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COVER PAGE

Innovation Study Title Avondale City Center: A New Approach to Developing a Community and Growing Economic Development

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City/County Manager Charlie McClendon

Population 76,238

Submit Innovation Study for an Alliance Innovation Award Yes No

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and Growing Economic Development**

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Avondale City Center: A New Approach to Developing a Community and Growing Economic Development

Background, Intent, Outcomes

In 2002, Avondale, Arizona, a city on the western edge of Phoenix, was poised to become a typical first ring suburban community ready to enjoy the boom of single family residential development and the standard strip retail neighborhood shopping centers that routinely were being constructed throughout the rapidly growing Southwest.

The city enjoyed the benefit of thousands of acres of vacant land ready for development and the challenge of Interstate 10 bisecting the community which created a physical barrier that needed to be bridged to avoid the city being viewed as a separated community.

The City started with a bold commitment to create a centralized Civic Center complex built to accommodate a new city hall, police headquarters, and municipal court. Along with the municipal buildings that provided centralized government operations, the project included full infrastructure improvements along the major arterial street (Avondale Boulevard). This forward thinking commitment stimulated the development of a 25,000sf class A office that provided a corporate headquarters for Phoenix International Raceway. A few years later, a state of the art library was added to the campus.

With the success of the Civic Center campus, City Council embarked on a visioning process to plan and set the development objectives for the balance of 400 acres of property contiguous to the Civic Center. After months of research, analysis, and public meetings, Council agreed upon a shared plan and vision. The **City Center Specific Area Plan** became the blueprint for future development. The plan envisions a 15-20 year build out and includes a pedestrian friendly mixed used development for retail, residential, hospitality, and tourism.

The Plan was approved in early 2008, but nobody realized that we were about to enter one of the most challenging economic times in our nation's history. Capital markets for private sector development dried up completely. The City had a great plan and a whole bunch of uncertainty if it would ever become a reality!

Around the same time, the City's Parks & Recreation Department was in the process of planning for the construction of a neighborhood community center. The center was planned to be a 25,000sf facility with a gymnasium, multipurpose room, kitchen and administrative offices. In addition to the \$10 million capital cost, the annual operating costs were estimated at \$750,000. Given the uncertainty of the economy at the time, City Council placed the community center project on hold.

Staff felt that there was still a need for the community center and sought out creative methods in which to accomplish the project. As staff started looking for alternatives for the community center project, the vision of the City Center Specific Area Plan was never too far removed from staff's vision.

Staff became aware of a sports facility operator based in Anaheim, CA that was looking for public/private partnership opportunities to expand their youth and amateur sports initiatives. After a few telephone calls and exchanges of emails, a business model framework was developed for the City to enter into a partnership with American Sports Centers (ASC). A Lease, Maintenance, and Operations agreement was finalized in early 2009 between ASC and the City. The agreement called for the City to construct the sports facility and contract with ASC to operate the facility. The City funded the \$10 million capital cost for the facility with the monies earmarked for the neighborhood community center. The City was able to triple the size of the building and provide specific sports amenities that fit into the programming plans for ASC. As the operator, ASC is contractually obligated to pay for all of the operational costs associated with the facility, inclusive of utilities and personnel. After a two (2) year ramp up period, the agreement provides for a shared revenue provision based upon gross receipts generated at the facility. It is estimated that the revenue stream to the City will average \$300,000 per year.

One of the first and best decisions that the City made was to locate the new sports facility in the City Center development area. After much research, the City believed that we could build a quality sports facility that would be the center piece of the initial development area.

The City acquired 4.25 acres of property for the sports facility and began the architectural and engineering design for the building and surrounding infrastructure. The City engaged ASC early on in the process to make sure that the design of the facility met their operational needs. The facility is specifically geared toward youth and amateur sports, with an emphasis on tournaments. The 83,000sf facility features six (6) volleyball and four (4) basketball courts, two (2) indoor soccer fields, 4,000sf multipurpose room and a full service food operation.

The City's Parks & Recreation Department receives preferred rental opportunities for camps, clinics, leagues and summer programming. The ASC facility enables the City to offer many more recreational programs without the need to host them at local school facilities or compete with other non-profit groups. The City has used the new facility to showcase the opportunities that abound in Avondale and organizations have used the facility to host Chamber of Commerce Business Mixers, Mayors and City Manger's Association, Maricopa Association of Governments, and the National League of Cities Conference Planning Committee to name a few.

The infrastructure was designed to accommodate the ASC facility but also provided an opportunity to provide "pad ready" sites on property adjacent to the roadway improvements. The City viewed the infrastructure improvements as an investment toward future development. As the ASC facility was under construction, the excitement within the community was building. The City seized upon this enthusiasm and committed to build 25,000sf of retail space adjacent to the sports facility. Essentially, the City was taking the leadership role and becoming the master developer for the City Center. This was not what the City had planned to do, but given the circumstances of the economy, a typical retail commercial developer could not secure funding to construct a new building.

