



MAYOR & COUNCIL COMMUNICATION

June 28, 2005

**Subject: Amendment to Ground Lease with El Campo Property Rentals, LLLP
Downtown Grocer Project
Northeast Corner of 22nd Street and Interstate 10
(Wards 1, 5 and 6)** **Page: 1 of 2**

Issue – Mayor and Council approval is respectfully requested of a Second Amendment to an existing Ground Lease between the City of Tucson and El Campo Property Rentals, LLLP, an Arizona limited liability partnership. This Ground Lease Amendment facilitates on-going pre-development activities for a planned 13 acre shopping center at the northeast corner of 22nd Street and Interstate 10 (I-10).

Recommendation – It is recommended that Mayor and Council approve the attached Second Amendment to an existing Ground Lease for the subject property.

Background – On September 24, 2001, through the unanimous adoption of Resolution No. 19020, Mayor and Council last revised the lease agreement for the subject property in order to provide additional time for necessary due-diligence activities. Since that time, discussions with the prospective developer of this grocer-anchored shopping center have not yet yielded confirmation of a selected grocer to anchor the development. Negotiations on that issue continue.

Pre-development activities have continued unabated, using primarily Economic Development Initiative grant funds received for the project three years ago. These activities have included:

- A. Demolition of the last remaining industrial improvements on the site. This work was completed this month. Final environmental testing (which could only occur once demolition was completed) will secure a clean bill of health for the property this summer.
- B. Master Planning efforts. The greenway project which abuts this property has progressed, and Mayor and Council conceptually approved that project earlier this month. Internal discussions are underway regarding other master-planning needs along this key gateway to Rio Nuevo. Any development of this property will be closely coordinated with these other planning efforts.
- C. A formal development agreement with a development team is anticipated by late 2006.

While negotiations with prospective grocers to anchor this desired shopping center continues, staff is looking at interim development options for the property. Uses related to the gem show may prove to be excellent interim uses, in conformance with existing zoning. This could address the needs of the gem show community during upcoming UA Science Center, Civic Plaza and I-10 construction through 2010, at which time a grocer-anchored center is likely to be ready for construction. More information relative to this possible interim use will be provided to Mayor and Council in the fall, as plans are firmed up.

