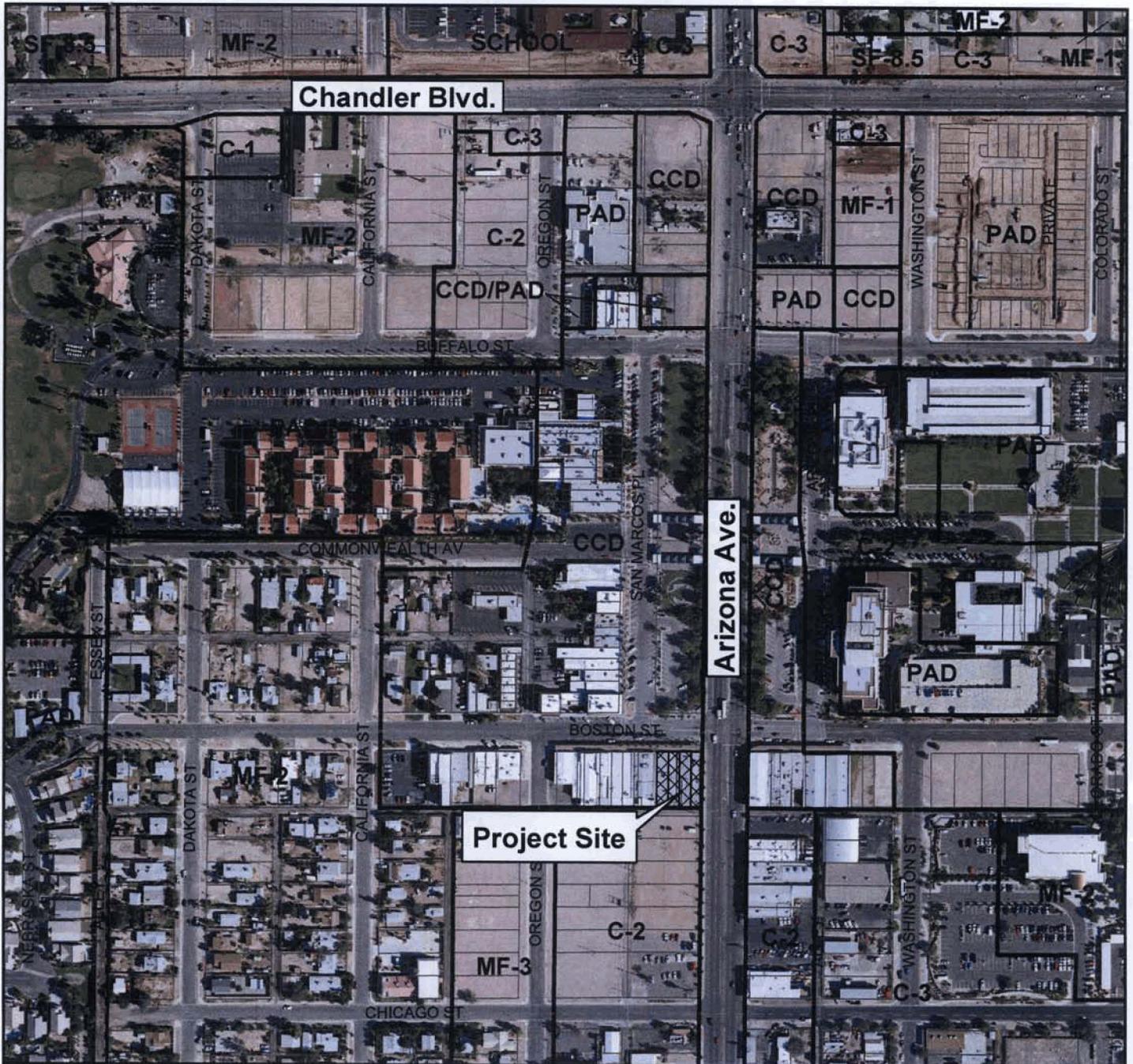
Staff is recommending that an amount not to exceed \$50,000 be granted for reimbursement of tenant improvement costs to the owners upon completion of the project and receipt of the Certificate of Occupancy and confirmation by staff of tenant improvement costs to meet the requirements of the DIF program.

