



CITY OF SURPRISE
City Council Work Session
16000 N. Civic Center Plaza
Surprise, AZ 85374

Tuesday, December 3, 2024 @ 4:30 PM
COUNCIL CHAMBERS

- A. Call To Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Proclamation and Community Acknowledgements
- E. City Manager Report

The City Manager may present a brief summary of current events, including recognition of community members, employees, and programs, pursuant to A.R.S. § 38-431.02(K). The City Council will not discuss or take action on any matter within the City Manager Report.

- F. City Clerk Report
- G. Regular City Council Work Session Agenda

CONSENT AGENDA:

REGULAR AGENDA ITEM - PUBLIC HEARING:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

- | | | | |
|----|------------|--|---|
| 1. | District 1 | Presentation and discussion pertaining to an update of District One transportation improvements. | Eric Boyles
Transportation |
| 2. | Citywide | Presentation and discussion pertaining to financial and location analysis for new proposed startup and small business program. | Jeanine Jerkovic
Economic
Development |
- H. Other Business and Future Agenda Items
 - I. City Council Reports
 - J. Executive Session

For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:

- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. §38-431.03 (a)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town. A.R.S. §38-401.03 (A)(6)).
- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03(C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.

The council may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

K. Adjournment

KRISTI PASSARELLI, CITY CLERK

POSTED: Wednesday, November 27th, 2024 @ 10:00 AM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



CITY OF SURPRISE
City Council Work Session

Council Meeting Date: December 3, 2024
Submitting Department:
Staff Recommendations:

Contact Person:
District: Citywide

Consent: No	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:
City Manager sub-text

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



CITY OF SURPRISE City Council Work Session

Council Meeting Date: December 3, 2024

Contact Person: Eric Boyles, Director -
Transportation

Submitting Department: Transportation

District: District 1

Staff Recommendations: None

Consent: No

Regular: No

Public Hearing: No

Report/Discussion: Yes

Agenda Wording:

Presentation and discussion pertaining to an update of District One transportation improvements.

Motion:

None; this item is for information and discussion only.

Background:

The area of North Surprise is a very rapidly growing area of the City, and with that growth it creates a great demand on the transportation infrastructure in the area. The City has programmed and is under construction on numerous improvements in the area to provide additional capacity, as well as working with our state and regional partners to bring funding to make improvements to the State-owned facilities in the area.

Objective Analysis:

This item will highlight transportation improvements that have been completed and present the future improvements that will be made in the area of North Surprise.

Policy Compliant:

This item is compliant with all City and City Council policies.

Financial Impact:

None, informational only.

Budget Impact:

None, informational only.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:



CITY OF SURPRISE City Council Work Session

Council Meeting Date: December 3, 2024

Contact Person: Jeanine Jerkovic, DIRECTOR -
ECON DEV

Submitting Department: Economic Development

District: Citywide

Staff Recommendations: None

Consent: No

Regular: Yes

Public Hearing: No

Report/Discussion: No

Agenda Wording:

Presentation and discussion pertaining to financial and location analysis for new proposed startup and small business program.

Motion:

No motion - work session item

Background:

The Surprise Economic Development Department (EDD) has a desire to relaunch the best startup and small business services program in the world. This requires a dedication to a vision for success - and for identifying the most ideal conditions to champion success.

In the work sessions of May 21, 2024 and October 15, 2024, the EDD provided initial considerations for the relocation and updating of the city's small business services and business incubation program, currently called The AZ TechCelerator (AZTC). While the May 21st update emphasized the opportunity cost of managing the program within the older, declining facility, the most recent update of October 15th helped provide an overview of the proposed updated business service model. At the October 15 work session, a further request was made for more information about how the move would financially impact the city's budget prior to the Council vote on a new program location lease agreement.

While the final lease and fee amounts for the new program location are still pending, what is known is that there is significant real estate value created above-and-beyond a ten-year estimated lease rate once the EDD program vacates the existing AZTC property. The presentation will discuss the value created by the relocation and the ideal conditions of a storefront location at Elm Street at Surprise City Center.

