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SkySong has risen

Mixed-use development emphasizes research, technology and global commerce

BY JAN BUCHHOLZ
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After nearly 20 years of speculation about what would become of the aging Los Arcos shopping center in Scottsdale, the answer has become clear. SkySong, a mixed-use development with emphasis on research, technology and global commerce, has risen at the 37-acre site at McDowell and Scottsdale roads.

The first two buildings, totaling 288,000 square feet of research, development and commercial space and valued at about \$300 million, have been completed in the past few weeks. The project is distinguished by a soaring 125-foot shade structure that anchors the plaza between the two buildings. At build-out, SkySong — formally called the ASU Scottsdale Innovation Center — will include 1.2 million square feet of commercial space and an assortment of urban residences.

But the foremost goal from the start was to create an office development with an international high-tech cachet. Even when times were robust within the development community, the plan to build SkySong was no easy task.

Ultimately, it took a collection of local and national firms, along with the Arizona State University Foundation and the city of Scottsdale, to pull off the development duties. But once it was off the ground, would tenants come?

They did. Office leasing activity appears stronger at SkySong than at projects in other parts of the Valley, with more than a dozen companies from outside the U.S. occupying space. Local firms also have signed on to participate in what they believe will be an innovative, internationally infused environment.

Craig Coppola, principal of Lee & Associates, which recently assumed the listing assignment for SkySong, credits ASU for getting the ball rolling.

"The connection with ASU has driven a majority of tenants to date," he said. "The school has a great global reach, and they're a huge innovator and technology engine in North America."

Nate Summer, director of strategic partnerships at ASU, said that was the plan all along: Leverage ASU's global connections to attract international companies, then use that to appeal to local, more conventional firms.

Attracting global business, however, isn't that easy.

SKYSONG

LOCATION: Southeast corner of McDowell and Scottsdale roads, Scottsdale

SIZE: 1.2 million square feet of commercial space at build-out, including office, research and development, retail and hotels; additional residential component planned

COMPLETED TO DATE: 300,000 square feet of office and research and development space

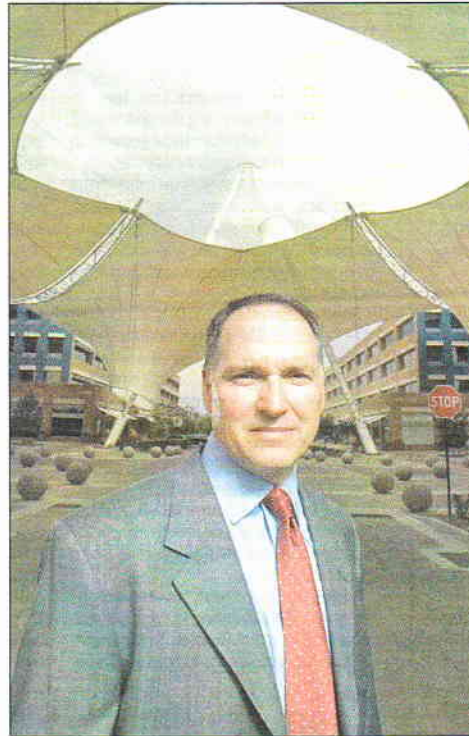
PARTNERS: Higgins Development Partners, Chicago; Plaza Cos., Peoria; USAA Real Estate Co., San Antonio, Texas; Arizona State University Foundation

LEASED: 185,000 square feet

TOTAL TENANTS: 56

INTERNATIONAL TENANTS: 15

WEB: www.skysongcenter.com



JIM POLIHN PHOTOS | PHOENIX BUSINESS JOURNAL
Craig Coppola, left, principal of Lee & Associates, recently assumed the listing assignment for SkySong, where leasing activity appears stronger than at other projects in the Valley. Above, Mike Brobeck of Summit West Signs puts the last letters up on a new sign in the Innovation Studio.

Companies in other countries usually have a solid idea about the kinds of cities that hold appeal for them in the U.S. Usually, that's driven by cultural connections and media profile. For instance, Los Angeles, New York and San Francisco all have vibrant ethnic neighborhoods of historical distinction. They also attract international press.



Summer

"When you look at that matrix, Arizona doesn't come to mind," Summer said.

So Summer and his team developed a strategy they hoped would put SkySong on foreign companies' radar screens.

"We told them we'd invest resources to help them navigate the challenges of operating in the U.S.," he said. "It's a daunting challenge for many of them to do business in the U.S. There are many barriers to entry."

Some of the greatest barriers involve language and social customs. By working to overcome those difficulties, SkySong has been able to attract an interesting collection of global firms.

One of those is Logical Steps, a Singapore-based company that focuses on educational test preparation software. Co-owner Viswanath Parameswaren credits ASU for developing a creative environment that will enhance his company's experience and reach in the U.S.