FINANCIAL IMPLICATIONS: The funding source of this matching grant is available in the Downtown Improvement Fund in cost center 1540.

PROPOSED MOTION: Move to authorize a DIF matching grant in an amount not to exceed \$50,000 to Velvet Steel, L.L.C., dba The Urban Tea Loft, for the purpose of construction of tenant improvements for property located at 11 W. Boston Street, Suite 2 and authorize the Economic Development Director to execute all documents necessary to complete the grant.

Attachments:

- Vicinity map
- Tenant Improvement Summary
- Matching Grant Agreement with Exhibits



Vicinity Map



Project Site

**Arrow Pharmacy
11 W. Boston St.**

TENANT IMPROVEMENT SUMMARY

The NO Studio & Zen Hospitality Group

Architectural design services including design services, consultant management, engineering, plumbing, permitting, lighting and mechanical engineering. Kitchen design including layout, mechanical, plumbing, engineering, lighting, and materials (to Zen Hospitality Group).

\$15,004.67

Sprinkler engineer design

300.00

Professional Design Services

Design Services (estimated @ 150 hr)

\$10,000

(Verbal quote from designer, Debra May Himes)

Includes interior design services of public spaces including the loft area, meeting room, VIP room, and office/workroom).

Legal Fees

Includes fees for legal review of the building lease and lease revisions.

\$1,100

Signage Design Fee

\$ 300

Additional Permits**

\$1,500

(including occupancy and menu review by the City)

Estimated Project Costs*	
Tenant Improvements	\$241,644
Architectural Design Services	15,005
Professional Interior Design Services	10,000
Legal Fees	1,100
Signage Design	300
Total	\$268,049
<p>*Total estimated costs does not include furnishings, machinery, kitchen equipment or any removable items needed for the daily operation of the business not approved for consideration by the City of Chandler. **Not included in total.</p>	

Renovation Plans

The Urban Tea Loft will occupy Suite 2 at 11 W. Boston Street. This space comprises 1,910 square feet. Improvements to the space will include the installation of lighting fixtures, ceiling fans, retail display cases, social event rooms, permanently attached furnishings, carpet, tile and wood flooring, painting of the interior, storage rooms, and installation of kitchen equipment.

Proposed Materials

Flooring:

The interior flooring will be comprised of metallic tile in the restaurant, office, and hallways. Wood surfaces will be used in the VIP Room and carpet will be used in the meeting room. The kitchen flooring will resemble epoxy so it can be easily cleaned.

Interior Paint:

The walls will be painted and colors of the interior will be beige, chocolate brown, orange, and green.

Interior Wall Coverings:

Acoustical panels will be placed on the walls for sound absorption..

Fixed Retail Shelving, Shelving and Office Equipment:

We will have 25 feet of fixed retail shelving from Stone Creek Furniture as well as fixed shelving behind the front counter. Fixed shelving will also be in the kitchen to hold the microwave as well as other kitchen supplies. In the office/workroom we will have a fixed desk attached to the wall mainly comprised of shelving and drawers (also from Stone Creek).

Lighting:

Our lighting will be modern to encourage the loft feel. We will have task, ambient, and direct lighting throughout all areas. We will have track and monorail lighting to focus on artwork as well as pendant and recessed lighting.

Ceiling Fans:

We will have a total of 4 ceiling fans. They will be modern, industrial and attractive.

Following is a detailed architectural rendering of these areas.



COMMERCIAL • RESIDENTIAL

ESTIMATE

Licensed / Bonded / Insured

Quote for services: Alex Westwood, General Contractor

Framing	30,800
Ductwork	15,000
Electrical	29,000
Electrical Fixtures	18,244
Doors	3,000
Wood Panels	5,000
Interior Windows	5,000
Plumbing	24,000
Counter Tops	12,000
Flooring	19,000
Ceiling Fans (4)	1,000
Gas Line	4,000
Alarms	3,600
Sprinklers	10,000
Concrete Cuts	10,000
Telephone/Cable Lines	2,000
Paint	6,000
Appliance Installation	9,000
HVAC Upgrade	1,100
Ceilings	2,600
Reverse Osmosis	4,000
Smooth Concrete Surf.	2,300
Fixed Millwork	25,000

Signature: Alex Westwood Date: DEC-22-06

Alex Westwood, General Contractor

Quote available for 30 days.

