



Where Life is Sweet

Mayor and Members of the City Council

STAFF REPORT

For the Meeting of April 27, 2025

Title/Subject

Resolution 2370 – Airport RPZ Agreement to Purchase Real Property

Summary and Background

This resolution will authorize the City Manager to execute an agreement to purchase (ATP) real property for \$2,100,000 to acquire 140.06 acres of agricultural land which includes a portion of the airport's Runway Protection Zone (RPZ). The resolution will also authorize staff to carry out the full execution of the purchase according to the terms of the ATP.

This purchase has been in process, with city consulting representatives coordinating with the property owners, since at least 2017. The FAA has been actively funding various environmental and design reviews since that time, and has funding included in its current year budget to pay for 90% of the real market value of the purchase.

The figure of \$2,100,000 has been established through a thorough appraisal process, and verified by an independent third-party appraisal review. Therefore, the FAA is prepared to cover \$1,890,000 of the purchase price.

The purchase includes a first right of refusal for the seller to lease back the property. Upon closing of the sale, the property will be appraised for Fair Market Value as agricultural rental property by AgVantage Appraisals, LLC out of Pendleton. Based on that expert opinion of the best lease rates and terms to maximize the financial value to the City, then the current owner will have the first option to execute a lease according to those terms.

Tie-In to Council Goals

CITY FACILITIES: PUBLIC FACILITIES THAT MEET THE COMMUNITY NEEDS OF TODAY AND THE FUTURE

Fiscal Information

The FAA is slated to cover 90% of the property purchase (\$1.89M). The Oregon Department of Aviation is slated to cover another \$150,000 of the property purchase.

Consulting fees by the end of this process will have totaled approximately \$400,000; with FAA paying \$360,000 of that. Which will bring the City's total out of pocket cost to approximately \$100,000.

It is intended that this property will be simply leased back out as farm land, and will generate revenue back to the airport. Based on preliminary market data, it is anticipated that the City will earn back it's local out of pocket portion of the investment within 3-5 years.

Leasing the property as farmland is considered the most financially beneficial use of the property; however, as a local public agency, the City is sure to be approached by various interested parties who may ask for utilization of any of the rights associated with the property (i.e. land, water, mineral, etc.). Meanwhile, the airport, in accepting FAA grant funding, agrees to a long list of "Grant Assurances," which protect the airport, and the federal government's investments; one of those being the airport's fee & rental structure, which must be managed in a way to make the airport as self-sustaining as possible without generating net profit for the airport owner. Therefore, long-term, future councils will need to ensure that any potential use requests for the property (i.e. temporary parking) must compensate the airport at least as well as a farmland lease.

For reference, there is an existing precedent for temporarily utilizing airport property for temporary parking during the Umatilla County Fair. It should be noted that the area which is currently accommodating that parking, has very little other short-term value, since it cannot be farmed due to a lack of irrigation water. Therefore, that area is allowed to be used for parking on a year to year basis at a very low price unless and until it becomes attractive for commercial/industrial development; at which point, the parking users will need to either compensate the airport at market prices, or find an alternative. Failure to protect the airport in this way can lead to actions ranging from a prohibition on future grant funding to demands for repayment from the FAA.

Finally, just because I think it helps ground us in context, as history, the existing 260 acre airport property was purchased by the Hermiston Chamber of Commerce's Airport Committee in 1946 from the Stanfield Irrigation District at a price of \$3 per acre. While that price is hard to comprehend now 79 years later, although I don't know what the price of irrigated farmland will be in Hermiston in another 79 years, I feel quite confident that the current price of \$15,000 per acre will appear similarly incomprehensible.

Alternatives and Recommendation

Alternatives

1. Approve resolution 2370
2. Reject resolution 2370

Recommended Action/Motion

Motion to approve Resolution 2370

Submitted By:

Mark Morgan