Objective Analysis:

The objective analysis will address the public benefit of the program relocation both quantitatively and qualitatively.

Quantitative analysis: There is significant real estate value created above-and-beyond the value of a ten-year estimated lease rate for property at City Center once the EDD program vacates the existing AZTC

property. Acknowledging that there are pending amounts for a lease agreement and fees yet to be finalized, the department does have high-level estimates for (1) the value of the soon-to-be-vacated AZTC real estate, (2) an annual lease rate approximation for the new property and (3) costs to either remodel or demo the AZTC property to a usable/marketable state. All the possible property reuse scenarios (sell, lease, re-purpose or leverage) are a net financial gain or value for the City of Surprise above-and-beyond the estimated value of a ten-year lease for storefront property at Elm Street at Surprise City Center.

Qualitative analysis: A retail-style, public-facing location provides a unique location to relaunch the EDD startup and small businesses program. While the Economic Development team acknowledges the practicalities of sharing spaces with other City Center-based partners and properties, such as Ottawa University or the library or others, there are none that provide the ideal conditions that might help the Surprise program stand out while supporting the mission of a thriving City Center downtown. The ideal location conditions that the EDD sought included: (1) visibility / public-facing; (2) accessible, easy-to-find and welcoming; (3) identifiable as a place in Surprise for Surprise businesses; and (4) beneficial to advance the Council's mission and vision for Surprise City Center. Additionally, the location offer that was made for the EDD team's consideration is a time-limited one, only available now during the construction of the Elm Street project.

Policy Compliant:

The work session item proposed aligns with the Surprise City Council Strategic Plan Strategy 3.2, "Provide hands-on approach to supporting innovation, entrepreneurship and small businesses." This also asks the EDD to "identify best practices and programs at the AZ TechCelerator and engage in new opportunities to embed in university programming and/or new development in City Center."

Financial Impact:

The proposed financial impact in future years is a positive one for the City of Surprise, allowing for the use, sale or lease of 6.5 acres once the AZTC program transitions to a new location.

Budget Impact:

The budget impact detail is pending the final lease agreement and fee amounts determined by Council at a future date; there is a net gain in future budget cycles from the use, sale, or lease of the vacated AZTC property.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. Financial and site analysis
 2. Small Business Program Financial Location Snapshot
-



Financial & Location Analysis: Startup & Small Business Program Transition

Jeanine Jerkovic, Economic Development Director
December 3, 2024

Background

How we got here (recap)

- **Refresh Needed:** Desire to modernize to high-touch, outcomes-based program
- **Facility Issues:** Opportunity cost of staff time managing declining facility versus program
- **Location Challenges:** Current location detached from vibrant City Center corridor, education partnerships



The Site Analysis

Former location:



Proposed location:



Quantitative Analysis Considerations

1. Estimated financial value proposition of property transition – i.e., 10-year proposed lease + former property asset considerations
2. Estimated revenues-determined by fee structure – to be approved by City Council, not available

Qualitative Analysis Considerations

1. New program opportunity with partnership alignments
2. Businesses interested in one-on-one approach
3. Staff time dedication to program vs. facility requests
4. Ideal location has qualities that make the program visible, accessible, identifiable & beneficial to downtown vision & mission.

Value/Benefit of Relocation

'Old' Property Location Options (still evaluating)	WHY it is a Benefit / Offset of NEW program relocation
Property reuse for city uses	Helps provide CIP options that might have created the need for purchase or lease of property elsewhere
Sale of Property	One-time capital benefit that exceeds the value of a 10-year lease at City Center
Lease of property	Allows revenue generation via public-private partnership that exceeds the value of the 10-year lease at City Center
Leverage	Allows for acquisition of property for City uses that might have created the need for purchase or lease of property elsewhere

Net Value?



