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OCT 22 2009



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MEMORANDUM **Real Estate - Council Memo No. DRE10-008**

DATE: OCTOBER 22, 2009

TO: MAYOR AND COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER ^{RP}
 RICH DLUGAS, ASSISTANT CITY MANAGER ^{RP}
 TERI KILLGORE, DOWNTOWN REDEVELOPMENT MANAGER ^{PK}

FROM: SHARON A. JOYCE, REAL ESTATE MANAGER ^{TK for SA}

SUBJECT: CONCEPTUAL APPROVAL OF PROPOSED PROPERTY EXCHANGE
 BETWEEN ICAN AND CITY OF CHANDLER

RECOMMENDATION: Staff recommends that the City Council authorize and approve the issuance of a Letter of Intent in substantially the form accompanying this memo in order to provide conceptual approval regarding a proposed property exchange between ICAN and the City of Chandler. The final agreement will be presented and approved by City Council at a later date.

BACKGROUND/DISCUSSION: Improving Chandler Area Neighborhoods (“ICAN”) desires to construct and operate a newer, expanded, and upgraded facility in Chandler, that will continue to serve its clientele, at-risk youth in Chandler neighborhoods. ICAN has approached the City with a proposal to develop this facility on property located at Folley Park, after exchanging their existing property with the City’s Folley Park property. The City is conceptually in favor of this plan, providing certain stipulations are met. Details of an agreement are currently being worked out, but the general features of the concept are as follows:

- ICAN proposes to construct and operate an approximately 20,000 square foot facility at Folley Park for delivery of services to area youth.
- City will pay additional funds to ICAN to pay off ICAN mortgage (maximum of \$150,000) and supplement funding to reach approximately \$1,150,000. The ICAN property must remain free and clear of any encumbrances.
- At time of final agreement, City will fund a portion of its contribution, with the remaining funds held in escrow during fund raising and plan development.
- The agreement will remain in effect and escrow opened for up to 3 years in order to provide ICAN time to raise sufficient fund and obtain all necessary building and

- development approvals, At close of escrow, the City and ICAN will exchange property, and release escrowed funds.
- City will pay costs for acquisition, demolition, and absorb fees related to zoning, impact and permit fees;
- As part of the exchange agreement, and in consideration of funding provided by the City, ICAN and City will execute a service agreement that provides for ICAN's providing services to area youth for period of approximately 25 years.

PROPOSED MOTION: Move that City Council authorize and approve the issuance of a Letter of Intent in order to provide conceptual approval regarding a proposed property exchange between ICAN and the City of Chandler., with the final agreement to be presented and approved by City Council at a later date.

October 23, 2009

Christy McClendon
Chief Executive Officer
ICAN
201 S. Washington St.
Chandler, AZ 85225

Re: Exchange of Real Property

Dear Ms. McClendon:

At your request, the City of Chandler is providing this nonbinding Letter of Intent, which has been authorized and approved by the Chandler City Council, for the purpose of publicly acknowledging and outlining in broad and general terms the City's intention to assist Improving Chandler Area Neighborhoods ("ICAN") in obtaining a new site and facility for the recreational, educational and social programs that ICAN provides to at-risk youth in and near the Chandler downtown area.

The City believes that the services provided by ICAN in working with at-risk youth is of significant benefit to the community and supplement greatly the community services provided directly by the City, and the City desires that those services be continued. The City also recognizes that ICAN's current facility on improved property, which ICAN owns at the southeast corner of Washington Street and Chicago Street (the "ICAN Property"), has limitations arising from the size of the land and from the physical condition of the building in which ICAN is located, and will be further limited by its location across the street from the new City Hall Complex now under construction.

In order that ICAN can continue to provide the necessary social services it offers, and in response to ICAN's request for assistance in obtaining a better location to more effectively assist at-risk youth, the City intends that it will enter into an agreement with ICAN that has the following broadly-stated, general terms:

- ICAN will convey to the City clear title to the ICAN Property, which has appraised at \$1,040,000.
- The City will convey to ICAN title to approximately a two and one-half (2 1/2) acre site that is currently part of the south end of Folley Park ("Folley Property"), which has appraised at \$285,000.
- In addition, the City will provide to or for the benefit of ICAN additional funds or benefits totaling \$1,150,000, in order to make up the difference in value of the two exchange properties and to provide assistance to ICAN in establishing a new facility of up to 20,000 square feet at the Folley Property.
- When a property exchange agreement is executed and escrow is opened by the parties, approximately \$200,000 of the total funds to be paid by the City will be

released to assist ICAN in clearing existing encumbrances on the ICAN Property and in undertaking initial design work needed for the new facility. The balance of the funds to be paid by the City to or for the benefit of ICAN will be separately escrowed pending the close of the property exchange.

- The title conveyed by the City to ICAN will be restricted to assure that the Folley Property is used for the types of social services that ICAN provides to at-risk youth.
- There will be a separate service agreement to assure that ICAN continues to provide its services at its new facility for the benefit of Chandler youth for up to 25 years.
- The exchange transaction will be escrowed on a long-term basis, with closing to occur as long as 3 years out, and in any event, when ICAN has raised sufficient funds and obtained the building and development approvals needed to begin construction of its facility at the Folley Property.
- During the escrow period, the City will continue to use the Folley Property as a public park and recreation site.
- After close of escrow, but while construction of the new facility occurs, the City will allow ICAN to continue to occupy the ICAN Property under a short-term lease at nominal value.

Nothing in this Letter of Intent constitutes an offer, acceptance, or agreement by either party. Each party must conduct additional investigation and analysis of the respective properties; all of the details, terms, and conditions must be agreed upon; and all documentation must be completed to the satisfaction of all parties and executed by all parties before a binding agreement will be created. The parties do intend and desire that a property exchange agreement be approved and executed, and escrow established, no later than December 31, 2009.

If ICAN finds the foregoing basic terms sufficient to allow the preparation of necessary documents to have this matter go forward, please provide a written acknowledgment to the City by delivering such acknowledgment to the Chandler City Manager, with a copy to the Chandler City Attorney.

Mark Pentz, Chandler City Manager

Approved as to form:


City Attorney

Authorized and approved by the Chandler
City Council

Boyd Dunn, Mayor