

SUBMITTED BY: Luis Pedroza, Deputy City Manager

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Advanced Infrastructure Development and Improvement

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **SECOND READING OF ORDINANCE NO. 25-1219**, an Ordinance of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING the SALE of THREE (3) VACANT LAND PARCELS** with Assessor's Parcel Numbers 410-01-005C, 410-01-005B, and 410-01-005D located around the **DOUGLAS MUNICIPAL AIRPORT to JW RESOURCES, LLC**, pursuant to terms entered into by the parties; establishing severability of components of Ordinance; and establishing an effective date thereof.

EXECUTIVE SUMMARY:

In 2023, the Mayor and Council provided direction to negotiate terms of land sale around the Airport with JW Resources LLC, who submitted a bid of \$2,096,000.00. After much negotiations, the completion of a Revised Airport Layout Plan (ALP) required by ADOT, the city and buyer propose the attached purchase agreement for consideration.

BACKGROUND:

After extensive negotiations, the city arrived with terms for the sale of the vacant land around the Airport. Major terms are summarized below:

- The sales price of \$2,064,153.17 is all cash offer with \$50,000 in earnest money.
- The land around the airport was determined upon an accepted revised ALP, by ADOT Aeronautics, which is now finalized and accepted. In addition, an approved survey to split the properties from the Airport is underway. Parcel 1 is located on the west side of the Airport comprised of 52.281 acres, Parcel 2 located on the north side of the Airport comprised of 66.118 acres and Parcel 3 located on the east side of the Airport comprised of 318.165 acres. The acreage will change based on the final survey.
- The property shall be rezoned after purchase, consistent with the Buyer's proposal that includes commercial, industrial, and Hangar Home Residential. An overlay is proposed to handle both commercial and hangar residential activities.
- Obligations and Reversion Option:
 - City is to retain the Airport operations. This includes runway, taxiways, the north apron with T-hangars, main tarmac with fueling stations, museum, large and small hangars, FBO office and of course the Airport Park. City retains the ability to charge through the fence fees for aircraft entering to use the taxiways/runways. City will also designate Airport access points from the hangar home community to the taxiways/runway.
 - City will be the only one allowed to sell fuel and no other fueling facilities to be constructed on the purchased property.
 - Buyer to contribute 3.5% or up to \$250,000 from net proceeds from JW Resources sale of portions of the Property. This came as an agreement for the city to absorb the costs of rehabilitating the runway and this would be the developer's contribution towards a mutual beneficial improvement to the Airport.
 - The buyer will be responsible for paying portions and depreciated amounts of outstanding ADOT fencing grants on areas where land is sold. Maximum amounts are \$81,000 for grant E4S3Q and \$37,800 for grant E2S71.
 - Buyer to pay \$247,193.98 for Parcel 1 at the close of escrow, \$312,617.80 for Parcel 2 18 months after close of escrow and \$1,504,341.39 for Parcel 3 36 months after the close of escrow. The second and third cash payment shall come through a promissory note charged with IRS applicable interest.

- Buyer to develop in phases: Parcel 1 includes hangar homes, commercial and retail to include a restaurant and Parcel 2 includes hangar homes and a clubhouse and Parcel 3 for commercial/industrial uses. Buyer must commence construction within 18 months of Parcel (Phase 1). Within 36 months have commenced construction of Phase 2 and within 54 months commenced construction of Phase 3. “Commenced Construction” is defined in section 13e as the occurrence of both of the following: (1) obtained permits; and (2) commenced construction beyond grading of foundation for which a construction permit is issued.
- Buyer and seller will cooperate on easements, buyer to follow FAA regulations and buyer is responsible for construction and permit fees. Buyer agrees to provide an easement for future AWOS station in parcel 3 comprised of 500 foot height easement and 1,000 foot radius around the AWOS station. The AWOS station is a weather station that can provide up to the minute ground weather conditions for pilots’ safety. The AWOS station was planned out in the adopted Revised ALP.
- City and buyer are to enter into a development agreement regarding the extension of water and sewer to the new development. City to provide a draft after opening escrow and both parties to agree before the expiration of the feasibility period. Buyer will also prepare CC&Rs for the property.
- The city can take back the property through this reversion section if any clauses under section 13 e, f, g and m of the Purchase Agreement are not completed.

The land sale around the Airport will further enhance activities at the Airport with hangar homes and industrial and commercial activity set to take place in the parcels. This underutilized land around the Airport will bring more activity, potentially more hangar rentals, fuel sales and commercial activities to the city. In addition, this land will now generate property taxes, potentially sales taxes and some jobs for the community.

DISCUSSION:

Staff recommends approval of the purchase agreement and to execute all pertinent documentation for the sale of this city property.

FISCAL IMPACT:

\$2,064,153.17 in revenue towards the Airport fund.

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE THE SECOND READING OF ORDINANCE NO. 25-1219 BY NUMBER AND TITLE ONLY.”