Quantitative Analysis Assumptions (high level)

- **DISCLAIMER:** *these estimates all entirely hypothetical / the AZTC property working committee is developing recommendations, better scenarios*
- **New fee revenues** are not calculated here / not approved
- **Ten (10) Year Timeline**
- \$6.5 million Assessed AZTC Property Value (3+/- years ago)
- Est. Lease Rate of AZTC property +/- \$300,000/year (depends on a lot of factors)
- Initial Proposal for lease agreement +/- \$192,000 X 10 years = \$1.92 million (*still in final evaluation)

Option	Sale	Lease	Leverage	Reuse or Re-build
R.E. Asset Value / Land Revenue	+\$6.5 M (one-time)	\$6.5 M +\$3 M (\$300K X 10 years)	+\$6.5 M value	+\$6.5 M value
One time cost	-\$1 M for demo?	-\$1 M for demo?	-\$1 M for demo?	TBD – Depends on use (preserve, rebuild, renovate, PPP model, etc.?)
Estimated maintenance cost (10 years)	Not applicable	Not applicable	\$+/- \$250,000 for new property?	Varies widely: - \$1.5 - 3.5 million, depending on reuse
New property lease (est.)	-\$1.92 M +/-	-\$1.92 M +/-	-\$1.92 M +/-	-\$1.92 M +/-
EST. VALUE	\$3.58 M	\$6.58 M	\$3.33 M	TBD – will vary widely

Ideal Site Considerations

#1. Visible:

Public-facing / Dedicated Storefront

#2. Accessible:

Welcoming & Easy to Find & Access

**Elm Street
Location**

#3. Identifiable:

Surprise name in the title / aligned with the location

#4. Beneficial to City Center mission & vision:

Provides community engagement, OUAZ benefits, Civic center / downtown opportunity for growth

Location Considerations

Location options / City Center	Public-facing 'Surprise' storefront?	Welcoming & easy to find for <u>businesses specifically</u> ?	Advances city's vibrant downtown mission?
Elm Street / City Center – dedicated space	Yes	Yes	Yes
Other commercial office space nearby	<i>Maybe – but it's not a storefront</i>	<i>Maybe – but not as easy to identify 'hidden' away in an office complex</i>	<i>Maybe? Better than previous location.</i>
Inside City Hall or inside Ottawa	No (limited/shared capacity)	No (limited/shared capacity)	<i>Maybe? Better than previous location.</i>
Inside Library	<i>Maybe?</i> (limited/shared capacity)	No (limited/shared capacity)	<i>Maybe? Better than previous location.</i>
Stadium	No (limited/shared capacity)	No (limited/shared capacity)	<i>Maybe? Better than previous location.</i>

Additional Considerations

- **This is a public program for our business community and not a ‘business’** – think of it as a park, a pool, library, etc. but for a specific and growing segment of our economy.
- **This is an investment** in our startup and small businesses & local economy - not an expense.
- **Cities do lease space for city purposes.**
With the cost of capital, cities lease space temporarily or permanently for their growth needs for lots of reasons. Buckeye, Glendale, Goodyear are current examples of cities with leases in the West Valley.



Our Goal: To Be The Best!

- **Quantitative analysis:** Value/benefit for City gained through sale, lease, leverage or repurpose of AZTC property exceeds a 10-year lease estimate at City Center
- **Qualitative analysis:** Unique, standout “storefront” opportunity with visibility, accessibility, identity and benefits to City Council’s downtown mission & vision
- **Alignment:** With Surprise City Hall campus, with OUAZ, partners & businesses
- **Dedicated program staff**





@SurpriseEconDev



@SurpriseEconDev



@surpriseazgov



Surprise Economic Development

Thank You!

