

#91
JUN 28 2007



MEMORANDUM

Downtown Redevelopment - Council Memo DT07-032

DATE: JUNE 21, 2007

TO: MAYOR AND CITY COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER
RICHARD K. MULLIGAN, ECONOMIC DEVELOPMENT DIRECTOR

FROM: TERI KILLGORE, DOWNTOWN REDEVELOPMENT MANAGER

SUBJECT: APPROVAL OF RESOLUTION NO. 4094 FOR THE PURCHASE OF PROPERTY NORTH OF BUFFALO STREET, WEST OF ARIZONA AVENUE, SOUTH OF CHANDLER BOULEVARD AND EAST OF CALIFORNIA STREET FOR DOWNTOWN REDEVELOPMENT

RECOMMENDATION: Staff recommends approval of Resolution No. 4094 for the purchase of the property north of Buffalo Street, west of Arizona Avenue, South of Chandler Boulevard and east of California Street for Downtown Redevelopment.

BACKGROUND: Three properties need to be acquired in the redevelopment of Sites 1, 2, and 3. One property, commonly referred to as Exception Lot 1, is owned by Qwest (see attached map). On April 22, 2003 the City and Qwest entered into a development agreement for improvements on the Qwest property and the sale of a portion of Qwest's land to the City. This agreement was amended on December 30, 2003. Specifically the agreement provided for the conveyance of Exception Lot 1, which is the property north of Buffalo Street, west of Arizona Avenue, South of Chandler Boulevard and east of California Street, upon completion of environmental remediation.

The other two properties are owned by affiliates of Desert Viking. Valhalla Investments, L.L.C. owns Parcel 1 and Desert Viking Downtown Ventures, L.L.C. owns Parcel 3. The properties are part of the Master Development agreement for Sites 1, 2, and 3 and need to be conveyed to the City in order to execute further development.

DISCUSSION: At this point, the environmental remediation is taking far longer than anticipated, and it is critical that the City move ahead with acquisition of these properties to

enable the completion of development for Sites 1, 2 and 3. Exception Lot 1 is needed to provide utility access to the townhomes currently under construction on Sites 1, 2 and 3. It also is needed for construction access on the commercial phases of Sites 1, 2 and 3. It is unclear how much longer remediation of the property will take, but there are no conditions that would preclude the use of the property for utilities and construction access.

The City is purchasing the other two parcels in order to facilitate the reduction of property taxes, which is a key element in the San Marcos Commons (Phase II) Development Agreement currently under negotiation. These two parcels will be the home of new commercial development including retail, restaurant and office.

FINANCIAL IMPLICATIONS: Per the existing agreement, the City will pay \$246,348 to Qwest for Exception Lot 1; \$32,300 for the completion of parking lot improvements; and \$71,027 for the design and construction cost of colonnade improvements; for a total payment of \$349,675. Additionally, the City will pay \$398,000 to Desert Viking Downtown Ventures, LLC for Parcels 1 and 3. Sufficient funds exist to pay for this cost in Account #101-1290-6111-DT0405.101.101.

PROPOSED MOTION: Approve Resolution No. 4094 for the purchase of property north of Buffalo Street, west of Arizona Avenue, South of Chandler Boulevard and east of California Street for Downtown Redevelopment.

RESOLUTION NO. 4094

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA APPROVING THE PURCHASE OF PROPERTY NORTH OF BUFFALO STREET, WEST OF ARIZONA AVENUE, SOUTH OF CHANDLER BOULEVARD AND EAST OF CALIFORNIA STREET FOR DOWNTOWN REDEVELOPMENT

WHEREAS, the City of Chandler (the "City") and SMC II, L.L.C. ("Developer") anticipate entering into a development agreement and ground leases for the redevelopment of property north of Buffalo Street, west of Arizona Avenue, south of Chandler Boulevard and east of California Street (the "Phase II Site"); and

WHEREAS, Valhalla Investments, L.L.C., an affiliate of Developer, owns Parcel 1, and Desert Viking Downtown Ventures, L.L.C., another affiliate of Developer, owns a portion of Parcel 3, (collectively, the "Developer Property") within the Phase II Site, as more particularly described in Exhibit 1 hereto, that they are willing to convey to the City for the sum of THREE HUNDRED NINETY-EIGHT THOUSAND DOLLARS (\$398,000.00) in conjunction with the execution of a development agreement between Developer and City covering the Phase II Site; and

WHEREAS, Qwest Corporation ("Qwest") owns the only other property ("Exception Lot 1") within the Phase II Site not owned by the City necessary to redevelop the Phase II Site as contemplated; and

WHEREAS, the City and Qwest entered into the Qwest-City of Chandler Development Agreement dated April 22, 2003, as amended by Amendment No. 1 dated December 30, 2003 (collectively the "Qwest Agreement") providing for the conveyance of Exception Lot 1, as more particularly described in Exhibit 1 hereto, to the City for a sum certain upon completion of environmental remediation on said property; and

WHEREAS, while remediation of Exception Lot 1 is still ongoing, the City and Developer believe it to be necessary to acquire the property in advance of completion of that remediation in order to complete the redevelopment of the Phase II Site in the manner, and within the time frame, anticipated and desired for such redevelopment; and

WHEREAS, primary responsibility for the remediation of Exception Lot 1 has been placed on a former tenant of said property and primary responsibility for such remediation will continue to fall on that former tenant after any acquisition of Exception Lot 1 by the City;

WHEREAS, funding is available and allocated for the acquisition of both the Developer Property for THREE HUNDRED NINETY-EIGHT THOUSAND DOLLARS (\$398,000.00) and Exception Lot 1 for the purchase amount set forth in the Qwest Agreement.

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

Section 1. That concurrent with the execution of a development agreement between Developer and the City covering the Phase II Site, the City is authorized to purchase the Developer Property at the price of THREE HUNDRED NINETY-EIGHT THOUSAND DOLLARS (\$398,000.00). All documents relating to the purchase of the Developer Property shall be a form approved by the City Attorney.

Section 2. That, notwithstanding provisions to the contrary in the Qwest Agreement, the City is authorized to acquire Exception Lot 1 prior to completion of environmental remediation on that property. Except as set forth herein, all other terms of the conveyance shall be as set forth in the Qwest Agreement.

Section 3. That the Real Estate Manager is authorized to execute all agreements necessary to implement the provisions of this Resolution.

Section 4. That City staff is directed to undertake those activities necessary to implement the provisions of this Resolution, including finalizing those documents to be executed by the Real Estate Manager.

Section 5. That all documents to be executed by the Real Estate Manager in furtherance of this Resolution are to be in a form approved by the City Attorney.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona this _____ day of _____ 2007.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4094 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at the regular meeting held on the _____ day of _____ 2007, and that a quorum was present thereat.

City Clerk

APPROVED AS TO FORM:

City Attorney 