P.O. Box 5395 •
Peoria, AZ 85385 •
C. (623) 694-8804 •
O. (623) 773-0338 •



Schedule of Fees

December 12th, 2006

nostudio job# 06-003

Urban Tea Loft
Glynis & Eric Legrand
11 West Boston St. Suite 2
Chandler, Az. 85225

Project: Urban Tea Loft – Tenant Improvement

Fee for Architectural and Engineering Services

90% Progress/1st review by City Complete – Total Fee \$15,004.67 (\$1,512.27 balance)

Architectural Fee	\$ 4,000.00
Mechanical, Plumbing & Electrical & Structural Engineering Fee	\$ 7,300.00
Fire Sprinkler Engineering Fee	\$ 900.00
Kitchen Consultant Fee	\$ 1,600.00
Printing	\$ 624.54
City Plan Review	\$ 580.13
Total:	\$15,004.67

Sincerely,

Bill Osborne, R.A.

Principal

nostudio

bill@thenostudio.com

5833 s 41st street phoenix, az. 85040

ESTIMATE NO.

109

11.15.06

Urban Tea Loft



JOB PROPOSAL/ESTIMATE

PRICING DETAILS

DESIGN

- | | |
|--|--------|
| <input type="radio"/> A. Design of company logo | \$600 |
| <input type="radio"/> B. Design of business cards | \$400 |
| <input type="radio"/> C. Design of invitation for different social events | \$200 |
| <input type="radio"/> D. Design/coding of 6 web pages (without e-Commerce) | \$1475 |
| <input type="radio"/> E. Design of gift cards | \$150 |
| <input type="radio"/> F. Design of loyalty card | \$150 |
| <input checked="" type="radio"/> G. Design of store signage | \$300 |
| <input type="radio"/> H. Design of packaging (tea can label-5 colors) | \$700 |
| <input type="radio"/> I. Design of bag label | \$100 |

**Printing estimates will be provided and invoiced separately from design fees.
Please note that printing is not included.*

I am approving the items checked above. Please begin design on these items after receipt of my 50% design fee deposit.


