



City Council Report

Date: December 9, 2019
To: City Council
Through: Kari Kent, Assistant City Manager
From: Beth Huning, City Engineer
Rob Kidder, Assistant City Engineer
Subject: Sale of a portion of the City-owned property located at 10702 E. Elliot Road, (APN: 304-02-892), to the adjacent property owner, as part of a Land Exchange for a new well site.
Council District 6

Purpose and Recommendation

The purpose of this report is to consider staff's recommendation to sell a portion of City-owned property located at 10702 E. Elliot Road, (APN: 304-02-892), to the adjacent property owner, as part of a land exchange for a new well site.

Background

The 2018 Water Master Plan identified the need for 11 million gallons per day (MGD) of additional well flow by 2028 to serve the growing demands in Southeast Mesa. More well sites are needed to provide system redundancy as water demands increase in Southeast Mesa. The City owns a parcel that has existing Desert Well 13 (DW13) located on the parcel's eastern side. It was acquired in 1996 for \$30,400 from Whane of Mesa (WHANE). The remaining western half of the parcel was originally planned to be used for a reservoir and pump station. This is no longer needed since the construction of the new Signal Butte Water Treatment Plant. In addition, wells need to be spaced certain distances apart to limit impacts from groundwater drawdown. The unused half of the existing site cannot be used to drill another well because it is immediately adjacent to DW13 and does not meet the distance requirements.

City staff have been searching for alternative sites that meet the separation requirements. As part of the widening of Elliot Road, additional right-of-way was required from the WHANE parcel. During discussions with WHANE for the acquisition of right-of-way, WHANE approached the City with an option to exchange some of his adjacent property for a future City well for the west half of the DW13 site. City staff determined if they had a similar size site that met the criteria that they would be willing to exchange for half of the DW13 site.

The owner does have a site available that met the distance criteria and was willing to consider an exchange. Appraisals were obtained to establish relative values. After review of these appraisals, staff recommend exchanging the west half of the DW13 site for the new well site parcel and a new 20-foot waterline easement that will allow the new well site to be connected to the existing well collection system.

Discussion

Discussions regarding a land exchange were started approximately two years ago between WHANE (the adjacent landowner) and the City of Mesa. The land exchange would combine the west half of DW13 parcel with WHANE's adjacent parcel. The City, in turn, would receive a portion of WHANE's parcel along the north property line for the future City well site.

In mid-2018, the City was still researching and considering a land exchange with WHANE when WHANE was approached by a developer interested in purchasing a large portion (80 +/- acres) of the WHANE property for a data center. Since this time, WHANE has sold the 80 +/- acres to Raging Wire but retained a portion of the land for the potential land exchange with the City. Raging Wire has granted the City a waterline easement as well as an ingress and egress easement as part of their closing with WHANE, contingent on the land exchange being approved.

An appraisal was prepared for both the City's parcel and the WHANE parcel, including the waterline easement. The appraiser valued the WHANE parcel at \$135,000 (22,500 s.f. x \$6.00/s.f.) for the well site land (0.83 acres) and \$45,000 (17,823 s.f. x \$2.50/s.f.) for the waterline easement (0.41 acres) for a total of \$180,000. The west 10 feet of the 20-foot waterline easement was valued at \$0 due to an existing 30-foot SRP overhead power easement over the west 10 feet. The appraiser also valued a portion of the future well site parcel that is encumbered by the existing 30-foot SRP power and high voltage line easement at \$0. The west half of DW13 (0.58 acres) was valued at \$180,000 (25,495 s.f. x \$7.00/s.f.). Based on the appraised values, the land has an equivalent exchange value.

The proposed WHANE site has been reviewed by and considered an appropriate location for a well site by City's hydrogeologic consultant, Clear Creek, because, of its distance from other well sites and its proximity to a 30-inch well collection line.

The excess land in DW13 has limited value to Water Resources or the City for use as another City facility. The City can turn a non-producing asset into a well site asset for Water Resources at no additional cost and without the use of capital funds for acquisition of land. Exchanging the unused portion of the DW13 site for the new well site parcel saves the City \$180,000 in capital funding that has been set aside to be used to purchase other future well sites.

Alternatives

An alternative is to not exchange this parcel. Choosing this alternative will result in the City having to find another usable site.

Fiscal Impact

There is no additional fiscal impact to this request.

Coordinated With

The Engineering and Water Resources Departments concur with this request.