

Add info #14

MAR 27 2008

Susan Moore/COC
03/24/2008 08:12 AM

To CityClerkDivision
cc Melanie Sala-Friedrichs/COC@ci.chandler.az.us, David Bigos/COC@ci.chandler.az.us
bcc
Subject Fw: Russian Oasis correction

March 22, 2008

Tony & Tanya Domenico, Owners
Russian Oasis
8 S. San Marcos Place, Ste 105
Chandler, AZ 85225

Dear Mayor and Members of the City Council,

We wanted to inform you that in our recent correspondence dated March 20, 2008, we incorrectly cited the amount of our DIF grant application at "around \$72,000." The actual costs we submitted on our DIF application is \$62,536.

We apologize for any confusion that this error may have caused. We certainly do not have any desire to artificially inflate the costs we incurred in building out our store.

Sincerely,

Tony and Tanya Domenico

Russian Oasis
8 S San Marcos Pl. Ste 105
Historic Downtown Chandler, AZ

Phone: 480-664-3490
Fax: 480-664-3253
www.russianoasis.com

14
MAR 27 2008



Chandler • Arizona
Where Values Make The Difference

MEMORANDUM

Downtown Redevelopment - Memo DT08-028

DATE: MARCH 14, 2008

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 GRANT FOR RUSSIAN OASIS,
L.L.C.

RECOMMENDATION: Staff recommends approval of a Downtown Improvement Fund (DIF) matching grant not to exceed \$6,085 for the purpose of construction of tenant improvements at 8 S. San Marcos Place, Suite 105.

BACKGROUND/DISCUSSION: On January 31, 2008, Staff requested direction from Council on the application from Tony and Tatiana Domenico of Russian Oasis for a Downtown Improvement Fund grant. The business is located in a new portion of the Valley Building, 8 S. San Marcos Place, Suite 105, and the question arose of whether or not new construction was eligible for DIF grants. The common understanding of the program is that it is intended to defray the costs of renovating and remodeling older, existing structures.

A formal application was submitted in mid November 2007 and staff made the determination that Russian Oasis was ineligible to receive DIF funds because they were located in a new building. Subsequently, the Domenico's contacted Council and asked that their application be approved citing an inconsistency in the DIF policy, specifically that Boston Street Pilates was awarded \$6,085 in February 2006 "to accomplish the renovation of the interior." The space occupied by Boston Street Pilates also resides in a brand new addition to an historic building.

After Council's direction to have the DIF Committee review the application, Russian Oasis submitted a new application on February 22, 2008, indicating that they would make \$62,536 of improvements at a City match of \$31,268. The DIF Committee met on March 5, 2008. After

reviewing the application of Russian Oasis, and the grant awarded to Boston Street Pilates in 2006, the Committee recommended awarding \$6,085 to Russian Oasis, the same amount awarded to Boston Street Pilates. The Committee noted that Russian Oasis occupies 1,200 square feet and Boston Street Pilates occupies 1,500 square feet, and has a comparable number of employees. The committee was also sensitive that this could create a precedent for future new construction, which would be in conflict with anticipated revisions to the DIF program guidelines.

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

PROPOSED MOTION: Move to authorize a DIF matching grant in an amount not to exceed \$6,085 to Russian Oasis, L.L.C., for the purpose of construction of tenant improvements for property located at 8 S. San Marcos Place, Suite 105, and authorize the Economic Development Director to execute all documents necessary to complete the grant.

Attachments:

Vicinity Map

Matching Grant Agreement



Chandler Blvd.

Project Site

Arizona Ave.

Vicinity Map



Project Site

8 South San Marcos Pl.



Chandler + Arizona
Where Values Make The Difference

CITY OF CHANDLER 4/21/2006

THIS GRANT AGREEMENT is entered into as of the _____ day of _____, 2008 (the "effective date"), by and between the CITY OF CHANDLER, a municipal corporation of the State of Arizona ("City") and RUSSIAN OASIS, 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 8 S. San Marcos Place, Suite 105 (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 retailer offering a wide selection of imported Russian jewelry, unique porcelain, arts and collector's items 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 the 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 grant to Developer for costs incurred in making the specified tenant improvements to the Development Site, up to a total of Six Thousand Eighty Five Dollars and 006/100 (\$6,085.00).
3. City agrees to reimburse Developer as 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 Russian Oasis 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: RUSSIAN OASIS, L.L.C.

