

RESOLUTION NO. 4337

**A RESOLUTION OF THE CITY OF CHANDLER, ARIZONA,
APPROVING A LEASE AGREEMENT BY THE CITY OF
CHANDLER FOR LEASEABLE SPACE AT 149 S. 79TH STREET
FOR INNOVATIONS TECHNOLOGY INCUBATOR.**

WHEREAS, the City desires to create a technology incubator and sublease space to start-up technology which the City believes are of great value to the City; and

WHEREAS, the general public will receive benefit from those certain commitments; and

WHEREAS, the City believes that the incubator will enhance the economic viability of the City by increasing real property tax revenues based on the creation of new companies and by creating jobs to be located within the City;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Chandler, Arizona, hereby approves the City of Chandler entering into a Lease Agreement, for use of real property located at 149 South 79th Street, with Capital Commercial Investment, who is represented to be the owner of said real property, provided that the Lease Agreement shall contain all of the significant lease (business) terms set out in Exhibit "A", attached hereto and incorporated herein by this reference, and no other significant lease (business) terms.

The Lease Agreement shall be in writing and shall be in form approved by the Chandler City Attorney. The Mayor of the City of Chandler is authorized to execute the written Lease Agreement for and on behalf of the City of Chandler in the form as approved by the Chandler City Attorney. The Mayor is authorized to execute on behalf of the City of Chandler all related documents necessary to consummate the lease transaction, subject to approval of the form of the documents by the Chandler City Attorney.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this 24th day of September, 2009.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4337 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the 24th day of September, 2009 and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:



Chandler City Attorney

8

SEP 24 2009



MEMORANDUM Economic Development – Council Memo ED10-009

DATE: September 14, 2009

TO: MAYOR AND COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER RD
 PATRICK MCDERMOTT, ASSISTANT CITY MANAGER

FROM: CHRISTINE MACKAY, ECONOMIC DEVELOPMENT DIRECTOR CMJ

SUBJECT: INNOVATIONS TECHNOLOGY INCUBATOR/ACCELERATOR

RECOMMENDATION: Staff recommends approval of Resolution No. 4337 for the proposed 10-year lease terms on 36,692 square feet at 149 S. 79th Street in West Chandler to provide for a technology incubator/accelerator to house small start-up and early stage companies in Chandler, and authorize the Mayor to sign the lease and related documents as approved by the City Attorney. Further, staff recommends approval of up to \$5,712,143 for furniture, fixtures and equipment including design, labor, installation and supplies.

BACKGROUND/DISCUSSION: A technology incubator is a physical facility that brings numerous resources to bear to accelerate the pace of growth of new start-up businesses by providing unique, value-added services that entrepreneurs operating individually normally would not have access to. These include access to equipment, structured access to capital, interaction, and educational forums and shared business services. As these companies grow and succeed, they in turn “spin-out” of the incubator into commercialized space creating new, well-paying jobs and capital investment in the community. In October 2007, a study initiated by the City was completed by Facilities Solutions Group to determine the viability of an incubator/accelerator in Chandler. A strong need was identified, especially based on Chandler’s significant technology based employment. At that time City Council and the Economic Development Advisory Board identified a number of “needs” prior to moving forward. Staff has been working to secure these items and is now ready to move forward.

During 2009, staff toured 11 buildings in the city that could provide the estimated 40,000 square feet of space that the FSG study suggested would be a good model to follow. A former Intel facility that was used for research & development in Stellar Airpark was

identified as a prime candidate due to the existing infrastructure that includes gas lines, compressed air, vacuum lines and clean room type construction, all very expensive items to duplicate. This facility was acquired by Capital Commercial Investments in 2008 as an investment opportunity and is now a “for-lease” building. CCI is currently under renovation with the exterior of the facility including re-skinning the building, landscape upgrades and parking lot resurfacing (at no cost to the City). A rental rate has been negotiated that includes the first year of rent free to give staff time to secure tenants for the facility and then a rate of \$10.00 NNN per square foot annually with standard annual increases for a period of 10-years. A tenant improvement allowance of \$5.00 per square foot will be paid by the landlord towards improvements identified by staff.

