



City Council Report

Date: January 25, 2021
To: City Council
Through: Chris Brady, City Manager
From: Jeffrey McVay, Manager of Downtown Transformation
Beth Huning, City Engineer
Subject: Benedictine University Lease Agreement – Fourth Amendment

Resolution Adopting a Rule for the Maximum Dollar Amount for Individual Job-Order Contracts, and Increasing an Individual Job Order for City Project No. CP0946 from \$1,500,000 to \$1,700,000

Council District No. 4

Purpose and Recommendation

The purpose of this report is to consider staff's recommendation to approve the Fourth Amendment to the City's Lease Agreement with Benedictine University, and to approve a resolution to adopt a rule which will include a procedure for the City Manager to approve individual Job Orders with a value of up to \$2,000,000 with Council's prior approval, and to approve an individual Job order for the Benedictine University of up to \$1,700,000.

Background

The Third Amendment to the Benedictine Lease Agreement committed the City to fund the design and build-out of approximately 10,000 square feet to support the innovative educational relationship between Benedictine University and CO+HOOTS, with a cap of \$2,000,000. To allow the project to be constructed using the Job Order Contract (JOC) delivery method, a maximum of \$1,500,000 was committed for construction. While the design of the project has undergone multiple value engineering exercises, it is not possible to construct this project within the \$1,500,000 limit without losing critical spaces required for the feasibility of the project. As currently designed, the construction estimate is \$1,700,000, with a total design and construction budget of \$2,150,000.

This Fourth Amendment increases the City's funding cap for the design and build-out of approximately 10,000 sf from \$2,000,000 to \$2,150,000.

Staff recommends that Council authorize the City Manager to execute this Fourth

Amendment to the Lease Agreement on behalf of the City, which will authorize the expenditure of up to \$1,700,000 for remodeling the vacant space on the 2nd and 3rd floors of the existing Benedictine University facility located at 225 East Main Street. The 10,000 sf of vacant space will be built-out to facilitate job creation, business development, Benedictine University's partnership with CO+HOOTS in the creation of entrepreneurship academic programming, and the operation of a commercial co-working space by CO+HOOTS.

Under the terms of the innovative educational relationship with CO+HOOTS, CO+HOOTS will (1) collaborate with Benedictine University to develop a certificate in Entrepreneurship and an Entrepreneurial Leadership program; (2) provide real world experiences for Benedictine's students and/or the community; (3) create no fewer than 300 jobs/business over 10 years; and (4) provide public entrepreneurship programming to occur no less often than once per week; all of which will occur over a ten (10) year period of time, with annual reporting to the City.

In addition, the purpose of this report is to request Council approval of a resolution adopting a rule establishing the maximum dollar amount for individual job order contracts. Currently, following Council approval of a Master Job Order Contract, the City Manager is authorized to enter into individual job orders with a value of up to \$1,500,000. The proposed resolution continues to allow the City Manager to enter into individual job orders with a value of up to \$1,500,000, while establishing a procedure to approve individual job orders in excess of \$1,500,000 and up to \$2,000,000, with City Council's prior approval of the specific job order through a Council resolution. The proposed resolution further approves an increase from \$1,500,000 to \$1,700,000 for the specific job order for the build-out of approximately 10,000 sf at Benedictine University, consistent with the proposed Fourth Amendment to the Benedictine Lease Agreement.

Discussion

The purpose of this lease amendment is to support the innovative educational relationship between Benedictine University and CO+HOOTS. In addition, the presence of CO+HOOTS will complement the City's goals of increasing higher education opportunities and the growth and development of the Downtown Innovation District.

For many City projects, JOC is the most efficient and cost-effective method of project delivery. However, with past and on-going construction cost escalation, fewer projects can be delivered using JOC, even if JOC is the most effective method of project delivery. This resolution allowing an increase in the maximum dollar amount for individual job orders will specifically allow the build-out of the Benedictine space using the JOC method of project delivery, while generally providing additional flexibility to use the JOC method of project delivery for future City projects, with specific Council approval.

Community Impact – The lease agreement and JOC resolution will help facilitate creation of no fewer than 300 Mesa jobs/business, while providing weekly public entrepreneurship programming to the community over a ten (10) year period.

Alternatives

The City Council could choose not to enter into this Fourth Amendment to the Benedictine Lease Agreement. This is not recommended as there would be the potential loss of at least 300 jobs/businesses that will be generated by this partnership.

The City Council could choose to not adopt or modify the resolution establishing a procedure to increase the maximum dollar amount for individual job orders, and specifically approving the individual job order of \$1,700,000 for build-out of the Benedictine space.

Fiscal Impact

The total fiscal impact of this Lease Agreement is \$2,150,000.

This project is funded by the Economic Investment Fund.

Coordinated With

The City Manager's Office and City Attorney's Office concurs with this recommendation.