By: _____

Its: _____

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ___ day of _____, 2008, before me, the undersigned Notary Public, personally appeared _____, as _____ of Russian Oasis, 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: _____
Notary Public

CITY OF CHANDLER, an Arizona
municipal corporation

Richard K. Mulligan
Economic Development Director

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney *WLB*

EXHIBIT "A"

LOTS 14 AND 15, CHANDLER, ACCORDING TO BOOK 5 OF MAPS, PAGE 34,
RECORDS OF MARICOPA COUNTY, ARIZONA; AND

THAT PORTION OF COMMONWEALTH AVENUE, AS SHOWN ON THE MAP OF
TOWNSITE OF CHANDLER, AS PER MAP RECORDED IN BOOK 5, PAGE 34 OF
MAPS, IN THE OFFICE OF THE COUNTY RECORDER OR MARICOPA
COUNTY, ARIZONA, VACATED AND DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHEAST CORNER OF LOT 14 OF SAID CHANDLER

THENCE NORTH 9 FEET;

THENCE WEST PARALLEL TO THE NORTH LINE OF SAID LOT 14, 178 FEET;

THENCE SOUTH 9 FEET TO THE NORTH LINE OF SAID LOT 14;

THENCE EAST ALONG THE NORTH LINE OF LOT 14 TO THE POINT OF THE
BEGINNING.

Exhibit B
Tenant Improvement Costs
8 South San Marcos Place, Suite 105

Alex Westwood, General Contractor	\$55,283.69 +tax \$58,198.69
Esquire Architectural Planning, LLC	<u>\$ 4,337.20</u>
Total	\$ 62,535.89



COMMERCIAL - RESIDENTIAL

Licensed / Bonded / Insured

Russian Oasis

Description	Quantity	Unit	Unit Cost	Total Cost
1 General Requirements				
Superintendent	2,900.00	\$	1.15	3,335.00
Field office rental	450.00	\$	1	450
Regulatory Requirements	500.00	\$	1.15	575
Delivery	150.00	\$	1.15	172.5
Final cleaning	320.00	\$	1.78	368
Debris container	30.00	DA	5	150
				5,050.50
5 Metals				
Drywall screws box	1.00	EA	70.55	70.55
Metal Framing screws box	1.00	EA	70.55	70.55
Shot and pin	82.00	EA	0.47	38.56
Metal stud; 25 gage, 8'x3-5/8"	10.00	EA	7.67	76.65
Metal stud; 25 gage, 10'x3-5/8"	24.50	EA	7.66	187.79
Metal track, 25 gage, 3-5/8"	62.00	LF	6.1	378.03
Metals sub-contractor (per blue prints indicated and approved by tenant)	450.00	\$	1.65	742.5
				1,564.63
6 Wood and Plastics				
Molding, hardwood, base	160.00	LF	4.46	714.32
7 Thermal and Moisture				
Insulation, blanket, unfaced, 3 1/2"	220	SF	0.92	202.72
				202.72
8 Doors and Windows				

PO 15111 1/21/08
 Project: 02 35102
 0 15111 1/21/08
 02 15111 1/21/08



COMMERCIAL • RESIDENTIAL

Licensed / Bonded / Insured

Door sub-contractor (doors and wood baseboard per blue prints)	985.00 \$	1	985.00
			985.00

9 Finishes

Plaster for drywall	550.00 SF	0.18	101.07
Gypsum board, wall, 4x9, 1/2", unfinished	180.00 SF	0.28	51.08
Gypsum board, wall, 4x12, 1/2", unfinished	410.00 SF	0.24	96.93
2' Tees, boxes	1.00 EA	819.75	819.75
4' Tees, boxes	3.00 EA	325.86	977.58
Mains, boxes	2.00 EA	461.77	923.53
Grid ceiling wire, bundle	3.00 EA	189.96	569.87
Grid wall angle, boxes	1.00 EA	162.54	162.54
Acoustical tile, fiberglass, 2'x4'x5/8"	1194.00 SF	1.52	1,810.59
Wood flooring, laminated, prefinished	1000.00 SF	17.47	17574.25
Tile flooring, asphalt, 12"x12"x1/8"	180.00 SF	3.33	599.46
Drywall sub-contractor (per blue prints indicated and approved by tenant)	1990.00 \$	1	1,990.00
			25676.52

