



City Council

Date: September 22, 2014
To: City Council
Through: Christopher J. Brady, City Manager
From: William J. Jabjiniak, Economic Development Director
Sara M. Sorensen, Economic Development Project Manager

Subject: Consider authorizing the City Manager to execute the proposed First Amendment to the Wilkes University Lease Agreement at the Mesa Center for Higher Education located at 245 W. 2nd Street

District 4

**Strategic
Initiatives**



Purpose and Recommendation

Authorize the City Manager to execute the First Amendment to the Lease Agreement with Wilkes University for the city-owned property at the Mesa Center for Higher Education at 245 W. 2nd St., Mesa, AZ. The City of Mesa and Wilkes University have determined that the original enrollment projections described in the Lease Agreement should be adjusted to better reflect the actual enrollment numbers.

Staff recommends that the City Council approve the following document:

First Amendment to the Lease Agreement

Background

The City of Mesa and Wilkes University entered into a Lease Agreement dated December 11, 2012, for a five-year term for use of the Mesa Center for Higher Education building.

Founded in 1933, Wilkes University is a private, non-profit, coeducational, residential college based in Wilkes-Barre, PA. Undergraduate enrollment at the home campus is 2,200, while graduate enrollment is estimated at 2,700. Wilkes offers 37 undergraduate majors and minors, 10 graduate programs and 4 doctoral and terminal degrees.

Discussion

Prior to their first year of classes at their Mesa location, Wilkes University and the City of Mesa agreed upon a minimum monthly rent schedule based on initial enrollment projections, which determined the amount of classroom and office space needed.

While the need for office space has remained consistent, the need for classroom and lab space was overestimated due to lower than expected enrollment. Wilkes University approached the Office of Economic Development in August 2014 to discuss their concerns regarding the steep increase in minimum monthly rent between year one and year two.

The proposed First Amendment to the Lease Agreement allows the City of Mesa to modify the existing minimum monthly rent to more accurately align with the actual enrollment numbers. Adjusting the minimum monthly rent provides a temporary and slight reprieve to Wilkes University as they establish roots in the community.

Adjusting the minimum monthly rent rate will enable continued success and growth for Wilkes' new venture into the Mesa market. By doing so, Wilkes will be able to invest additional money in marketing their Mesa programs, rather than paying rent for space they are not currently occupying.

To encourage additional marketing and student enrollment efforts, the First Amendment requires Wilkes to provide the City with a 'Strategic Enrollment Plan' within 30 days of executing the amendment. This plan will outline the methods and goals for increasing student enrollment.

Alternatives

If the City Manager is not authorized to execute the First Amendment to the Lease Agreement and the minimum monthly rent is not adjusted, the City of Mesa potentially risks losing Wilkes due to very high rent expenses compared to enrollment and revenue projections.

Fiscal Impact

The amended minimum monthly rent will be effective years two through five, so long as Wilkes does not default under the Lease Agreement. The adjusted monthly rent is as follows:

Year 2:	\$3,624.89 plus tax
Year 3:	\$3,624.89 plus tax
Year 4:	\$9,437.39 plus tax
Year 5:	\$9,437.39 plus tax

If Wilkes' usage of the building is greater than the amended minimum monthly rent, the rent will be upwardly adjusted based on the rent formulae set forth in the Lease

Agreement. There will be no downward adjustment of the rent, nor will the rent ever be below the amended minimum monthly rent.

If Wilkes University provides a notice to terminate the Lease Agreement, they must adhere to the minimum monthly rent set forth in the original Lease Agreement, NOT the amended minimum monthly rent. Additionally, Wilkes' would still be held to the original breakage penalties set forth in the Lease Agreement.

Coordinated With

The Office of Economic Development has worked very closely with City legal and Wilkes University regarding the First Amendment. Wilkes University is very appreciative of the support the City of Mesa continues to provide them as they grow their university in Mesa.