



**(CONTINUED FROM MAY 16, 2018) - Authorization to Enter into Agreements with Sacred Heart Roman Catholic Parish Phoenix (Ordinance S-44586)**

Request to authorize the City Manager, or his designee, to enter into a lease and other agreements, as necessary (Agreements), with Sacred Heart Roman Catholic Parish Phoenix, an Arizona non-profit corporation, or its City-approved designee (Tenant) for the 5,200-square-foot historic Sacred Heart Church (Church Building) and approximately three acres of land for the establishment and use of a consecrated Catholic church and other potential development consistent with the uses outlined below.

**Summary**

At its Dec. 13, 2017 meeting, the City Council authorized staff to negotiate with the Roman Catholic Diocese of Phoenix for the Church Building and approximately three acres of land on which it sits (collectively, the Site). The Site is located in Sky Harbor Center near 16th Street and Buckeye Road and was purchased by the City in the 1980s as part of the West Approach Land Acquisition (WALA) program.

Subject to approval by the City Council, the FAA, and the Tenant's Finance and Pastoral Committees, the following business terms have been negotiated with the Tenant and will be implemented through the Agreements:

- The lease must be executed within 12 months of City Council authorization and the Church Building must be rehabilitated and activated within 36 months after the lease is executed.
- The City will lease the Site to Tenant for \$10 per year plus taxes for a term not to exceed 50 years.
- Rent will commence upon execution of the lease.
- Rent for all commercial and retail activity at the Site that is approved by the City, but is not part of the Diocese of Phoenix, as documented in the Kenedy Directory, will be at fair market value or percentage of gross sales or both. All development must be in compliance with FAA regulations, including noise compatibility, and must not contain residential development or any other uses restricted by the FAA.
- Tenant may use the Church Building solely as a consecrated Catholic Church, shrine, or other sacred building according to the laws of the Roman Catholic

Church. Remainder of the Site may be used for other ancillary uses related to the Church Building.

- A view corridor of the Church Building must be preserved from 16th Street and agreed upon by the City and the adjacent property lessee.
- Tenant agrees that it will work with all parties to ensure all development on the Site allows the highest and best use. Development on the Site will be at Tenant's sole cost. Tenant also agrees to participate in a Historic Golden Gate neighborhood group, consisting of representatives from Tenant, the Diocese of Phoenix, the party leasing the adjacent City-owned parcel to the south (Parcel 1), and the Braun Sacred Heart Center, to foster communication and cooperation. In the event of disagreement on issues arising from this group, the ultimate decision making authority regarding a parcel will remain with the party leasing that parcel. Notwithstanding the foregoing, nothing in the foregoing paragraph shall relieve Tenant or the party leasing Parcel 1 from their obligations to seek City approval where specified in the agreements or to comply with applicable zoning, Sky Harbor Center Covenants Conditions and Restrictions, Sky Harbor Center Design Guidelines, and the Aviation Department Tenant Improvement Process.
- Tenant must, at its own cost, repair and maintain the Church Building and all other improvements on the Site.
- All tenant improvements must comply with all applicable federal, state, and local laws relating to the preservation of historical structures, including the Federal Historic Preservation Act. Tenant may not construct any new buildings on the Site until Tenant has completed renovation and activation of the Church Building.
- Tenant may terminate the lease upon 180 days' written notice to the City if a law, rule, ordinance, etc. is enacted that impairs Tenant's ability to use the Site as a sacred space.
- If the City terminates the lease prior to the end of the term for a non-default reason, then Tenant shall receive compensation for unamortized tenant improvements. Tenant may remove personal property and religious or sacred items from the Site, other personal property items installed after execution of the lease, or as otherwise provided for in the lease.
- Tenant may deconsecrate the Church Building upon the expiration or earlier termination of the lease.
- Subject to Tenant serving the City with prior written notice, Tenant may sublease portions of the Site to those organizations or entities that are part of the Diocese of Phoenix as documented in the Kenedy Directory. All other subleases require the prior written consent of the City.
- The lease is conditioned upon completion of a 90-day due diligence period by Tenant, approval by the FAA, and approval by the Tenant's Finance and Pastoral Committees.

- If the lease terminates prior to or during the adjacent property lease, then the Site will be incorporated into the leasehold for the remaining term of the adjacent property lease.
- The Agreements will include other terms and conditions the City deems necessary or appropriate and deadlines for performance benchmarks may be modified at the City's sole discretion.

### **Contract Term**

The term of the lease will not exceed 50 years. The lease will not contain any option to extend the term. In addition to termination for non-compliance with general lease provisions, the City may terminate the lease for Tenant's failure to meet performance benchmarks.

### **Financial Impact**

The project will have no expense impact on the General Fund. Tenant will pay an annual rental rate of \$10 plus taxes. Rent will commence upon execution of the lease. Title to all improvements, with the exception of those noted above, will automatically be transferred to the City at the expiration or earlier termination of the lease. All revenue received from the Agreements will be deposited with the Aviation Department.

### **Location**

The Site is generally located on the northeast corner of 16th Street and Buckeye Road, and the northeast corner of Sky Harbor Circle North and Buckeye Road.  
Council District: 8

### **Responsible Department**

This item is submitted by Deputy City Manager Deanna Jonovich and the Aviation and Community and Economic Development departments.