Jeanine Jerkovic

Jeanine.jerkovic@surpriseaz.gov



Background

Recap / Old City Hall Property Estimates (provided in May 2024)

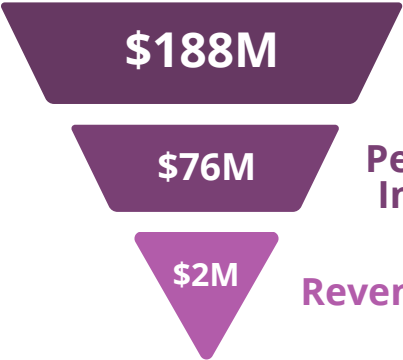
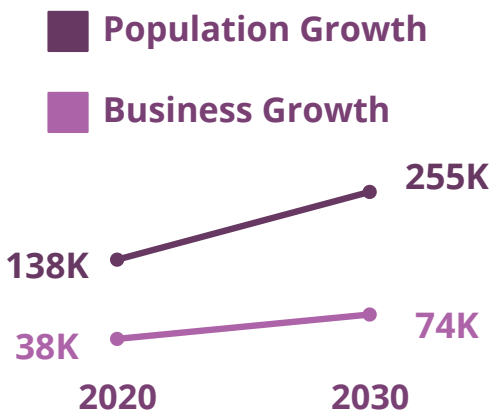
Scenario:	Deactivate & Preserve the Property	Demolition & Leverage the Property	Renovate & Repurpose
Scope:	• <i>Roof replacement</i> • <i>Power/Water/Sewer/HV AC maintained in working order</i> • <i>Property security and maintenance</i>	• <i>Demolition of all buildings</i> • <i>Post-demolition property value according to appraisal: \$6.5M</i> • <i>Property security and maintenance</i>	• <i>Renovate, restructure and maintain 60,000 SF of buildings to <u>modern</u> office standard</i>
One-time cost estimate	\$1.25M - \$1.5M	\$750,000 - \$1M	\$8M - \$12M
Annual cost estimate	\$125,000 - \$175,000	\$10,000 - \$25,000	\$200,000 - \$350,000

Small Business Program

Financial & Location Snapshot



10-Year Economic Impact



Economic Output

Personal Income

Revenue

90 Jobs Created a Year



53 Direct



37 Indirect

Ideal Site

Beneficial to City Center Mission & Vision

Accessible

Identifiable

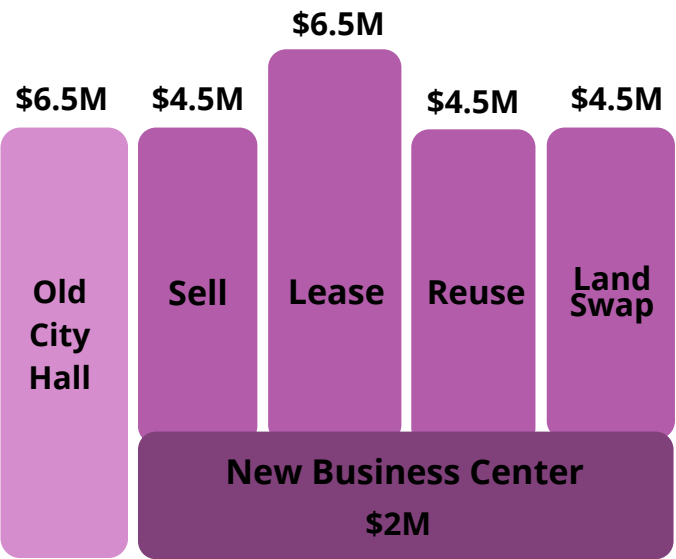
Visible



Business Focus

- Technology
- Finance
- Marketing
- Operations

Property Offset Market Value



New Location Considerations

- Public-facing 'Surprise' storefront
- Welcoming & easy to find
- Advances city's vibrant downtown mission

Elm Street/City Center	Commercial Space	City Hall or Ottawa
YES	Maybe	No
YES	Maybe	No
YES	Maybe	Maybe

Old City Hall Considerations

1. Current ~ \$150,000
2. CIP Allocation ~ \$300,000
3. Demolition ~ \$1M
4. Reuse ~ \$10M

City Council Strategic Plan

3.2 Provide hands-on approach to support innovation, entrepreneurship, and small business

3.6 Foster the development of Surprise City Center