Signed

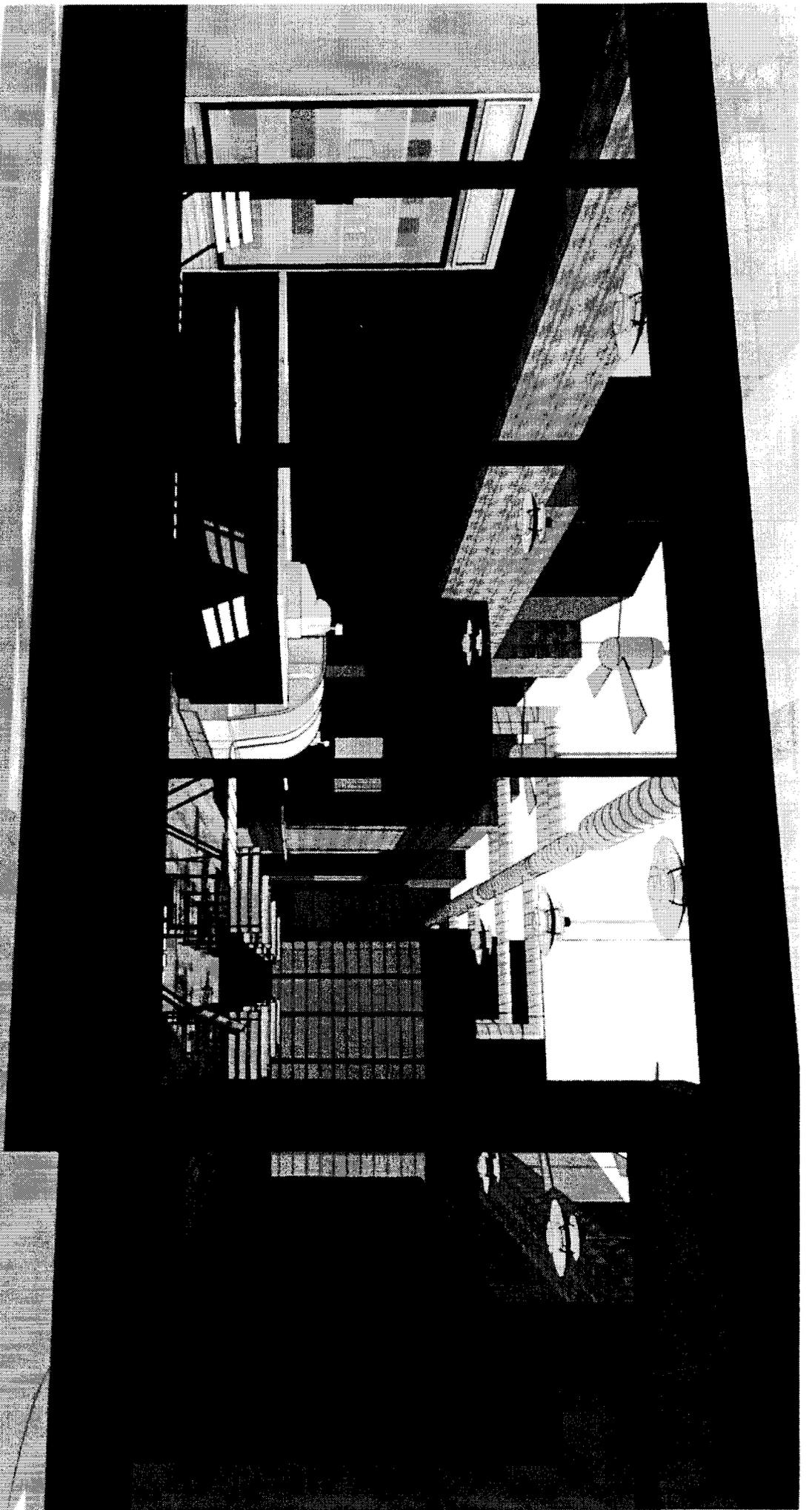
11-15-06
Date

kristina@kristinawoodstudio.com
Ph. 480.209.0183 Fax: 480.917.3448

PLEASE NOTE: All content is to be provided by client. Design can not begin until all information has been recieved from the client. Stock photography will be an additional charge if necessary. Client will be notified if stock photography is required.

This estimate is valid for 90 days from the date issued. Work on this project will begin upon receipt of this signed contract. Any changes to this estimate must be made prior to commencement of work. Please contact Kristina Wood Studio with any questions or concerns regarding this estimate. Any advance payments indicated on this Estimate must be received 24 hours prior to commencement of work. Invoices are payable upon receipt. Unpaid invoices more than 30 calendar days after receipt are subject to a re-billing fee of 1.5% per month past due date. 1st late charge will be added on 31st calendar day after date of invoice. Only cash or check are accepted at this time. This is ONLY AN ESTIMATE of products & services. In the event that the project scope changes, this estimate may be revised with the consent of the client.





THIS MATCHING GRANT AGREEMENT is entered into as of the _____ day of February, 2007, (the "effective date"), by and between the CITY OF CHANDLER, a municipal corporation of the State of Arizona ("City") and VELVET STEEL, L.L.C, an Arizona Limited Liability Corporation ("Developer") dba, THE URBAN TEA LOFT.

RECITALS

A. WHEREAS, on December 13, 2001, the City of Chandler approved the formation of the Downtown Improvement Fund (DIF) program and on April 27, 2006 revisions were approved to provide for matching reimbursement funds not to exceed \$50,000 for tenant improvement construction projects for small to medium-sized retail and restaurant businesses whose location or expansion in Historic Downtown Chandler generates employment and investment in the DIF's target area.

