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**CITY OF TEMPE**  
**REQUEST FOR COUNCIL ACTION****REVISED****Council Meeting Date: 08/04/2016**  
**Agenda Item: 5C1**

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**ACTION:** Adopt a resolution approving and authorizing the Mayor to sign the Second Amendment to Assumption and Modification of the Development Agreement between Tellurian Development Company and the City of Tempe. (*Note: this item was continued from the June 23, 2016 Regular Council Meeting.*) (Resolution No. R2016.71)

**FISCAL IMPACT:** The total savings from the Government Property Lease Excise Tax (GPLET) is estimated by staff to be \$64.8 million. Tellurian spent \$17.2 million on hard and soft costs to remediate the site and the economic impact of the first phase is expected to be over \$59.7 million. The investment in site improvements, environmental remediation and the economic impact is equal to over \$76.9 million.

**RECOMMENDATION:** Adopt Resolution No. R2016.71.

**BACKGROUND INFORMATION:**

This Request for Council Action has been revised to reflect a new fiscal impact and background information, since the June 23, 2016, Regular City Council Meeting.

This item was originally placed on the June 23, 2016 City Council agenda. As part of that item staff was for a \$300,000 construction sales tax rebate for the installation on the traffic signal. In discussions with Tellurian there was a difference of opinion in the length of the GPLET term. The development pro forma was predicated on a 40 year GPLET lease term. The revision no longer includes the traffic signal and the amendment to the disposition and development agreement is to confirm the term of the 40 year GPLET.

In September, 2014 Tellurian Development Company assumed development responsibilities for the Business Park Parcel that was part of the Tempe Marketplace development. The parcel was a former landfill and an environmentally contaminated site. As part of the agreement Tellurian would remediate the site, make improvements and construct at least one building within 52 months. The site has been remediated at a cost of over \$17 million to the developer which was greater than originally anticipated and the first two are under construction which is within the 52 month requirement.

The site is planned for: three (3) hotels, one (1) class A office building, and retail shops. Currently the first hotel (a Homewood Suites) is under construction with the second hotel in for permits (a Garden Inn). Plans have been submitted by Boyer for the office building. The building is a 100,000 square foot two story class A office building. We have been told that a tenant has been signed for the office building; however the tenant's identity has not been disclosed.

This amendment is to confirm that any building on the site has a certificate of occupancy on, or before July 2, 2019 will receive a forty (40) year GPLET. As part of this lease each building will receive an eight (8) year property tax abatement.

Staff conducted an analysis of the GPLET and abatement. Although a term of forty years is difficult to project, it is assumed that the GPLET and abatement would result in a tax savings to the developer of \$64.8 million. This is offset by the \$17.2 million spent on environment remediation and site improvements such as: retaining wall, removal and proper disposal of abandoned construction materials, other landfill items etc.

These site improvements and the direct economic impact of \$76.9 million exceeds the tax savings mentioned above. The developer's improvements will result in the potential creation of 600 jobs and reducing the conditions that cause slum and blight and enhance the overall economic condition of the area and the community.

**ATTACHMENTS:** Resolution, Second Amendment to Assumption and Modification Agreement

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