The building owner, Capital Commercial Investments’ general contractor LGE Corporation will oversee the construction of the tenant improvements and will subcontract all work through a competitive bid process. Pre-construction estimates have been secured on all disciplines through individual subcontractors that have toured the space and have also tested the existing infrastructure. Cost estimates have also been secured on office and lab furniture, scientific equipment, and other start-up costs to ensure that Innovations is a “turn-key” facility upon completion.

Innovations could be home to entrepreneurial start-ups such as software design, engineering, biosciences, nanotechnology and sustainable technologies. Economic Development staff has identified three companies interested in securing space in “Innovations” when it is completed and will be actively marketing to other companies on an on-going basis. The City will pass along the rental rate and operating expenses to these companies that will represent a below-market rate for this type of space making it very attractive to technology start-ups.

As part of efforts to encourage higher education and university presence in Chandler, staff has developed a relationship with the University of Arizona, who has committed to a having a presence in “Innovations” with science and technology related opportunities. UofA plans to occupy up to 1,500 square feet of space to start. This university presence is key to any technology incubator and Chandler is fortunate to have a science powerhouse such as University of Arizona participating in this opportunity.

FINANCIAL IMPLICATIONS: The estimated annual amount of \$366,920 plus annual increases, triple net charges and utilities is budgeted in the Strategic Economic Development Fund, which will be paid in part by the City during lease-up. An additional sum of not greater than \$5,712,143 will be paid for the tenant improvements and outfitting of Innovations from the same fund.

Memo No. ED10-009

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PROPOSED MOTION: Move to adopt Resolution No. 4337 authorizing the proposed 10-year lease at 149 S. 79th Street to provide for a technology incubator/accelerator and authorize the Mayor to sign the lease and other related documents as approved by the City Attorney. Motion to authorize the expenditure of up to \$5,712,143 for furniture, fixtures and equipment including design, labor, installation and supplies.

Attachments: Resolution 4337
Significant Lease Terms
Tenant Improvement Overview

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CITY CLERK

APPROVED AS TO FORM:

Chandler City Attorney *GAB*

SIGNIFICANT LEASE PROPOSAL TERMS
“INNOVATIONS” TECHNOLOGY INCUBATOR / ACCELERATOR

- ADDRESS:** San Tan Tech Center, 145 South 79th Street, Chandler, Arizona an approximately 129,187 rentable square foot building.
- PREMISES:** Approximately 37,000 rentable square feet, per an approved space plan, located on the Northern end of the building.
- USE OF PREMISES:** Office, assembly, lab, light manufacturing, research, development, education and all related uses.
- OCCUPANCY/LEASE COMMENCEMENT:** Upon substantial completion of tenant improvements and receipt of Certificate of Occupancy, or April 1, 2010, whichever is earlier.
- LEASE TERM:** One hundred thirty-two (132) months
- TERMINATION:** Tenant shall have the right to terminate all or any reasonable portion of the Premises upon the 7th Anniversary of the lease term by providing six (6) months prior written notice and paying a penalty equal to the unamortized costs of the transaction as calculated at the anniversary date. The penalty shall be due upon the effective date of the termination.
- RENT ABATEMENT:** Landlord shall provide the first twelve (12) months of the base rent abated. Triple net charges and operating costs will still be applicable during the abatement period.
- BASE RENTAL RATE:**
- | | |
|---------------|---------------------|
| Months 0-12: | \$0.00/rsf/yr NNN* |
| Months 13-24: | \$10.00/rsf/yr NNN* |
- The Base Rental Rate shall increase by three percent (3%) every twelve months after the twenty fourth (24th) month.
*plus applicable sales/use tax (rental tax)
- OPERATING EXPENSES:** Tenant shall be responsible for its proportionate share of operating expenses. 2009 operating expenses estimated at \$3.56 per square foot, not including Tenant’s janitorial or separately metered utilities.
- SECURITY DEPOSIT:** The Security Deposit shall be waived.

**TENANT
IMPROVEMENTS:**

Landlord shall construct the Tenant Improvements for the City with qualified contractors within the Premises according to a mutually agreed upon space plan and assist City in acquisition of furniture and equipment in a total amount not to exceed \$5,712,145. City agrees to reimburse Landlord as invoices are submitted throughout the construction process in a timely manner.

Landlord's contribution towards additional tenant improvements shall not exceed five dollars (\$5.00) per rentable square foot of the Premises or approximately (\$185,000.00).

