



BUSINESS

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MONDAY, 1.2.2012
THE ARIZONA REPUBLIC
MONEY.AZCENTRAL.COM

DOW JONES



+5.5%
12,217.56

NASDAQ



-1.8%
2,605.15

S&P 500



< -0.01%
1,257.60

LAST
YEAR'S
RESULTS

MARKETS
CLOSED
TODAY

SkySong ready to expand

Work on office building, housing complex gears up

By Edward Gately
The Arizona Republic

The new year brings the likely start of construction on two major developments at SkySong, the Arizona State University Scottsdale Innovation Center.

Pre-leasing has begun on a third office building at the 42-acre, mixed-use development

at the southeastern corner of Scottsdale and McDowell roads. Two 150,000-square-foot office buildings house research and commercial space.

There is a "strong likelihood" that work will begin on the third building in the first quarter, said Rick Shangraw, the ASU Foundation's CEO. Plaza Cos. is the developer in partnership with the founda-

tion and USAA Real Estate Co.

"It's probably going to have a similar footprint, 100,000 to 120,000 square feet with probably a lot of the same features, multitenant and with the same strong connection back to ASU," he said. "We will probably be able to build it in 14 months."

Also during the first quarter, construction could begin

on a four-story, 325-unit apartment complex that will wrap around the parking garage, which is south of the SkySong 2 building. The apartment complex is a venture between the foundation and USAA that will cost about \$42 million.

"We're hoping to start it before the end of first quarter," said Don Couvillion, the foun-

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SkySong

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dation's vice president for real estate. "We have a commitment from our financial source to begin in the first quarter. Total (construction) is about 20 months."

The apartment complex has received all necessary city approvals, but the third office building may need additional approvals, said Connie Padian, Scottsdale planning, neighborhood and transportation administrator.

Just east of SkySong, Mark-Taylor Residential Inc. plans to build a 536-unit luxury-apartment complex on nearly 25 acres. The developer anticipates starting construction as early as summer.

The SkySong apartment complex will be comparable to Mark-Taylor's, Couvillion said.

"It's going to be a Class A-plus luxury-apartment commu-

nity with a state-of-the-art pool, exercise facility and all the amenities that one would expect in a high-quality apartment community," he said. "We will market to the broadest possible market we can get. We like the idea of people who work at SkySong living there."

The third office building would be either northwest of SkySong 1 or on the south side of SkySong Drive, west of SkySong 2, Shangraw said.

Occupancy has reached 95 percent in the two buildings. The third building will need to be more than 50 percent pre-leased before construction begins, Couvillion said.

"It is a challenge ... but SkySong has been very successful in this marketplace, and we believe it will continue to be successful," he said.

SkySong has 93 tenants, including companies with either a direct or virtual presence, and student companies in the Edson Student Entrepreneur Initiative. It has 750 workers.

The third building will bring the total office space at SkySong to about 450,000 square feet, Couvillion said. At full development, SkySong is expected to encompass 1.2 million square feet of office space.

"It's still a long-range project," he said. "There's plenty of room to build out."

Also in 2012, the foundation will be returning to the city a small parcel of land adjacent to SkySong that would house a portion of Mark-Taylor's complex, Shangraw said.

The foundation plans to ask the City Council to amend the city's ground-lease agreement for SkySong to provide more time for construction of the third office building, he said.

The agreement currently requires the third building be completed within the next 18 months.

The foundation's financial partner, USAA, wants the extension to ensure that construction doesn't exceed the agreement's deadline, Shangraw said.
