



FRUITA
COLORADO

AGENDA ITEM COVER SHEET

TO: FRUITA CITY COUNCIL AND MAYOR

FROM: JOE ZAHER, FINANCE DIRECTOR

DATE: SEPTEMBER 3, 2024

AGENDA TEXT: ORDINANCE 2024-16 – Second Reading – An introduction of an Ordinance authorizing a Five-Year Farm/Crop Lease and optional five-year extension of 40 acres of property located on the northeast corner of 16 and L Roads – Finance Director, Joe Zaher

BACKGROUND

The City of Fruita and Mesa County School District #51 acquired a 40-acre parcel of ground located on the northeast corner of 16 and L Roads in Mesa County in 2008 with the intent of subdividing it a future date for use as parks and open space by the city and school facilities by the School District. The City of Fruita and School District entered into an Intergovernmental Agreement setting forth the terms of the purchase and use of the property. Pending use of the property by either the School District or City, the IGA assigned the City the responsibility of ensuring that the property is maintained with the primary intent that maintenance would be accomplished through a farm/crop lease of the land.

The property has been leased back to the former owners (the Etchart's) of the property from 2014-2019, followed by a five-year lease extension from 2019-2024. The longer-term lease (5 years) of the property provides the Etchart's more assurance that efforts they take to plant crops will have a better return on their investment. A lease for a period of more than one year requires the adoption of an ordinance by the City Council.

The ordinance under consideration by the Council would provide for a five-year farm/crop lease between the City of Fruita and the Etchart's but would allow for the termination of said lease, upon 6 months' notice, in the event the City or School District decide to pursue construction of facilities on the property within the term of the lease. Two changes have been made to the lease agreement since the first reading:

- The prior lease per acre cost was based on the USDA/NASS PER ACRE VALUE at the time the prior lease agreement was executed.
- These values can fluctuate significantly from year to year which could be very favorable to either party to the lease depending on the year.
- Significant fluctuations have been eliminated by applying the average change in price over the past five years which is equal to 8.0% or \$162. The annual lease amount will increase from \$2,025 to \$2,187 per year for the next five years.
- The end date of the lease shall be changed from September 30, 2029, to December 31, 2029 to allow time to harvest should either party decide to non-renew.

FISCAL IMPACT

The lease agreement will have minimal fiscal impact. The lease will bring in \$2,187 annually for five years.

APPLICABILITY TO CITY GOALS AND OBJECTIVES

The lease and subsequent revenues help to maintain the fiscal sustainability of the City by ensuring that the ownership of this property is not placing a drain on the City's finances until such time as it is developed.

OPTIONS AVAILABLE TO THE COUNCIL

- Approve the ordinance as presented or with amendments to the ordinance or exhibit.

RECOMMENDATION

It is the recommendation of City Staff that the Council by motion:

- **ADOPT ORDINANCE 2024-16 - AUTHORIZING THE LONG-TERM (5 YEAR) LEASE OF THE 40 ACRE PROPERTY LOCATED AT THE NORTHEAST CORNER OF 16 AND L ROADS AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE LEASE AGREEMENT.**