B. WHEREAS, Developer is the leasing tenant of certain real property in Historic Downtown Chandler situated at 11 W Boston Street, Suite 2, (the Development Site) Chandler, Arizona and more particularly described in attached Exhibit "A".

C. WHEREAS, Developer has applied for DIF funds to be applied to the cost of tenant improvement construction costs for the development of a specialty tea retail shop located at the Development Site and meets the eligibility criteria for participation in the DIF program.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and representations set forth in the recitals hereto, City and Developer agree as follows.

1. Developer shall complete those tenant improvements for the Development Site specified in attached Exhibit "B" and subject to the provisions of the DIF program as summarized in attached Exhibit "C".
2. City agrees to provide a matching grant to Developer to reimburse Developer for one-half (1/2) of the costs incurred by Developer in making the specified tenant improvements to the Development Site, up to a total amount of Fifty Thousand and No/100 Dollars (\$50,000.00).
3. City agrees to make the reimburse set forth herein only upon final inspection and Developer's receipt of a Certificate of Occupancy by City and upon satisfactory proof of expenditures for tenant improvement expenses incurred.
4. The City is simply implementing a reimbursement program and shall not be responsible for paying contractors, material suppliers, or others on any bills related to the tenant improvements and/or the Development Site.

5. Developer is responsible for obtaining all building permits, meeting applicable building and zoning codes and obtaining any additional licenses or permits associated with the tenant improvements.

6. Developer agrees that the sale and/or relocation of The Urban Tea Loft outside the DIF's target area within five years of the DIF reimbursement will require that the vacated space be filled by another eligible business. If the space is occupied by an ineligible business or the building is sold to another owner who fails to locate an eligible tenant in the space, Developer shall reimburse City for the DIF funds, based on an annualized, pro-rata share over a five-year period.

7. Developer agrees it will complete the tenant improvements within one year after the effective date. (Completion is defined as receiving all permits necessary to receive a Certificate of Occupancy.)

8. Developer agrees to indemnify, defend, and save harmless the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively; from all losses, claims, suits actions, payments and judgments, demands, expenses, attorney's fees, defense cost, or actions of any kind and nature resulting from personal injury to any person, including employees of the Developer or of any subcontractor employed by the Developer (including bodily injury and death) or damages to any property, arising or alleged to have arisen out of the negligent performance of the Developer for the work to be performed hereunder, except any such injury or damages arising out of the sole negligence of the City, its officers, agents or employees. IT IS THE INTENTION OF THE PARTIES to this contract that the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officer, employees, individually and collectively, are to be fully indemnified for their negligent acts unless those negligent acts are the sole cause of the injury to persons or damages to property.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

DEVELOPER:

**VELVET STEEL, L.L.C, an Arizona Limited Liability Corporation
("Developer") dba, THE URAN TEA LOFT**

By: _____

Its: _____

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2007, before me, the undersigned Notary Public, personally appeared _____, as _____ of VELVET STEEL, L.L.C, dba, THE URBAN TEA LOFT and such authorized representative acknowledged that this document was executed on behalf of the s corporation for the purposes therein contained.

My Commission Expires: _____
Notary Public

CITY OF CHANDLER, an Arizona
municipal corporation

By: _____
Richard K. Mulligan
Economic Development Director

APPROVED AS TO FORM:
 GAB
City Attorney

EXHIBIT "A"

A part of the southeast quarter of the northeast quarter of Section 33, Township 1 South, Range 5 East of the Gila and Salt River Meridian, Maricopa County, Arizona.

Beginning at the northeast corner of Lot 37, CHANDER, according to the plat of record in the office of the Recorder of Maricopa County, Arizona, in Book 5 of Maps, Page 34;

Thence east along the prolongation of the north line of said Lot 37 a distance of 6.50 feet to a point;

Thence south along a line parallel with and 6.50 feet east of the east line of said Lot 37, a distance of 120.0 feet to a point;

Thence westerly 6.50 feet to the southeast corner of said Lot 37;

Thence north along the east line of said Lot 37 a distance of 120.0 feet to the POINT OF BEGINNING.

