

SPA #5

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MEMORANDUM

Downtown Redevelopment - Memo DT08-023

DATE: JANUARY 30, 2008

TO: MAYOR AND CITY COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER *WMP*
RICH DLUGAS, ASSISTANT CITY MANAGER *RD*
RICHARD K. MULLIGAN, ECONOMIC DEVELOPMENT DIRECTOR *RCM*

FROM: TERI KILLGORE, DOWNTOWN REDEVELOPMENT MANAGER *TK*

SUBJECT: RUSSIAN OASIS DOWNTOWN IMPROVEMENT FUND (DIF)
APPLICATION

BACKGROUND/DISCUSSION: On September 24, 2007, Tony and Tonya Domenico, owners of Russian Oasis, a new Russian gift retailer, met with City staff to discuss the Downtown Improvement Fund (DIF) program. At that time, it was communicated that their business would likely not be eligible for the DIF grant as they were located in a brand new building, albeit an addition to the much older Valley building. Multiple phone calls were exchanged and the Domenicos were told that they could submit an application, but that it would likely be denied, as their property was determined to not be eligible under this program. A formal application was submitted in mid November 2007.

The question of whether or not new construction was eligible for DIF grants was brought before City management, as well as the Council Subcommittee for Economic Development in November. It was affirmed that the common understanding of the program is that it is intended to defray the costs of renovating and remodeling an older, existing structure.

Formal notification of ineligibility was sent to the Domenicos on December 10, 2007. Subsequently, they have both called and written to Council to ask that their application be approved, citing an inconsistency in application of DIF policy. Specifically, they note that \$6,085 was awarded to Boston Street Pilates "to accomplish the renovation of the interior" in February 2006. The space occupied by Boston Street Pilates also resides in a brand new addition to a historic building.

At that point in time, the issue of “new construction” versus remodeling an older, existing structure hadn’t surfaced as a policy issue, due in large measure to the small amount of funding involved with the Boston Street Pilates application.

In this instance, Russian Oasis is requesting an award of \$50,000 for 1,200 square feet of retail space. The request for a much larger amount of grant funding, and a growing awareness that downtown redevelopment has matured to a point where more new construction is contemplated (i.e. Serrano’s Corporate Headquarters), has flagged this as an important policy issue.

As a reminder, the grants made under this program are entirely at the discretion of the Council, including the actual grant amount. The current DIF program language is in need of revision, which is underway. This said, there are several instances in the current program description where the language of “renovation” and “modernizing” are specifically called out.

The Downtown is excited to have a unique retailer join the mix of independent businesses on the Square. However, it is Staff’s understanding of the DIF program that it was never intended to support tenant improvements in new construction, but rather help offset the extra costs associated with moving into an old, historic building in need of overall modernization.

Please note that the specific items of the application have not been discussed with the DIF committee, and if Council chooses to allow the application to move forward, some costs may not be eligible.