Landlord at Landlord's sole cost and expenses agrees to complete the exterior building renovations in a timely manner, not to exceed April 1, 2010.

OPTIONS TO EXTEND:

Tenant shall have two, five (5) year options to extend the Lease Term with at least six (6) months prior written notice.

EXPANSION OPTION:

Landlord shall grant Tenant an ongoing Right of First Refusal to match the terms and conditions as those contained in a bona fide third party offer acceptable to Landlord for up to 20,000 square feet adjacent to the Premises. Tenant shall have ten (10) business days after written notice from Landlord accompanied by the terms and conditions of the Third Party Offer to deliver notice to Landlord that Tenant will exercise the Refusal Right. Should Tenant fail to exercise its Expansion Option and Landlord fail to complete the transaction based on the Third Party Offer, then the Right of First Refusal will be reinstated.

**FIRST RIGHT
OF REFUSAL:**

Landlord shall grant Tenant the Right of First Refusal to purchase the Project on the terms and conditions as set forth in a bona fide third party offer, acceptable to Landlord. Tenant shall have until ten (10) business days after written receipt of the third party offer to deliver notice to Landlord of Tenant's exercise of the Refusal Right. If Tenant fails to exercise this right and the Landlord fails to complete the transaction with a third party, the right will be reinstated after an 18-month period.

**SUBLEASE/
ASSIGNMENT:**

Tenant has the right to sublease all or any portion of the Premises, to any unrelated entities without Landlord's prior written consent. Tenant shall have the right to assign all or any portion of the lease to unrelated entities with

Landlord's prior written consent, which shall not be unreasonably withheld.

Landlord shall have no right of participation, recapture or the right to change any terms of the lease in the event of a sublease or assignment. All rights of the Tenant under the lease shall inure to the benefit of the sublessee/assignee.

MAINTENANCE OF PREMISES:

Landlord will be responsible for all cost of maintaining the structural integrity of the building to include the roof and roof membrane, foundation, floor slab, footings, load bearing and exterior walls, columns, underground utilities, driveways, and parking lots and capital replacement of components of the systems required during the lease term in order for those systems to continue to operate at the level of performance contemplated by the original design specifications for those systems.

CLEANING:

Tenant shall provide it's own janitorial service.

PARKING:

Tenant shall be provided a parking ratio of a minimum of five parking spaces per 1,000 square feet leased at no additional charge for the initial term of the lease and any extensions thereof.

SIGNAGE:

Tenant, at the Tenant's expense, will be allowed building signage in accordance with the San Tan Technology Center comprehensive sign program, subject to approval by the Landlord and City of Chandler sign ordinances.







730 N. 52nd Street
 Suite 203
 Phoenix, AZ 85008
 602.933.1000



SAN TAN
 INNOVATIONS
 AT CHANDLER
 INDUSTRIAL
 SUITE XXX
 145 S 79TH
 CHANDLER
 ARIZONA
 85226

PHONG BET
LGE
 741 S. 49th St.
 Phoenix, AZ
 480.991.0001

THE ARCHITECT HAS PREPARED THESE PLANS TO BE USED IN ACCORDANCE WITH THE PROFESSIONAL SEAL OF THE ARCHITECT AND THE PROFESSIONAL SEAL OF THE ENGINEER. THE ARCHITECT HAS NOT CONDUCTED A VISUAL SURVEY OF THE SITE OR THE EXISTING CONDITIONS AT THE PROJECT LOCATION. THE ARCHITECT HAS NOT CONDUCTED A VISUAL SURVEY OF THE SITE OR THE EXISTING CONDITIONS AT THE PROJECT LOCATION. THE ARCHITECT HAS NOT CONDUCTED A VISUAL SURVEY OF THE SITE OR THE EXISTING CONDITIONS AT THE PROJECT LOCATION.

