
CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**Council Meeting Date: 06/23/2016**
Agenda Item: 5C7

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. (Resolution No. R2016.71)

FISCAL IMPACT: Construction sales tax reimbursement in an amount not to exceed \$300,000 for the design, construction and dedication of a street light located at the intersection of East Rio Salado Parkway and South Rockford Drive.

RECOMMENDATION: Adopt Resolution No. R2016.71.

BACKGROUND INFORMATION: 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 original assumption agreement, Tellurian would commence environmental cleanup by July 2014 and begin construction prior to July 2018 and be substantially complete with the project by 2019. The site has been remediated on schedule at a cost of over \$10 million to the developer, which was greater than originally anticipated.

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.

In light of the additional cost of remediation, the developer is asking Tempe to cover the cost of the traffic signal at Rockford Drive and Rio Salado Parkway through a construction sales tax reimbursement for the cost to design, construct and install the traffic light. Per the traffic impact analysis that Tellurian Development completed the development and activity on Rio Salado Parkway warrants a signal at this intersection. Finally, Public Works staff has engaged Dawn Cartier to conduct a traffic master plan for Rio Salado Parkway east to Price Road. In consulting with Public Works and Traffic Engineering, this location for the light is ideal because Rockford is the only road that connects down to University Drive. Total projected cost of the traffic light and installation is approximately \$300,000.

At staff's request, Tellurian retained Canyon Research Southwest to compete an economic impact analysis (EIS). Per the EIS the 20 year total fiscal impact to the Tempe General fund is \$20,035,764. The impact from calendar year 2015 to 2020 is estimated to be \$4,040,258. The economic impact analysis concludes a significant fiscal impact from the current and proposed development to Tempe will far exceed the cost of the traffic signal.

Staff is expecting Tellurian to be seeking a GPLET on the two hotels that are currently under construction in the near future. Depending on the commencement of construction it can be expected that a GPLET will also be sought on the office building. Per the original agreement, the developer can receive up to a 40 year GPLET depending what is ultimately approved by Council. As part of the GPLET conversation the City's expenditure for the traffic light will be considered, and Council will be apprised once this portion of the agreement is undertaken.

This request will require an amendment to the existing development agreement for the developer to design, construct and install the traffic signal to Tempe specification and for Tempe to provide terms for reimbursement of the cost associated with the project not to exceed \$300,000. The reimbursement will be from the general fund portion of construction sales tax collected from the construction of an office building, the remaining hotel, and retail development that occurs between the execution of the amendment and 2019.

ATTACHMENTS: Resolution, Second Amendment to Assumption and Modification Agreement

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