City staff was able to secure Letters of Intent to pre-lease over 50% of the retail space even before we started construction. The key to our leasing success was built upon our ability to attract local retailers who saw firsthand that the sports facility was going to be an anchor tenant

that services the local community and also provides a regional draw. The City funded the \$3.5 million capital cost of the retail building and negotiated competitive lease agreements. The City has developed an “exit strategy” that once the retail portion of the development is stabilized, the City will sell the asset to the private sector and return the capital funds back to the City.

The City did not intend to take on the master developer roll, but given the economic conditions the City Center project would not have started without the leadership and financial support from the City.

The sports facility has been operating for almost 10 months now and the use of the facility has surpassed everyone’s expectations. Two new restaurants are scheduled to open this October in the retail liner adjacent to the sports facility. Staff has ongoing negotiations with a multi-family developer that is interested in building 300-500 residential units. Thus far, the City has taken on a little more risk than we normally would have by becoming the master developer of City Center however the rewards of the success that we have enjoyed this past year have been beneficial to the overall city development.

Costs/Savings

The old adage of needing to “spend money to make money” certainly can be applied with our City Center development. The City has taken a slightly different perspective and really has viewed our participation as an investment in our future. All of the decisions to invest in the sports facility or the adjacent infrastructure has been analyzed and thoroughly vetted from a business performance criterion. As previously mentioned, the City identified a problem with committing \$750,000 annually for the maintenance and operational costs associated with the community center. By finding a partner in ASC, we found a way to eliminate that cost to the City and allow the private sector experts to manage that aspect of program delivery. In addition, the lease agreement includes revenue sharing opportunities that incentivize performance of the operator and as they are successful in revenue generation then the City will benefit as well. It is estimated that this could generate annual revenue in excess of \$300,000. Combined, this represents a net effect of operation efficiencies of over \$1 million.

The City also realized exceptional cost savings by building during a depressed economy. Where many communities were simply cutting back, eliminating projects and hunkering down to weather the storm of economic uncertainty; the City took the bold leadership position that it was time to build and lead our community forward and invest in the future.

Innovative Characteristics

The City has really shown that with creativity and an entrepreneurial spirit we could become the masters of our own destiny. To do so required vision, leadership and commitment by our elected officials. We chose to build during a down market, take the calculated risk that had the opportunity of reward. We sought out and found similar minded partners that were willing to partner with a municipality to share the vision of the City Center Specific Area Plan.

Unintended Consequences

As we entered the implementation phase of the City Center project, the City was initially just hopeful that we could get a single facility built. Now, we see the opportunity to develop a specific economic strategy that is built around youth and amateur sports and compliments many of the core vision elements of the Specific Area Plan. What we have found is that an investment in life style amenities that is focused on families, recreation, and fun will weather economic cycles and can create additional economic activities for a community. We were also pleasantly surprised as to how quickly the project has taken off and created additional opportunities for development and investment from the private sector. It has become very clear that the private sector took notice of the capital investment that the community made to the project. More importantly, they also saw the commitment that was made and removed any remaining question marks that were out there on whether City Center was really just a vision on paper or could become a reality.

Presentation Components

Innovation/Creativity

The commitment to build the sports facility and the retail liner adjacent to the building created the momentum that was needed to initiate the implementation of the City Center Specific Area Plan. The City had to be creative and find multiple private sector partners for this concept to be successful. After a short 10 month period, we have seen and heard the positive outcomes of this investment. Every weekend, there is a basketball, volleyball or soccer tournament that is being hosted at the facility bringing in hundreds and thousands of players and spectators that would have never come to Avondale in the past. There are increases in hotel overnight stays, visitors eating and shopping in our retail establishments and many visitors that are leaving with a positive outlook regarding our community.

Outcomes Achieved

There are two main areas that we can measure the successful outcomes of the project. First, the ASC facility, along with the retail development has definitely created a foundation to build upon for the overall City Center Specific Area Plan. Secondly, the creative approach that the City took to collaborate in a public/private development concept has proven to be a sound economic and business model for our community.

Applicable Results and Real World Practicality

Every community is different and may not have the same goals or specific development plans that would be applicable for this type of development. What is universally common that can be taken away for all communities is that when faced with challenges and an unforeseen future it is vital to look for ways to be creative, innovative and seek out collaborations to achieve your goals. As we found ways to identify the strengths of our partners, the City has continued to maintain our focus on achieving the goal.

Case Study Presentation

The case study presentation will include a power point presentation that discusses the general overview of the City Center Specific Area Plan, the process in securing the partners for the project, the nuances of the agreements, and the operational aspects of the sports facility and the long term build out plans of the overall project.

Mr. John Ruggieri will provide the general overview of the City Center Specific Area Plan and discuss the balance of how all of the various uses fit into the long term development objectives of a thriving pedestrian oriented life style center.

Dan Davis will talk about the selection process and how the development partnership was identified, cultivated and finalized along with all of the specifics regarding design, lease and construction agreements and general aspects of the project. He will also discuss the reasons and opportunities to build an economic strategy around youth and amateur sports.

John Shields will provide the operator's perspective of what it takes to be successful in the youth and amateur sports field. He will discuss the marketing and operational aspects of starting a brand new business in a down economy.

The presentation will also include representatives from at least one of the restaurant tenants that have leased retail space in City Center and they will discuss the benefits of working collaboratively with the City and may provide samples of some of their delicious menu items for the attendees.