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Project: ST1

GENERAL NOTES

1. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE INTERNATIONAL BUILDING CODES AND ALL APPLICABLE LOCAL ORDINANCES.
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KEYNOTES

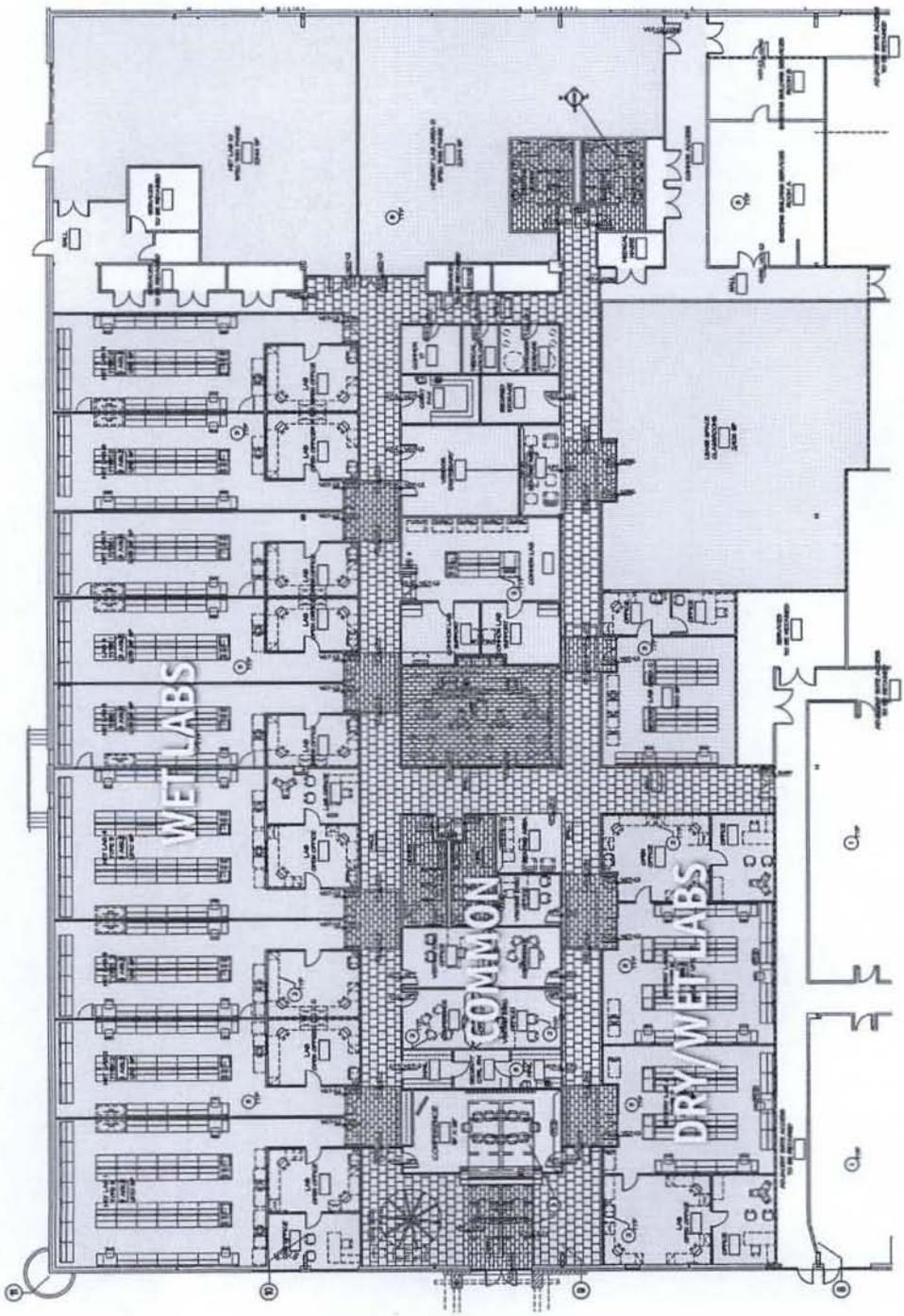
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FINISH LEGEND

010	CONCRETE	CONCRETE
020	PAINT	PAINT
030	CEILING	CEILING
040	FLOORING	FLOORING
050	WALLS	WALLS
060	ROOFING	ROOFING
070	MECHANICAL	MECHANICAL
080	ELECTRICAL	ELECTRICAL
090	PLUMBING	PLUMBING
100	GLASS	GLASS
110	WOOD	WOOD
120	STONE	STONE
130	METAL	METAL
140	OTHER	OTHER

LEGEND

- 1. ELEVATION
- 2. SECTION
- 3. FINISH
- 4. MECHANICAL
- 5. ELECTRICAL
- 6. PLUMBING



PARTIAL FLOOR PLAN