TENANT IMPROVEMENT SUMMARY

The NO Studio & Zen Hospitality Group

Architectural design services including design services, consultant management, engineering, plumbing, permitting, lighting and mechanical engineering. Kitchen design including layout, mechanical, plumbing, engineering, lighting, and materials (to Zen Hospitality Group).

\$15,004.67

Sprinkler engineer design

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Design Services (estimated @ 150 hr)

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(Verbal quote from designer, Debra May Himes)

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Ceiling Fans:

We will have a total of 4 ceiling fans. They will be modern, industrial and attractive.

Following is a detailed architectural rendering of these areas.

EXHIBIT C

DOWNTOWN IMPROVEMENT FUND PROGRAM DESCRIPTION

Historic Downtown Chandler is a National Register Historic District. Downtown merchants and property owners, with the assistance of the City, have been restoring store facades and installing infrastructure to enhance the architectural style and ambiance that downtown had at its inception in 1912. The City of Chandler is committed to attracting quality, unique businesses into the downtown area. The City of Chandler has created the Downtown Improvement Fund to assist businesses to invest in the growth and future of their businesses and Historic Downtown Chandler.

PROGRAM DESCRIPTION:

The Chandler Downtown Improvement Fund (DIF) program is intended to provide financial assistance to viable small and medium-sized firms whose location or expansion in Historic Downtown Chandler will generate employment opportunities and tax benefits for the City of Chandler. The program will reimburse property owners or tenants for implementing construction projects that will leverage additional capital investment, business investment or create jobs for Chandler residents.

The DIF program offers up to \$50,000 in reimbursement matching funds to assist property or business owners for the renovation or improvement of Downtown properties for retail or restaurant use. By offering financing that is otherwise unavailable, DIF enables property or business owners to implement improvement projects that will attract distinct, independently owned retail or restaurant uses that enhance Historic Downtown Chandler as a destination.

Either property owners or tenants can apply for DIF funds; however, any business or project receiving funds must be a retail or restaurant use that will complement, strengthen and support the current mix of Downtown businesses.

The following sets forth criteria, policies and procedures that will govern this reimbursement program.

- I. **ELIGIBILITY CRITERIA:** Property and business owners in the Downtown Improvement Fund Area may apply to receive program funds; however, only those retail businesses meeting the following criteria will be eligible to obtain financial assistance from this program.
 - A. **Type of Business:** Generally, any for-profit corporation, partnership or proprietorship locating or expanding into the City of Chandler's Downtown area, except as follows:
 - Non-profit organizations
 - Lending institutions
 - General office use not affiliated with an existing Downtown retail or restaurant business

- Shops or restaurants that fail to complement or diversify the retail mix or offer products incompatible with existing Downtown businesses

B. Location of Business: To be eligible for assistance, a business must be located in the ground floor of a building within the Downtown Improvement Fund Area as outlined in the attached boundary map. The boundary area for the program includes the Chandler Enhanced Municipal Services District. Any property currently under a development agreement with the City of Chandler is excluded from eligibility for Downtown Improvement Funds.

II. CRITERIA: Reimbursement funds may be awarded for projects that will add new retail or restaurant businesses or expand existing businesses into Downtown. Property owners with a signed lease for an eligible retail tenant may apply for DIF funds. Retail-oriented tenants with a signed lease for a Downtown storefront can also apply for DIF funding.

A. Reimbursement Amount: DIF participation is limited to 50% of the total eligible cost of a given project or an amount not to exceed \$50,000, whichever is less. A project is limited to interior improvements. Exceptions for the limits may be made if the applicant can show that the project will yield substantial economic benefit to the City of Chandler. Measures may include the number of jobs created or retained, increased tax revenues (greater than a 150% return of the land amount for property taxes or sales tax revenues over a 5 year period) or other municipal benefits derived from the proposed investment.