15 Mechanical

Fier sub-contractor (fier sprinklers per blue prints requirements)	6,500.00 \$	1.2	7,800
Mechanical sub-contractor (A/C per blue print)	4,000 \$	1.18	4,700
			12,500

16 Electrical

Electrical sub-contractor (per blue prints requirements)	5,400.00 \$	1.55	8,370.00
			8,370.00

Bond 220 \$

total \$55,283.69

FD 1045 1/19/08 *
 Florida Lic. 055005 *
 C. 05/21/02 0000 *
 2. 12/07 215-3448 *



I n v o i c e

Date: 09/27/07

Project: Russian Oasis
8 S. San Marcos Place Ste. # 105
Chandler, AZ

PN: 07114-INV1

To: Ms. Tanya Domenico
Russian Oasis

From: Young Kim
Esquire Arch. & Planning, LLC

Re: Architectural Service Fee

<u>Total Architectural Fee</u>	
Architectural Fee	\$ 4,000.00
Reimbursable	
Plan Review Fee	\$ 187.20
Printing & Deliveries	\$ 150.00
Total	\$ 4,337.20



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.

Revised Program Description 4/13/06

Susan Moore/COC
03/21/2008 10:20 AM

To CityClerkDivision
cc David Bigos/COC@ci.chandler.az.us, Melanie
Sala-Friedrichs/COC@ci.chandler.az.us
bcc
Subject Fw: Russian Oasis DIF Application

March 20, 2008

Tony & Tanya Domenico, Owners
Russian Oasis
8 S. San Marcos Place, Ste 105
Chandler, AZ 85225

Dear Mayor and Members of the City Council,

During the January City Council meeting, we stood before you to request that Russian Oasis' application for a grant under the Downtown Improvement Fund (DIF) Program be re-opened. We also asked that our case be handled in a manner that is fair and consistent with how the Program has been implemented in preceding cases for Downtown businesses. We are extremely pleased with the Council's decision to re-open our file and would like to thank you for your consideration in this case. However, we feel that the Council's and City Staff's treatment of our case still lacks consistency with past precedents.

Following that City Council meeting, we re-submitted our application with adjustments to include actual rather than projected build-out costs. Our total costs amounted to around \$72,000, with a request for 50% of these funds as per the DIF Program Description. On March 19, 2008, we received an e-mail from City Staff informing us of a Subcommittee meeting that had taken place on March 5, 2008. At that meeting, it was decided to recommend a \$6,085 grant for Russian Oasis. While that dollar amount seems to us to be completely arbitrary, we recognize it as the amount that was awarded to Boston Street Pilates under the DIF Program.

We would like to reiterate that we feel this to be an inconsistent implementation of the DIF policy. As we discussed at the January City Council meeting, Russian Oasis and Boston Street Pilates both reside in new buildings that are extensions of existing historic buildings in the Downtown area. While at a casual glance it may seem like consistent treatment to give both businesses grants for the same dollar amount, on closer examination this is clearly not the case. To the best of our knowledge, the \$6,000 figure represents 1/2 of the build-out costs that Boston Street Pilates submitted on

their DIF application. That same dollar figure represents less than 1/10 of the costs that were submitted on Russian Oasis' application. If this is truly consistent treatment, do we not at least deserve an accounting for which costs in our application are being rejected and for what reason?

When we spoke to City Staff on the phone the following arguments were given to support the current decision:

- We should not have gotten any funds at all, so we should be happy with \$6,085. It is the same amount as Boston Street Pilates received.
- The grant amount was based on the number of employees and the square footage of the suite.
-

We would like to note the DIF Program Description refers to neither the number of employees nor the square footage of the suite when discussing Program eligibility. We have been trying to work with City Staff, but at times we feel that there will always be new reasons to deny our application in whole or in part.

We are forced to ask the Council again to review our application and we hope that the Council will reach a fair decision. We thank the Council for your consideration in this matter.

Sincerely,

Tony and Tanya Domenico

Russian Oasis
8 S San Marcos Pl. Ste 105
Historic Downtown Chandler, AZ

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Fax: 480-664-3253
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