



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of December 8, 2025

Title/Subject

Resolution 2399- Airport Agricultural Ground Lease

Summary

This resolution directs staff to finalize and execute a 1-year lease of 140 acres of recently-acquired city-owned farmland at the airport for the purposes of farming and generating operating income for the airport.

Background

City staff began working toward acquiring the 140 acres in question in 2017. The main purpose for the acquisition is to allow for the future relocation of Ott Road out of the airport's Runway Protection Zone. In order to reach an amicable sale, the FAA agreed to pay for 95% of the cost of acquiring all 140 acres, rather than simply a right of way corridor. That purchase/sale closed this past summer, with a right of first refusal reserved for the sellers to be able to lease the land back at fair market value.

The property was appraised for lease, and resulted in an estimated range of value as between \$55,150 and \$79,350 per year. The sellers declined to exercise their right of first refusal despite multiple direct requests by staff.

A real estate listing was developed by staff, and direct-mailed to 23 neighboring landowners within a 1 mile radius of the property. The listing was also published in the monthly newsletter and on the city's public notices section of the website. Two large 3'x5' "For Lease" signs were also erected on the property throughout the Fall.

Bids were opened on December 2, with three qualified local farmers submitting offers. All three offers came in within the appraisal window. Staff is now requesting authorization to negotiate and execute a final lease agreement with the highest bidder according to terms substantially similar to what is included in the attached draft lease document.

	Pivot (107ac)		Handline (28ac)		
	107		28		Total
Bidder A	\$ 450.00	\$48,150.00	\$ 450.00	\$ 12,600.00	\$60,750.00
Bidder B	\$ 525.00	\$56,175.00	\$ 250.00	\$ 7,000.00	\$63,175.00
Bidder C	\$ 465.00	\$49,755.00	\$ 250.00	\$ 7,000.00	\$56,755.00
Appraisal (Low)	\$ 450.00	\$48,150.00	\$ 250.00	\$ 7,000.00	\$55,150.00
Appraisal (High)	\$ 650.00	\$69,550.00	\$ 350.00	\$ 9,800.00	\$79,350.00

Tie-In to Council Goals

“FISCAL: MAINTAIN SERVICE LEVELS, STRENGTHEN INTERNAL OPERATIONS TO SUPPORT SUSTAINABILITY, ACCOUNTABILITY, AND TRANSPARENCY.”

Fiscal Information

This agreement will help support long-term financial stability for Airport Operations, which currently are a net cost of City of Hermiston taxpayers of approximately \$100,000 per year.

After all federal and state grants have been accounted for, the total local cost to the City of Hermiston for acquiring this land was approximately \$110,000.

At the recommendation of IRZ, Inc. (local irrigation specialist), there will be several improvements to the irrigation infrastructure (piping & valving) completed this winter for a cost of \$53,000.

Therefore, the total cost to the City of Hermiston of bringing this property to market for lease is \$153,000.

Less the estimated cost of owner-paid property taxes of \$1,500 per year, it is projected that the Return on Investment for this deal will be approximately 2.5 years. Moving forward, this asset should generate permanent ongoing net-revenue to support airport operations in the range of \$50,000 to \$60,000 per year (2025 dollars) into perpetuity.

Alternatives and Recommendation

Alternatives

- Approve Resolution 2399
- Reject Resolution 2399
- Table Resolution 2399 with direction to staff

Recommended Action/Motion

- Approve Resolution 2399

Submitted By:

Mark Morgan