"Over the last year, (SkySong) has become an excellent test bed for our ideas and products," he said. "The ability to mix and share ideas with global entrepreneurs, students and faculty has added to our excitement."

INTERNATIONAL TENANTS

- Adaptive Curriculum** (Turkey): E-learning technology
- bookbuzz** (Ireland): Executive learning and leadership programs
- Canon** (Japan): Imaging equipment
- EyePower Games** (Singapore): Education software development for video technologies
- Golden Horn Ventures** (Turkey): Early-stage private equity
- lamota** (Canada): Mobile application services
- iAxil** (Singapore): One-stop center for local entrepreneurs looking for global opportunities
- Inovent Ventures** (Turkey): Intellectual property rights management and investment
- Invent** (Ireland): U.S. gateway for Dublin City University
- Litree Corp.** (China): Water purification
- Logical Steps** (Singapore): Educational test preparation software
- Tecnologico de Monterrey Phoenix International Liaison office** (Mexico): Initiative and program offices for Mexico's premier technology university
- TechBA Arizona** (Mexico): Business incubator created by the Mexican Ministry of Economy
- Telserra** (India): Electronic transactions hardware, software and databases
- Ubidyne** (Germany): Wireless technology

SkySong advocate helped pave the way

BY MATT CULBERTSON
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While facilitating ASU's SkySong project in Scottsdale, Steve Evans had to reconcile the sometimes competing interests of that city's political community, the private sector and Arizona State University.

The ASU side of the mixed-use research park also was split between the university and the ASU Foundation, a separate entity that serves the university from the nonprofit side.

Evans, who is president of private real estate company Evans Realty Associates and serves on the board of the ASU Foundation, was one of the lead drivers behind SkySong. He handled all lease negotiations with the city of Scottsdale for the property, and he did it on a volunteer basis.

"In many cases, I'd be asked by someone, 'What is SkySong?'" he said. "It's not an academic campus, it's not a research park, it's not a business park; it's a combination of all three."

Convincing city officials the proposed proj-



ect was a safe bet was a tall task, but one this deal maker was up for.

"It took some vision to look at this old mall site and see one of the best assets for the state being there," Evans said.

His 40 years of experience in real estate helped him mitigate risk by negotiating a sound lease, structured to withstand poor market conditions.

Scottsdale gets 50 percent of SkySong's net revenue until the city earns back the amount it committed to the project — up to \$81 million.

Evans said the agreement allows SkySong to develop at its own pace, which is especially important in the current economic situation.

After negotiating the lease, he had to find a developer. "Having developed probably 140 projects during my career has certainly helped, and having a real estate perspective beyond Arizona has helped," he said.

SkySong is doing well, in spite of the economic climate, he said. Built in 2006, the development is about five years ahead of schedule, Evans said.

Initially, developers planned to construct 150,000 square feet every five years after the initial entitlements were granted, Evans said. Now, after only three years, the project already has about 320,000 square feet completed. Eleven countries and about 40 companies are represented there.

"It's a regional project to help Arizona move into the knowledge economy," he said.

Evans said he has a commitment to Arizona, and sees ASU as a major economic driver for the state. He said SkySong boosts ASU's impact by bringing the best of the private and public sector together and fostering collaboration.

"That will be a legacy," he said. "In Arizona, because of our growth, you make changes and they're going to be very wide-reaching and implemented very quickly."



PROVIDED BY REVOLUTION TEA

Revolution Tea's new executive office is in the North Bank Office Park on 40th Street, just north of Camelback Road.

Revolution Tea moves headquarters eastward

Revolution Tea is moving its executive offices from the West Valley to the North Bank Office Park, just north of Camelback Road on 40th Street. The specialty drink manufacturer signed a lease for 5,800 square feet. Financial terms were not disclosed.

"We were impressed with the building, which fit our desire to find a more upscale office for our headquarters in a great location," said David Watson, president of Revolution Tea.

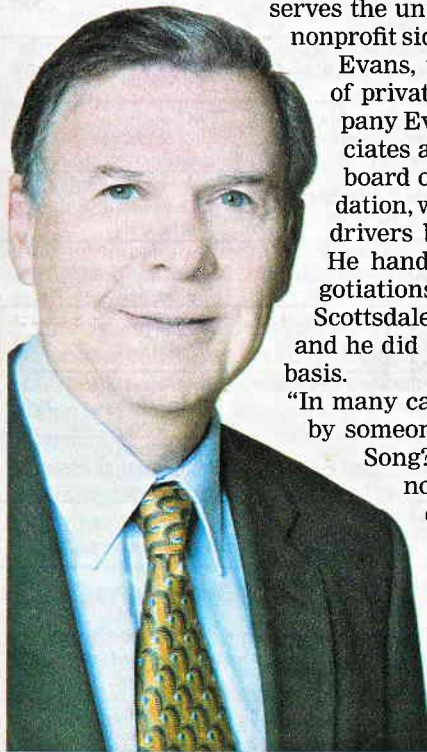
The company joins some Valley heavyweights in the four-story, contemporary glass building, which also is home to the corporate office of Shamrock Foods and a regional office of Radian Guaranty. The building is owned and operated by Camroad Properties.