B. Allowable Project Costs: The primary goal of this program is to create jobs, stimulate investment and grow the retail and restaurant base within Downtown. Accordingly, eligible loan uses will be restricted to interior-oriented building improvements. DIF funds may be used for fixed assets, constructing, renovating or modernizing real property, installing restrooms, installing or upgrading HVAC systems, meeting fire sprinkler system requirements, implementing electrical improvements, installing kitchen equipment and systems and improving floors, ceilings, walls, lighting and other similar fixtures. Soft costs, such as legal, architectural, engineering and other professional services are also eligible for DIF funding. Speculative improvements to attract tenants or provide funds for working capital, real estate acquisition and debt refinancing are ineligible DIF activities.

C. Eligibility Designation: The property or business owner must submit an itemized estimate detailing the proposed cost of the construction project. In addition, the property owner or tenant must provide the name of the prospective retail shop or restaurant that will occupy the space, a detailed description of the major products to be offered and conceptual interior designs. City staff will then evaluate this information to determine if the proposed construction costs are appropriate and whether the tenant will complement the current mix of shops and restaurants in Downtown.

- D. **Equity:** Applicants are required to fund a minimum of 50% of the total project cost. To receive DIF funds, the City of Chandler must inspect the work and verify that the improvements met the construction plan. The property owner or tenant must also provide a final construction bill. If satisfactory, the City shall then reimburse the property owner for one-half of the project cost, up to the \$50,000 limit. Property owners or tenants may also receive reimbursement funds upon the successful completion of 50% of the construction project.
- E. **Other Permits:** The property or business owner is responsible for obtaining all building permits, meeting applicable building and zoning codes and obtaining any additional licenses or permits.
- F. **Project Funding:** DIF funds shall be awarded to implement construction projects for one property. A property owner and a tenant may not receive DIF funding for improving the same, specific building or property.
- G. **Sale and/or Relocation of Business:** The purpose of the program is to generate jobs and tax benefits in Chandler and to complement and enhance the mix of shops and restaurants in Downtown. If a property or business owner receiving DIF assistance closes or relocates outside of Downtown within five years of the final reimbursement, the vacated retail space must be filled by another eligible business. If the space is occupied by an ineligible business or the building is sold to another owner who fails to locate an eligible tenant in the building, the property owner or tenant receiving DIF funds shall reimburse the City for its DIF funds, based on an annualized, pro-rata share over a five-year period.

III. **APPLICATION PROCEDURES:** The Economic Development Division and the *Downtown Redevelopment Office* will provide marketing and outreach services, conduct preliminary inquiries and make visits to property or business owners to establish basic program eligibility and project feasibility. Ineligible applicants will be so advised. Businesses that meet the eligibility criteria outlined above, and wish to participate in the program, will be assisted by the Economic Development Division through the Downtown Redevelopment Office to prepare a DIF application package.

The application package will include a narrative fact sheet presenting details about the project, the proposed business, the principals who will operate the business, the products to be offered and price points for core items. Applicants must also provide a cost estimate detailing the construction work, proposed renovation plans, a conceptual interior design drawing and the proposed materials.

A designee of the Economic Development staff, the Downtown Redevelopment Office and a designee from the Housing and Redevelopment Division staff will evaluate the proposed project to determine its eligibility. If approved, City Council will review the application and make a final determination on the use of DIF funds. The Economic Development Director is designated as the staff person authorized to sign program documents on behalf of the City.

- IV. **PROGRAM ADMINISTRATION:** The Downtown Redevelopment Office will primarily administer DIF. Downtown staff will coordinate the application and review process and provide City Council with a recommendation for each application. Housing and Redevelopment Division staff will monitor construction activities and authorize the release of DIF funds. The Downtown Redevelopment Office will monitor business operations of DIF-funded projects.
- V. **PROGRAM MARKETING:** City staff will be responsible for publicizing and promoting the reimbursement program throughout the community and region, particularly among businesses likely to expand or locate to Chandler's Downtown. Staff will notify all Downtown property and business owners about the program, contact or provide presentations to area realtors, Chamber of Commerce personnel and organizations providing small business development financing or services. Staff will also place emphasis on recruiting or assisting women/minority-owned or operated businesses by means of outreach efforts, advertising or other activities determined by the staff to be of particular benefit.