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AUG 09 2007

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MEMORANDUM **Downtown Redevelopment - Council Memo DT08-004**

DATE: July 27, 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: Downtown Improvement Fund for Vivi's Boutique

RECOMMENDATION: Staff recommends approval of a Downtown Improvement Fund matching grant not to exceed $50,000 the purpose of construction of tenant improvements at 95 W. Boston Street.

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 funds are to be used to reimburse the property or business owner for costs associated with the necessary tenant improvements to renovate the existing space for the specified retail uses in the Downtown Improvement Fund target area. The business owner is reimbursed up to $50,000, or half of the costs, whichever is less.

Vivi's Boutique is leasing approximately 1,400 square feet of space located at 95 W. Boston Street. The owners will offer a clothing boutique for men and women in a modern, upscale environment.

Vivi's Boutique 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 $135,000, however, only $125,000 was deemed eligible for DIF grant reimbursement. Improvements to the space will

include the installation of required fire sprinklers and alarms, framing, ductwork, electrical, lighting fixtures, flooring and painting.

The goal of the owners of Vivi's Boutique is to introduce high-end apparel and accessories to the downtown area and add a new shopping experience to the Historic Downtown square.

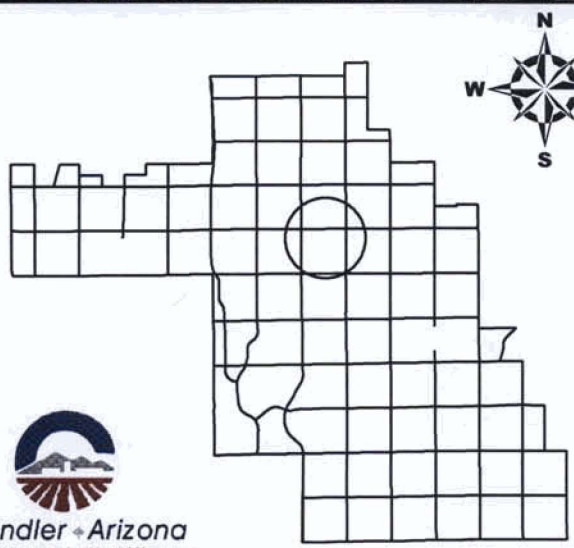
Staff is recommending that an amount not to exceed $50,000 be granted for reimbursement of tenant improvement costs to the owners upon completion of the project and receipt of the Certificate of Occupancy and confirmation by staff of tenant improvement costs to meet the requirements of the DIF program.

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 Vivi's Boutique for the purpose of construction of tenant improvements for property located at 95 W. Boston Street, and authorize the Economic Development Director to execute all documents necessary to complete the grant.

Attachments:
- Vicinity map
- Matching Grant Agreement with Exhibits

Vicinity Map



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Project Site

KiZake and Vivi's Boutique
91 W. Boston St. and
95 W. Boston St.

CITY OF CHANDLER 7/26/2007

THIS MATCHING GRANT AGREEMENT is entered into as of the _____ day of August, 2007, (the "effective date"), by and between the CITY OF CHANDLER, a municipal corporation of the State of Arizona ("City") and VIVI'S BOUTIQUE, L.L.C. ("Developer").

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 95 W. Boston (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 an upscale clothing boutique 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 reimbursement 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 Vivi's Boutique 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, it 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: VIVI'S BOUTIQUE, L.L.C.

By: _____

Its: MANAGING MEMBER

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 1 day of August, 2007, before me, the undersigned Notary Public, personally appeared Kristina Kedzior, as managing member of Vivi's Boutique, L.L.C. and such authorized representative acknowledged that this document was executed on behalf of the s corporation for the purposes therein contained.

My Commission Expires: 2-18-2008

Notary Public

OFFICIAL SEAL
BRAD P. RAYMOND
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires Feb. 19, 2008

CITY OF CHANDLER, an Arizona municipal corporation

Richard K. Mulligan
Economic Development Director

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ___ day of _____, 2007, before me, the undersigned Notary Public, personally appeared _____, as _____of Vivi's Boutique 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

_____
Richard K. Mulligan
Economic Development Director

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

EXHIBIT "A"

LEGAL DESCRIPTION

Lot 26, Chandler, according to book 5 of Maps, Page 34, record of Maricopa County, Arizona; except the east 5.2 feet, thereof.

EXHIBIT "B"

DIF Allowed Expenses for Vivi's Boutique

		Estimate
New Electrical		20,000
New HVAC		15,000
Epoxy Floors		10,000
Sprinklers		20,000
Riser for Sprinklers		10,000
Bathroom Plumbing		15,000
Lighting Fixtures		10,000
Fixed Cabinetry		25,000
Total DIF Allowed Expenses	**$**	**125,000**

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.