

# Tucson firm joins SkySong ownership

By Edward Gately  
The Republic | azcentral.com

SkySong, the Arizona State University Scottsdale Innovation Center, has a new ownership structure after one partner wanted out of the project.

Holualoa Cos., a Tucson-based real-estate investment firm, has replaced USAA Real Estate Co., which sold its share in the partnership. The other owners are the ASU Foundation and Plaza Cos.

Sharon Ballenger, USAA Real Estate spokeswoman,

couldn't be reached for comment. The firm's website does list SkySong's two office buildings, SkySong I and II, as sold. SkySong is on the southeastern corner of Scottsdale and McDowell roads.

"USAA was interested in being bought out of the SkySong I and II partnership, so Holualoa stepped in and now is an owner in partnership with the foundation and Plaza Cos., and the same group is now in place with SkySong III and VI," said Shar-



The first phase of SkySong Apartments near Scottsdale and McDowell roads is expected to be finished in October. CHARLIE LEIGHT/THE REPUBLIC

See SKYSONG, Page B7

## SkySong

Continued from Page B6

on Harper, Plaza Cos. president and CEO.

SkySong III, a 145,000-square-foot office building with a parking garage that will be built along SkySong Boulevard, is under construction. The financing for SkySong III, \$32 million, is being provided by Alliance Bank of Arizona.

Dan Worth, Scottsdale's executive director of public works, said Holualoa's acquisition of USAA's interest has "very little impact on the city." The city has invested \$81.4 million for property acquisition and infrastructure improvements for the SkySong complex.

In return for a 99-year ground lease, the foundation agreed to build 1.2 million square feet of office space in phases and share with the city 50 percent of the profit from operating the facilities.

In February 2012, the City Council approved an amended ground-lease agreement with the foundation that establishes a fixed-rate payment based on lease revenue instead of profit. According to the amended agreement, the city will begin receiving annual payments, starting with \$139,000 in 2014.

"Our lease arrangement is with ASU Foundation; they continue to perform their obligations under the terms of the city's agreement with them, and I am confident they will continue to do so," Worth said.

Stanton Shafer, Holualoa's chief operating officer, said the SkySong property is a "unique opportunity because of the involvement of ASU and its commitment to the project, and the foundation."

He would not disclose how much his firm has invested in SkySong.

"We believe the location is

getting better and better all the time, and the city has identified this area of Scottsdale as its Number 1 priority for revitalization," he said.

"We think the long-term prospect of this location really hasn't been unlocked yet. And SkySong itself has made a huge difference in this location already and will develop in years to come, and will continue to get better and better."

More than 1,000 employees and 50 companies are housed on the SkySong property. The mission of the mixed-use, 42-acre development is to be a job creator and entrepreneurial hub.

In addition to the office development, the first phase of SkySong Apartments, a 325-unit complex, is scheduled for completion next month.

Completion of SkySong III and IV, along with the apartments, will bring the total square footage to nearly 1 million square feet with invested capital totaling nearly \$150 million.

USAA remains invested in SkySong Apartments and is partners with Plaza Cos. on Paradise Valley Medical Plaza, Harper said.

"We project within a little over a year, 1,000 households within walking distance of SkySong, coupled with another \$200 million-plus investment up and down McDowell and Scottsdale roads that will dramatically transform what is one of the most innovative and exciting business centers of the greater Phoenix region," she said.

Rick Shangraw Jr., the foundation's CEO, said the new ownership structure is a sign of "significant and ongoing investment into SkySong."

"SkySong has been a tremendous success story for ASU and the (foundation) in furthering innovation and technology in Arizona," he said.