



City Council Report

Date: May 20, 2019
To: City Council
Through: Christopher J. Brady, City Manager
From: Angelica Guevara, Project Manager and
Kim Fallbeck, Real Estate Services Administrator
Subject: City-owned Property at the NWC of Recker and Thomas Roads
Land Auction
Council District 5

Purpose and Recommendation

The purpose of this report is to seek City Council approval to accept the highest bid amount at the March 21, 2019 Land Auction and execute the Purchase and Sale Agreement and Escrow Instructions. The highest bid for the City-owned property located at the northwest corner (NWC) of Recker and Thomas Roads was placed by Blandford Homes, aka Desert Vista 101, LLC, in the amount of \$21,100,000. If approved, staff will begin discussions with the developer and surrounding Red Mountain Ranch residents to utilize some of the proceeds to develop a proposal to distribute park amenities within the development project, at the Red Mountain Ranch HOA Park and at City-owned recreational facilities in northeast Mesa.

Background

The City-owned property (property) is located at the NWC of Recker and Thomas Roads and is approximately 132 acres. The property was initially included in the 1983 zoning of 820 acres for the Red Mountain Ranch Development Masterplan (DMP) and was anticipated to develop with commercial, office, or industrial uses. In 1985 and 1989 there were modifications to portions of the Red Mountain Ranch DMP to allow a maximum of 2,570 units to reflect market conditions while the City's property continued with a designation for non-residential development.

In 1998, a rezoning request was filed, which if approved, would have authorized the rezoning from industrial to residential. The Planning and Zoning Board continued the case several times in an attempt to reach consensus with adjacent property owners. At the time, this rezoning case was going through the entitlement process, the City's Parks and Recreation Department expressed a need for additional lighted athletics fields, sports courts and nature trails for public use in northeast Mesa. The City Manager, at the time, recommended to the City Council to purchase the property for a "district" type park with active types of recreational uses such as baseball and soccer fields on the southern portion of the site and passive uses such as jogging and hiking trails on the northern portion of the site.

The City moved forward with acquiring the property for a "district" park in 1998 with General Obligation (GO) Bonds for \$4,026,000. In 1998/1999, the City used existing GO Bonds to develop a park design and cost out various public amenities. The design included lighted baseball and soccer fields, picnic areas, multiple playgrounds, bike and walking trails, sports courts at a cost of approximately \$8.5M.

In March 2000, an election was held asking Mesa voters to approve \$62.2M in Parks, Recreational, and Cultural Facility Bonds, of which \$8.5M was to fund the “district” park at the NWC of Recker and Thomas Roads. Question 8 was defeated by the voters 55.1% to 44.8%. After the defeat, a Citizen Bond Committee (Committee) was formed over concerns with the bond failure due to continued unmet level of recreational services for the community. The Committee prioritized the projects that were identified in the March 2000 bond package, reduced the parks bond projects to \$13.025M (of which \$9.4M was again for the “district” park) and the City Council called a special election in September 2000 asking the voters if they would support youth baseball/softball and soccer fields and other park development at the “district” park. Question 2 was defeated by the voters 58.3% to 41.6%. In 2001, the City rezoned our NWC property from Industrial to Public Facility stating in the Planning and Zoning report that there were no plans for a future park given the defeat of the bonds.

Discussion

More recently, in 2017, the Planning Division received a request for a minor general plan amendment to change the land use character of the 27 acres at the *southwest corner* (SWC) of Recker and Thomas Roads from a Mixed-Use Activity to a Neighborhood designation along with a rezone request for medium density residential. Concerns for the rezoning were expressed by Falcon Field Airport staff and the Economic Development Advisory Board due to airport noise, and, if the request were approved, it would have eliminated commercial uses to support the area. Falcon Field’s concerns were due to: 1) the SWC property’s alignment with the two runways and the location within the 55 Day-Night Average Sound Level (DNL); and 2) airplane takeoffs flying directly over the SWC property and landings lined up with the runway right over the SWC property.

City staff felt that a residential use was not appropriate at the SWC of Recker and Thomas, so the City entered into discussions with the developer to possibly trade their property with the City-owned property located at the NWC of Recker and Thomas Roads. The City-owned NWC property is not located within Falcon Field’s 55 DNL noise contours and was deemed more appropriate for residential use.

The City appraised the NWC property in May 2018. The appraised value included the entire parcel with 132.54 acres. The appraiser anticipated a residential density of 3 to 3.5 dwelling units per acre and did not deduct the acreage for the City-owned sewer lift station, the non-developable Nammo buffer along the north property line, and undevelopable acreage due to the topography of the site. The appraised value was provided at \$25,500,000.

In August 2018, the City had a second appraisal performed on the NWC property that took into consideration restrictions which included: 1) a 588 feet Nammo buffer along the north property line; 2) 2.7 acres of retained land for the sewer lift station; 3) a reduction of developable acreage to approximately 94.57 acres, due to topography; and 4) the residential density was reduced to 2 dwelling units per acre. With these development restrictions, the appraised value lowered to the amount of \$15,600,000.

The land trade did not move forward, as the City and developer could not reach agreement on the value of the property, as the developer’s appraisal was \$8,625,000. Although unsuccessful with a land trade, City staff did receive multiple inquiries from residential land brokers and developers seeking an opportunity to purchase the City-owned NWC property. City staff presented a land auction process to the City Council in January 2019 and received direction to proceed.

A land auction was held on March 21, 2019 at the Mesa Convention Center. Blandford Homes and Toll Brothers were the registered bidders at the land auction. A cashier’s check in the amount of \$250,000 was required to bid with an opening bid starting at \$15,000,000 and could increase in \$50,000 increments. The highest bidder was Blandford Homes with a bid of \$21,100,000. Pursuant to the terms

of the sale, the highest bidder was required to deposit into escrow 5% of the bid amount as earnest money. The \$250,000 amount was applied toward the earnest money. On Tuesday, March 26, 2019, Blandford Homes, aka Desert Vista 100, LLC, returned the signed Purchase and Sale Agreement and Escrow Instructions and wired an additional \$805,000 for the earnest money into escrow.

Should the City Council accept the highest bid and authorize the City Manager to execute the Purchase and Sale Agreement, a 12-month feasibility period will commence with a closing deadline of 15 months from the opening date of escrow. Earnest money goes hard after the 12-month feasibility period. The City Manager, in his sole discretion and upon Buyer's written request, may extend the closing deadline for a period not to exceed thirty (30) days per extension with a maximum of three (3) extensions. Blandford Homes, aka Desert Vista 100, LLC, will have a maximum of 18 months to go through a public participation process and obtain approval of all their entitlements by the Planning and Zoning Board and the City Council in order to close.

While Blandford Homes, aka Desert Vista 101, LLC, is obtaining their entitlements, the City, the developer and the Red Mountain Ranch residents will work together to use some of the sale proceeds to distribute recreational amenities within the project site, at the Red Mountain HOA Park, as well as more active recreational uses like soccer fields and/or pickle ball courts in other northeast Mesa City-owned parks and recreation locations.

Alternatives

An alternative is to reject the bid. This is not recommended because the sale of the property would not proceed in which the City retains the property and would not have funds to distribute park amenities throughout northeast Mesa.

Fiscal Impact

If the City Council accepts the highest bid of \$21,100,000, at least \$4,026,000 would need to be reinvested in City parks as the property was purchased with GO bonds earmarked for recreational uses.

Coordinated With

The Development Services and Engineering Departments and City Attorney's Offices concur with this recommendation.