Revolution Tea also has a distribution center at 5120 W. Buckeye Road.

For more: www.revolutiontea.com.



Watson



questions **5** about | SKYSONG

Scarlett Spring

Executive vice president
of business development
Greater Phoenix Economic Council

SkySong is a very targeted kind of commercial development. What makes it unique? "SkySong is unique in several ways. First, it is a dynamic private-public partnership that seeks to accelerate successful commercialization of new ventures. Another important aspect is innovation and technology. Because of the relationship with Arizona State University, SkySong offers businesses access to resources and talent in a collaborative way that integrates academia and private enterprise, which is especially beneficial to emerging technologies companies. Additionally, SkySong is attracting global corporations that will have a footprint in developing greater Phoenix's high-tech environment."



Spring

SkySong seems to have succeeded in attracting a strong collection of global boutique tech firms. How was the development and leasing team able to pull that off in this kind of down economic environment? "International emerging tech firms looking at greater Phoenix as an entry point into the U.S. market are seeking an innovative, collaborative environment. The model at SkySong offers flexibility. During this downturn, international companies are looking for ways to limit risk and increase access to talent. The partnerships they are developing are complemented by dynamic companies that are locating within SkySong."

Have you observed any significant niche office developments in the country that could be models for future Valley projects? "Properties that have a unique proposition, meaning it is more than an office complex, are gaining attention among clients. An example that is interesting is a Pacific Northwest-based tech accelerator. It combines the best of an incubator model with venture capital expertise."

Will we see more targeted commercial developments, and what will be the drawing card? "First, the largest impact we see is a request for (Leadership in Energy and Environmental Design)-certified buildings. Companies are becoming more sensitive to green and sustainability issues."

Are some developers specializing more in niche commercial developments? "Yes. Every developer's goal is to create value in the property they're building. The degree to which they are willing to accept risk generally determines how far they will pursue niche developments. What we're seeing mostly is sustainability as a theme incorporated into public-private partnerships, biotech parks and incubation centers. We have recognized national leaders in the greater Phoenix market and leverage GPEC's Community Building Consortium for expertise regarding development, design and construction."

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SkySong celebrates achievements of first year

After years of planning and construction, the community recently celebrated a milestone at SkySong, the ASU Scottsdale Innovation Center, as officials recognized the innovative achievements that have occurred in the year since the center welcomed its first tenants.

The 37-acre former site of Los Arcos Mall now is a center designed to spur innovation, global business interaction and technology leadership. It is an amenity for Scottsdale, greater Phoenix and the entire state, directly connected to Arizona State University's initiatives in innovation, entrepreneurship and global partnerships.

More than 40 companies and organizations have established a presence at SkySong, creating new technologies, capital networks, business education and a skilled work force.

SkySong is an example of the tremendous potential in this part of the city. Much hard work was done to find



Jim Lane



Sharon Harper

common goals and mutual benefits in redeveloping this underutilized property, strategically located between ASU's main campus in Tempe and Scottsdale's downtown.

In addition to the employment opportunities with innovative companies at SkySong, many jobs were created through the construction of the first phase of the project. The next phase of development is under way and will pump more dollars into the economy.

SkySong's shade structure has become a landmark for Scottsdale. It can be seen for miles when crossing through the Papago Buttes on McDowell Drive or traveling along Scottsdale Road, and from the air as visitors and business travelers fly into and out of Phoenix Sky Harbor International Airport. The native and desert landscaping at the site is a welcome change from the acres of asphalt and concrete that once existed there.

There also are intangible benefits being realized by SkySong's presence in Scottsdale. The center has reached out to collaborate with local schools through formal and informal programs; it has engaged in several partnerships with the Scottsdale Unified School District; and the development team is commemorating the recent dedication by establishing a grant for a local school program.

Bricks and mortar aside, it really is the people and ideas at SkySong that will make the center vital and will put it on the map. Whether it is a one-person startup company or a global corporation, new technologies and creative solutions for the future are being explored there. This is what we are really celebrating.



JIM POULIN | PHOENIX BUSINESS JOURNAL

SkySong's shade structure has become a Scottsdale landmark that can be seen from miles away.

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