

SUBMITTED BY: Luis Pedroza, Deputy City Manager/City Treasurer

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Advanced Infrastructure Development and Improvement

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **SECOND READING of ORDINANCE NO. 23-1164**, an Ordinance of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING** the **SALE** of sections of **VACANT** land located around the **Douglas Municipal Airport with Assessor's Parcel Number 410-01-005 pending a boundary survey and ADOT approval of a revised Airport Layout Plan 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:

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.

BACKGROUND:

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

- The sales price of \$2,096,000.00 is all cash offer, no carry.
- The land around the airport shall be determined upon an accepted revised Airport Layout Plan (ALP) of the Airport property by ADOT Aeronautics and following a survey to split the property. The proposed ALP is attached to this document, showing the proposed area of sale shaded in blue, proposed city owned park area in green, and proposed city retained property in yellow. The city shall be responsible for costs of revised ALP and survey.
- The property shall be rezoned after purchase, consistent with the Buyer's proposal that includes industrial, residential, Hangar and commercial/retail.
- Obligations and Reversion Option:
 - City to retain the Airport operations.
 - City to complete rehabilitation of the runway with \$1.5 million in grant funds and Buyer to contribute up to \$500,000 towards the rehab. Estimated costs of the runway rehabilitation to include engineering, construction administration and construction is \$1,824,724. This is an estimated number and subject to change.
 - The Buyer will be responsible for paying portions and depreciated amounts of outstanding ADOT fencing grants on areas where land is sold. One grant was for \$108,000 acquired in 2016 and another grant was for \$180,000 acquired in 2018.
 - Buyer to begin construction within 18 months of close of escrow.
 - Buyer and seller will cooperate on easements, Buyer to follow FAA regulations and Buyer is responsible for construction and permit fees.
 - In addition to amounts paid above, Buyer to pay 7% of net revenues of parcels sold for development until the city has received up to \$500,000 from Buyer land sales to investors
 - The city can take back the property through this reversion section if any clauses under section 13 of the Purchase Agreement are not completed.

The revision of the ALP is necessary to execute this sale as well as agreement of the delineation of the property. ADOT requires that a certified engineer perform this study and a surveyor delineate the new boundaries. We are expecting a quote for services from the Airport consultants. Funding for this study and survey can be obtained from the fencing grant of \$400,000 awarded to the city last year. ADOT approved the use of these funds for this study in order to delineate new boundaries for the security fencing.

In addition, the city has started the design of the runway improvements and expect to have a 30% design ready for ADOT review within two weeks. Petition for NPIAS (federal) designation the Douglas Municipal Airport was sent at the beginning of April 2023 to FAA. These are important steps to bring improvements and funding for sustainable operations at the Airport.

The sale around the Airport will further enhance activities at the Airport with hangar homes, 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. Lastly, this land will now generate property taxes, potentially sales taxes and jobs in the community.

The second reading includes changes that were negotiated with the Buyer upon Council direction. The changes to the purchase and sale agreement are as follows:

- **Buyer requested to include additional land as part of the sale that would encompass the south tie down apron and additional vacant land in all about additional 21 acres. See attached map of proposed sale area, pending survey and Revised Airport Layout Plan.**
- **Buyer commits to building a restaurant and a jet hangar within the south apron.**
- **Buyer will not contribute up to \$500,000 towards the rehabilitation of the runway.**
- **Buyer shall pay 3.5% or up to \$250,000 from the net proceeds of any sale of sections of the property to third parties, which is a decrease from 7% or up to \$500,000.**
- **In case the reversion clause is exercised it was clarified that only undeveloped land would be subject to the city taking back the property. Undeveloped property is defined as “any of the subject real estate transferred pursuant to this Agreement for which Buyer has not submitted development and construction plans to the city and which construction thereof has not begun to be undertaken by Buyer or its successors in interest in accordance with Section 13(d).”**
- **Clarified in section 8(a) the city will rezone for hangar homes and not residential.**

All other terms remain the same.

DISCUSSION:

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

FISCAL IMPACT:

\$2,096,000 towards the Airport Fund.

Fiscal Year: 2022/2023

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE THE SECOND READING OF ORDINANCE NO. 23-1164 BY NUMBER AND TITLE ONLY.”